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See Corr. following

COMMITTEE OF ECONOMIC ADVISERS

THE ECONOMIC OFFENSIVE OF THE SINO-SOVIET BLOC

SEVENTH REPORT BY THE
SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

Note by the Chairman of the Sub-Committee

Attached is the Seventh Report on the Economic Offensive of the Sino-Soviet Bloc, covering the period from 1st January, 1961 to 30th June, 1961. This report has been prepared by the Economics Directorate on the basis of information provided by delegations. It has been considered in the Sub-Committee on Soviet Economic Policy and account has been taken of comments made and amendments suggested by delegations. The report is now submitted for examination by the Committee of Economic Advisers, which may decide, as in the case of previous reports, to transmit it to the Council.

2. The report is as usual presented in two parts:

- (i) a general description of the main developments of the economic offensive and relevant statistics;
- (ii) at annex a more detailed analysis by country of the Sino-Soviet bloc activities in the less-developed countries of the free world.

3. During discussions on the report in the Sub-Committee, several delegations expressed the wish that consideration should be given to ways and means of making positive use of these half-yearly reports with a view to countering the Sino-Soviet economic offensive. It was agreed that this policy question should be examined directly by the Committee of Economic Advisers. Some delegations also suggested that it might be desirable to submit a summary report to the Council at Ministerial level.

(Signed) A. VINCENT

OTAN/NATO,
Paris, XVIe.

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SEVENTH REPORT ON THE ECONOMIC OFFENSIVE OF THE SINO-SOVIET BLOC
(from 1st January, 1961 to 30th June, 1961)(1)GENERAL PART

The economic offensive appears as one of the most important means used by the Sino-Soviet bloc in its overall strategy to enhance its influence in the less-developed areas of the free world. It has made further progress during the first half of 1961 in aid and trade. Extension of financial aid, implementation of economic and technical assistance programmes, promotion of trade and provision of military equipment, remain the principal means by which bloc countries seek to extend their influence in what they consider the weakest spots of the free world.

I. ECONOMIC AID(a) Credits extended

2. During the six months' period under review, at least \$484.7 million credits and grants have been extended by the bloc, bringing the total of economic credits and grants pledged by the bloc since January 1954 to about \$4 billion. Despite the relatively low levels of credits extended during the first six months of 1961, it nevertheless appears likely that the 1961 total of new economic credits and grants will be very close to the 1960 record figure of \$1.2 billion. Six-monthly totals of new credits and grants extended during the last two years have been as follows:

in million US \$

1959		1960		1961
First half	Second half	First half	Second half	First half
316	578	727	493	485

3. The most recent additions to the list of countries accepting economic aid from the Sino-Soviet bloc are of a size in which even small amounts can have a considerable economic and political impact. For instance, Mali, which received \$56.9 million in credits has a population of only 4.1 million inhabitants(2), so that the newly-extended credits represent about \$14 per head; the Somali Republic, which received \$57.9 million, has a population of 1.9 million inhabitants(2), and the new bloc credits represent \$30 per head. These amounts are all the more impressive if compared with the extremely low per capita income in those countries.

(1) See Sixth Report C-M(61)68, dated 18th July, 1961.

(2) 1960 - "Monthly Bulletin of Statistics - United Nations."

The importance of taking account of the size and population of the recipient country is clearly demonstrated by a comparison with India, where the total bloc credits extended by mid-1961 reached about \$940 million, the largest amount extended so far by the bloc to a single country, but representing only \$2 per inhabitant, or about 0.3% of India's national income.

(b) Drawings

4. Sino-Soviet bloc economic aid, which was started in 1954, has now entered a stage of more intensive implementation, making use of the considerable backlog of outstanding credits and grants that had accumulated over the years. Out of a total of about \$3.6 billion economic credits and grants extended, not more than \$725 million had actually been drawn by the end of 1960. During the first six months of 1961 the rate of drawings was considerably stepped up: \$150 million against \$185 million for the whole of 1960. By the end of June 1961 some \$875 million had been drawn from a total of slightly more than \$4 billion so far extended. It can reasonably be expected that during 1961, as a whole for the first time more than \$300 million of economic aid will be actually drawn. This would mean an increase of more than 50% over the highest annual drawings so far recorded. Chart I, page 15, shows the economic credits and grants extended during each year, and also the yearly drawings from accumulated credits and grants.

5. Although a considerable backlog of loans extended at earlier dates had so far not been utilised, a number of additional new credits have been extended to certain of these same countries to cover additional new projects. Most of the new grants and credits were, however, extended to countries recently opened up to Sino-Soviet economic assistance (Cuba, Guinea, Ghana) or accepting such assistance for the first time (Mali, Pakistan, Somali Republic).

(c) Types of projects covered by bloc aid

6. The bloc continues to extend aid mainly for the expansion of industry, for multipurpose projects such as flood control, irrigation, land reclamation and hydro-electric power, and, to a lesser extent, for rail and road construction, mineral surveys and exploitation, and technical assistance in various fields.

7. During recent months, however, the Soviet bloc has devoted special attention to civil aviation and has intensified its air-links with underdeveloped countries. The establishment and operation of national airlines with bloc assistance, and the delivery of aircraft by the bloc to various underdeveloped countries of the free world are additional evidence of the particular interest of the bloc in this field.

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8. The exploration for and development of oil resources in underdeveloped countries remains a favourite sector for bloc competition with the West.

(d) Political links and conditions of bloc financial assistance

9. The credits extended during the period under review were granted under the general lines of previous practice: long-term (usually 12 years), low-interest (generally 2½%) or even interest-free loans (as in the case of loans from Communist China).

10. Only in a few cases has the USSR entered into specific arrangements for repayment of these credits by the export of indigenous products, but in practice there is nothing to stop large quantities of indigenous products being used to repay Soviet credits, even if it has not been pre-arranged. In most cases the underdeveloped countries make repayment by crediting a special account with sums in local currency; the resulting balance, although often theoretically convertible, can be used by the USSR to buy local products, if she so wishes, and from information so far available, it seems that the Soviet government would regard this as the normal method of finally liquidating the debt. There are exceptions, however, notably Iraq(1). This practice leads to large quantities of indigenous product being diverted spasmodically from the traditional markets to repay Soviet credits. While this may do no more than absorb surplus production in certain cases, the experience of Egypt and perhaps also Indonesia suggests that the risk remains that the Soviet assistance programme will result in less-developed country exports of goods that might well have been sold to free market buyers, thus tending, over a period of time, to induce dependence of these countries on bloc trade. The problem to be faced is one of some consequence since the possibility of repayment through exports of indigenous products is making Soviet credits especially attractive to poor countries.

11. For the first time, the Soviet authorities have openly admitted that the extension of financial assistance might, in certain circumstances, be directly related to the political attitude of the recipient country(2). It has been reported that the USSR's Ambassador in Pakistan, on the occasion of the extension of a credit of \$30 million for petroleum exploration to that country, stated that larger amounts of financial aid could be readily made available to Pakistan if that country pursued a policy of non-alignment. This declaration has provoked strong reactions in that country.

(1) Sec AC/89-WP/83

(2) Inside the Communist camp, however, past experience has shown that the Soviet Union does make use of financial assistance extended as a means of exerting pressure on the political attitude of the recipient country. The USSR suspended economic development aid unilaterally to Yugoslavia in 1958, and, more recently, the same has happened to Albania. According to some reports, similar pressure has been used, although in a much more discreet way, against Iran (CENTO) and Thailand (SEATO).

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(e) Sino-Soviet bloc aid by donor country

12. The following table shows the distribution of bloc economic aid among the Sino-Soviet countries:

RELATIVE SHARE OF THE SINO-SOVIET COUNTRIES IN THE EXTENSION OF BLOC ECONOMIC ASSISTANCE TO THE COUNTRIES OF THE FREE WORLD OUTSIDE EUROPE

Donor Country	% of each donor country in the total amount extended				Total amount extended from 1 I 54 to 30 VI 61 in mill.US \$
	From 1 I 54 to 31 XII 59	in 1960	From 1 I 61 to 30 VI 61	From 1 I 54 to 30 VI 61	
USSR	79	69	48	74	2,971
European satellites	15	19	28	17	675
Communist China	6	12	24	9	374
TOTAL	100	100	100	100	4,020
Total amount extended in million US \$	2,315	1,220	485	4,020	

13. The importance of Communist China as a source of aid continued to show a tendency to increase during the period under review, mainly due to the large credit extended to Burma. Communist China had extended by mid-1961 about \$375 million credits and grants to free world countries. The bulk of this Chinese aid is concentrated on five Asian countries: Burma, Cambodia, Ceylon, Indonesia and Nepal. In Burma, Cambodia and Nepal, Communist Chinese assistance has now largely exceeded economic aid provided by the USSR, and in Ceylon Communist Chinese aid nearly equals Soviet aid. Outside the South-East Asian area, where Communist Chinese economic assistance is apparently extended to governments which are accepting large-scale free world aid, economic aid by Communist China has generally been concentrated on a few selected countries which have already strong economic ties with the bloc: in Latin America - Cuba; in Africa - Guinea; and in the Middle East - the Yemen(1). The establishment in Peking in early May 1961 of a bureau for economic relations with foreign countries, which will presumably administer foreign aid and technical

(1) By the end of September 1961, Ghana and Mali were added to this list

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assistance programmes along the lines similar to those already used by the Soviet State Committee for Foreign Relations, seems to indicate that Communist China is envisaging the extension of economic assistance as a permanent part of her foreign policy.

14. The role played by the European satellites in bloc economic assistance has also increased since 1960. By the middle of 1961, the share of the European satellites in overall bloc financial assistance was proportionally higher in the case of the African countries than in any other part of the world. Some of the newly-independent African countries seem to be more receptive to aid coming from European satellites (especially Czechoslovakia) than from the Soviet Union, and the former have often acted as the spearhead of the bloc economic offensive in Africa. This method had already been used earlier (and has continued to be used) in the penetration efforts directed towards Latin American countries.

15. In order to improve the co-ordination of the bloc economic aid programmes, a special bureau has been set up in India charged with the co-ordination of the various Soviet bloc assistance programmes to be implemented under India's Third Five-Year Plan. The new procedure should profit both the donor and the recipient countries. This may be further evidence that the bloc is constantly trying to improve its framework for economic penetration in the underdeveloped countries of the free world. The previous report has drawn attention to this particular point(1).

II. MILITARY ASSISTANCE

16. As at 30th June, 1961 about \$1.2 billion worth of military equipment had been delivered under some form of aid: credits, grants or discounts. This may be compared with approximately \$875 million total drawings by mid-1961 of the total bloc credits and grants extended for economic purposes.

17. The only new military aid agreement that was signed during the period under review was between Czechoslovakia and Mali for an undisclosed amount, but arms shipments to Indonesia and Cuba continued on a large scale during the first six months of 1961. A protocol signed in June 1961 added another \$75 million credit to the military aid agreement of \$250 million concluded in December 1960 between the USSR and Indonesia. The apparent discord between the UAR and the USSR had not affected further arms deliveries.

(1) See C-M(61)68, paragraph 15

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18. In Africa part of the sales and deliveries of weapons were probably destined for governments of third countries, or for dissident groups fighting in various areas of the African continent. Here again, by world standards the amounts of military equipment delivered may be rather small, but they have politically and militarily more importance than would appear from the amounts extended in view of the size of the beneficiaries and their involvement in African affairs.

19. By mid-1961, the bloc had entered into agreements to provide ten underdeveloped countries with about \$2 billion worth of military supplies and equipment. The principal beneficiaries are Indonesia, the UAR, Iraq and Afghanistan; when the downpayments are deducted from the value of the supplies and equipment, the amount of financial aid extended by the bloc since September 1955 totals about \$1.8 billion. Financial aid in the form of grants and discounts represents about \$0.5 billion, and aid in the form of credits amounts to approximately \$1.3 billion. At the end of June 1961, all but about \$600 million worth of military items had been delivered. The following table gives a country breakdown of military grants and credits extended up to mid-1961.

BLOC MILITARY CREDITS AND GRANTS
(from 1955 to 30th June, 1961)

(million US \$)

Country	Amount
1. Indonesia	580
2. UAR	440 - 480
3. Iraq	188
4. Cuba	40 - 50
5. Afghanistan	38
6. Yemen	17
7. Guinea	1 - 5
8. Morocco	4
9. Sudan	less than 1
10. Mali	?
TOTAL	1,310 - 1,360

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III. TECHNICAL ASSISTANCE

20. The spectacular increase in the number of bloc technicians in the underdeveloped countries is yet another illustration of the increased rate of implementation of the economic aid programmes. The number of bloc economic and military technicians present in the underdeveloped countries for a period of one month or more, and excluding personnel engaged solely in commercial activities, reached a record figure of 9,685 during the first six months of 1961. This represents an increase of 1,885 over the comparable figure at the end of 1960, or 24% over the previous six months' period.

(a) Civilian technicians(1)

21. This increase is even more rapid if civilian personnel only are considered. At the end of 1960 they numbered about 6,440, and by mid-1961 8,155. Although the pattern of their distribution according to origin has not been altered (about two-thirds come from the USSR, one-sixth from the European satellite countries, and one-sixth from China), their geographical distribution shows that the bulk of the experts from the European satellites is occupied in Africa, where their numbers by mid-1961 equalled that of technicians from the Soviet Union. The Soviet experts are at work in eighteen countries, where they are generally grouped in numbers exceeding 100. Technicians from the satellite countries are much more thinly spread over twenty-one countries, while Communist Chinese experts and labourers are at work in only five countries: 1,000 in the Yemen, 240 in Cambodia, 150 in Guinea, 15 in Nepal and 10 in Ceylon.

(b) Military advisers

22. With the resumption of large-scale military aid agreements during the second half of 1960, the number of military advisers started to rise again. During the first half of 1961, 1,530 bloc military personnel were reported to be at work in underdeveloped countries. There has been a substantial decrease in the number of military technicians in the UAR, but this was more than offset by increases in Cuba, Indonesia and Iraq, and by the arrival in Morocco of 40 Soviet technicians to assemble MIG aircraft.

(c) Scholarships and training in bloc countries

23. Programmes for training nationals of underdeveloped countries of the free world in military, academic and technical fields were started by the Sino-Soviet bloc at the beginning of 1955 for military personnel and in early 1956 for academic and

(1) See Chart II, page 1, and Table III, page 2.

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technical students and trainees. By mid-1961 the cumulative total of nationals of underdeveloped countries who had completed, or were pursuing, studies in bloc countries had reached 14,745; of this total there were 5,270 military trainees, 4,915 academic students and 4,560 technical students. This represents an overall increase during the first half of 1961 of over 25% as compared with the total reached by the end of 1960.

19. Military personnel came from eight underdeveloped countries, of which Indonesia (1,910), Egypt (1,455), Afghanistan (710) and Syria (630) provided the largest numbers. Iraq, Cuba, Guinea and the Yemen sent the rest. More than half of this total went to European satellite countries, and the rest (47%) to the Soviet Union.

20. Academic students trained in the bloc came from 38 different underdeveloped countries of the free world outside Europe. Iraq (1,070), the UAR (1,030), Indonesia (550), Guinea (400), Cuba (395) and Ghana (215) have sent the largest numbers. Sixteen Latin American and twelve African countries have been sending nationals for academic training in bloc countries. The bulk of academic training has so far been provided by the Soviet Union and, to a lesser extent, by European satellite countries. Communist China provides only a negligible number of academic scholarships.

20. A total of fourteen countries are making use of the technical training facilities provided by the Soviet bloc. By mid-1961 technical training had been extended mainly to Indian (1,170), Cuban (1,040), UAR (800) and Iraqi (540) nationals. The USSR plays host to most (64%) of the technical students; European satellites accounting for 24% and Communist China for 12% of the total. The bulk of the recent increase in the number of technical trainees came from Cuba, and by mid-1961 it was reported that Ghana was considering sending some 3,000 students for technical training to the bloc.

IV. TRADE

(a) Main trends

27. The trade of underdeveloped countries with the bloc has been expanding at a much faster rate than with the industrial countries of the free world. As a consequence, the bloc share in the world trade of the underdeveloped countries reached 8% in 1960, as compared with 7% in 1959, and not more than 3% in 1954. Total bloc trade with the underdeveloped countries in 1960 reached the record figure of \$2,717 million, representing a 20% increase over the 1959 figure, and more than three times the 1954 value of this trade(1). From the information so far available for the year 1961, it would appear that the rate of increase above the 1960 level will probably be maintained.

(1) See Chart III, page 19

28. The bloc exports and imports expanded at about the same rate and the increase resulted rather from the growth in volume of commodities exchanged than from price or seasonal fluctuations. The USSR, the European satellites and Communist China participated equally in the rate of increase. The European satellites' share in the total bloc trade continues to represent almost one-half, that of the USSR more than one-third and that of Communist China about one-sixth of the total bloc trade with the under-developed countries.

(b) Recent developments

29. The pace of bloc trade with the underdeveloped countries accelerated throughout 1960 and during the second half of the year the rate of increase reached a figure 25% above that for the same period of the previous year. This increase resulted mainly from the reorientation of Cuban trade and from the rapid growth of bloc trade with a few African countries, amongst which Guinea, Ghana and Sudan played leading rôles. In Asia, bloc trade remained almost stable as compared with 1959. Some increases for Ceylon, Indonesia, Cambodia, Burma and Pakistan were largely offset by a reduction in bloc rubber purchases from Malaya. In the Middle East the slower rate of increase was mainly due to the fact that bloc trade with Egypt, which plays a major part, did not follow the general trend.

30. The following table indicates the fluctuations in bloc trade with underdeveloped countries in 1960 as compared with 1959:

Index of change by area in bloc trade with underdeveloped countries, based on trade in current prices

Area	1959 = 100		
	Total Trade	Bloc Exports	Bloc Imports
<u>All areas:</u>	<u>120</u>	<u>119</u>	<u>120</u>
Middle East	106	99	114
Africa	177	160	196
Asia	102	110	96
Latin America	193	200	186

31. By the middle of 1961, 220 commercial agreements were in effect between the bloc and the underdeveloped countries, which represents an increase of 16 over the number of agreements valid at the beginning of the year. Most of the new agreements were with African and Latin American countries. Mali, the Somali Republic and Togo signed trade agreements with the USSR, and

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Brazil, Cuba, Ghana, Sudan, Burma and Ceylon with the European satellites. Countries outside Europe which during 1960 conducted more than 10% of their total trade with the bloc are shown below:

<u>Country</u>	<u>Exports to the bloc as % of total exports</u>	<u>Imports from the bloc as % of total imports</u>
UAR - Egypt	45	25
Guinea	23	44
Afghanistan	30	30
Cuba	22	19
UAR - Syria	23	9
Cambodia	10	15
Indonesia	9	15
Sudan	15	9

V. SUMMARY AND CONCLUSIONS

32. It appears clear from the data summarised in previous paragraphs that the economic offensive of the Sino-Soviet bloc in less-developed countries of the free world is being pursued with increased vigour and is becoming more widespread. The fact that the rate of granting new credits for economic purposes had declined during the first half of 1961 should not be misinterpreted; it seems likely that the 1961 year total will nearly reach the 1960 annual figure. In any case, present lines of credit are more than sufficient to allow an increase in actual drawings in the years to come. In fact, such an increase is already taking place, and probably with it Sino-Soviet influence in economic affairs in those countries is more strongly felt. Military assistance in various forms remains at a high level and it seems worth emphasising that, if goods and services actually delivered under the loans and grants so far extended by the bloc are considered, Sino-Soviet aid for military purposes has significantly exceeded aid for economic development. At the same time, the number of bloc technicians in less-developed countries and the number of trainees of these countries in the Sino-Soviet bloc are increasing. So is trade between the bloc and the various developing areas of the free world.

33. No new feature appears in the technique of the Soviet economic offensive. The commonest device remains fairly long-term loans (12 years) at low interest rates (2½%). Repayment of imports in local products has also a great attraction for less-developed countries. The various members of the Sino-Soviet bloc continue to provide assistance to and enlarge their trade relations with these countries. The part played by the satellites of the USSR in the offensive continues to grow; so does that of Communist China. There are indications that bloc countries are making further efforts to co-ordinate better their action in this field.

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In this respect political divergencies between Communist China and the rest of the bloc have so far had no visible repercussions.

34. AS to the geographical distribution(1) of the Soviet efforts in the first half of 1961 the offensive has been directed mainly towards the new African states and Latin America, where Cuba has been reinforced as a basis for further penetration in that area. No major new developments are to be reported from Asia and the Middle East where the bloc has been mainly concerned with the consolidation of earlier gains. Cuba now appears heavily dependent upon Sino-Soviet sources, having received \$357 million of long-term economic loans (\$52.5 per head) and conducting nearly three-quarters of her trade with the bloc. In Africa, Guinea remains the favourite field of influence of Communist countries. Mali and the Somali Republic are the most recent additions to the list of free world countries accepting bloc economic assistance and Mali has also accepted major aid from Czechoslovakia.

CHART I: Sino-Soviet bloc credits and grants extended to and drawn by underdeveloped countries of the free world year by year from 1954 to 1960 and 1961 estimates.

CHART II: Sino-Soviet bloc technical assistance. Number of bloc personnel (experts, technicians and labourers) in free world underdeveloped countries outside Europe during six-month periods from 1956 to 30th June, 1961.

CHART III: Sino-Soviet bloc trade with the underdeveloped countries of the free world, 1954 to 1960.

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TABLE I: Sino-Soviet economic credits and grants extended to underdeveloped countries - 1st January to 30th June, 1961.

TABLE II: Sino-Soviet economic credits and grants extended to and drawn by underdeveloped countries of the free world; recapitulative totals - 1st January, 1954 to 30th June, 1961.

TABLE III: Bloc economic technicians in underdeveloped countries (January - June 1961).

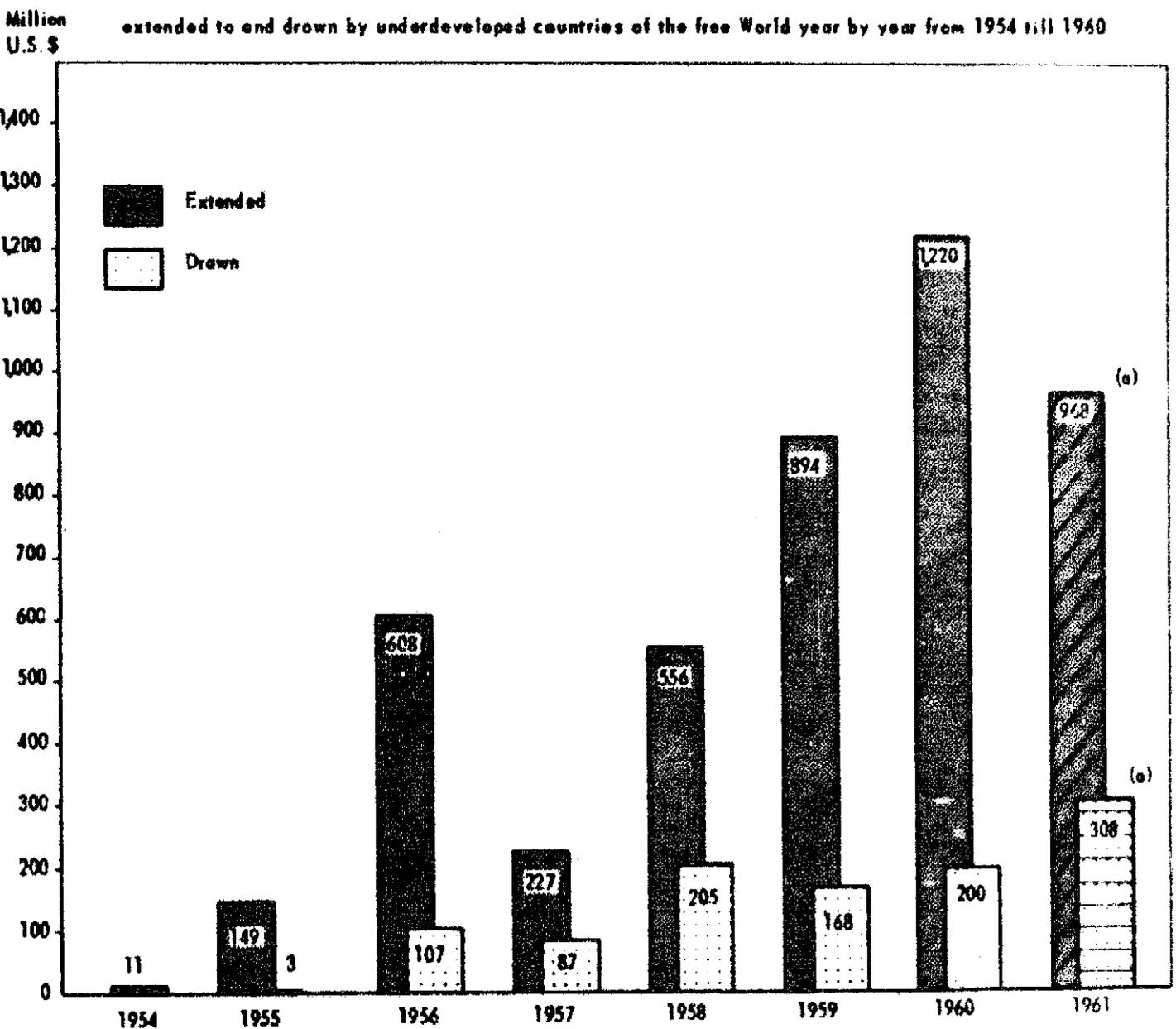
TABLE IV: Trade of ~~selected~~ underdeveloped countries with the Sino-Soviet bloc. Exports to the bloc (1958 - 1959 - 1960).

TABLE V: Trade of selected underdeveloped countries with the Sino-Soviet bloc. Imports from the bloc (1958 - 1959 - 1960).

(1) See detailed analysis by country at Annex

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CHART I
SINO-SOVIET BLOC ECONOMIC CREDITS AND GRANTS

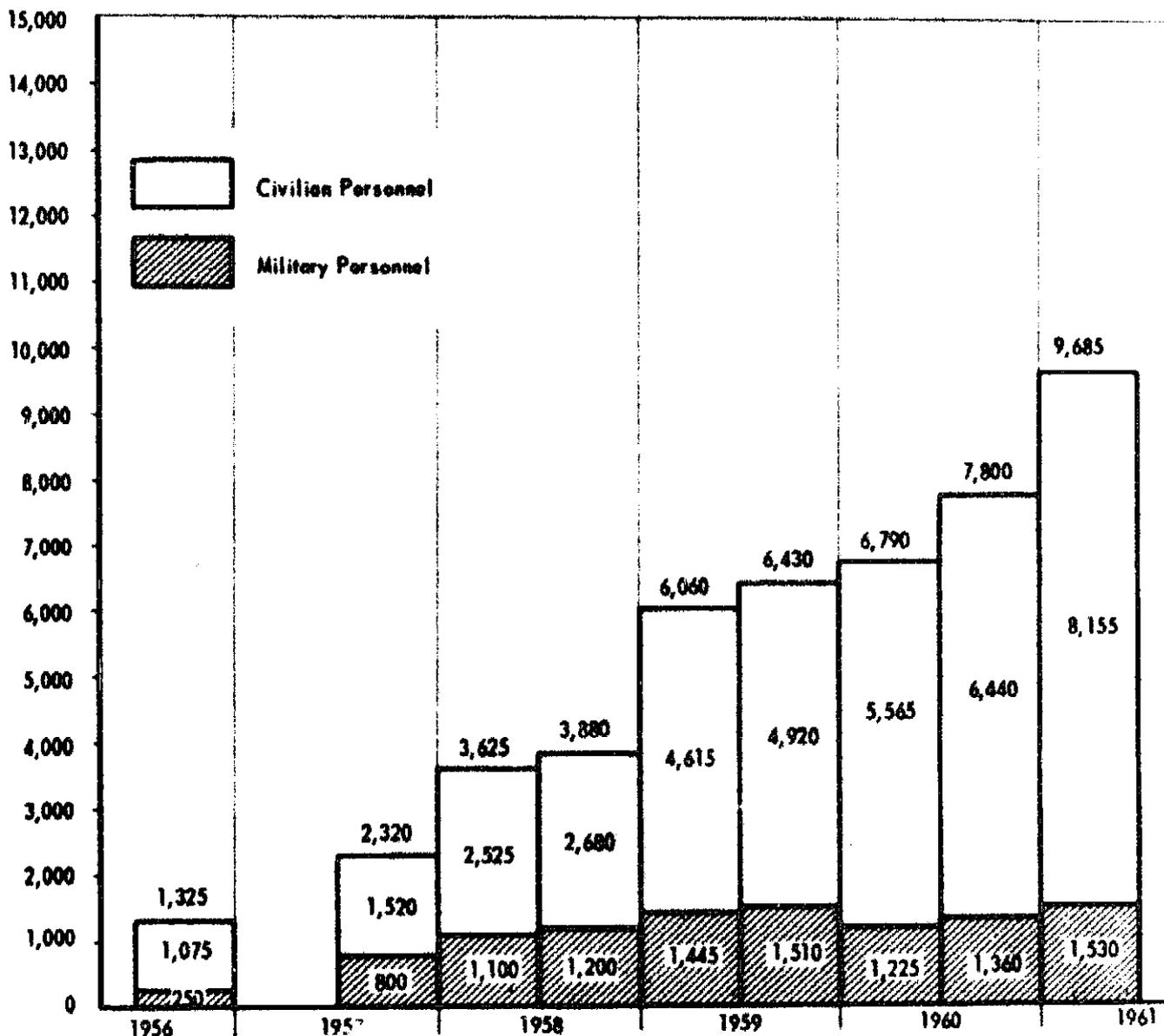


(a) Annual rate based on January-June 1961

CHART II

SINO-SOVIET BLOC TECHNICAL ASSISTANCE

Bloc personnel (Technicians, Experts and Labourers) in underdeveloped countries of the free World outside Europe (1)

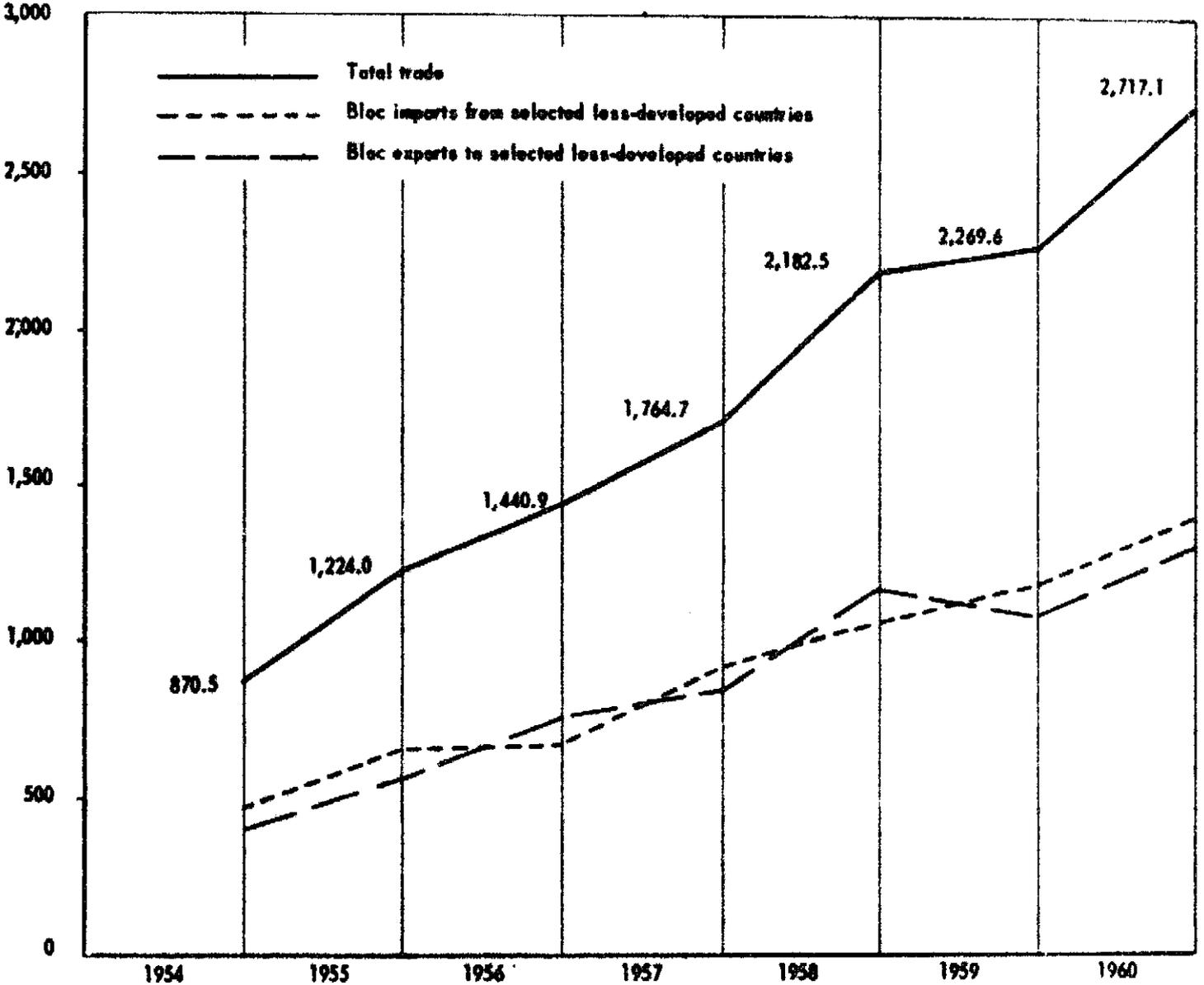


(1) Minimum estimates of bloc personnel in underdeveloped countries for a period of at least one month excluding personnel solely engaged in trade promotion on a 6 monthly basis.

CHART III

SINO-SOVIET BLOC TRADE WITH THE UNDERDEVELOPED COUNTRIES OF THE FREE WORLD

Million U.S. \$



Figures for 1961 not available.

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TABLE I

SINO-SOVIET ECONOMIC CREDITS AND GRANTS EXTENDED TO UNDERDEVELOPED COUNTRIES

(1st January - 30th June 1961)

<u>Area and Recipient Country</u>	<u>Amount in million US \$</u>		<u>Purpose</u>
	<u>Total</u>	<u>Amount by Donor Country</u>	
<u>Middle East</u>			
UAR (Egypt)	17.9	12.2 Czechoslovakia 5.7 East Germany	Power generating equipment Municipal Public works
<u>Total Middle East</u>	17.9		
<u>Africa</u>			
Ghana	35.0	14.0 Czechoslovakia 7.0 Hungary 14.0 Poland	Industrial equipment Economic Development Economic Development
Guinea	6.0	6.0 USSR (grant)	Hospital
Mali	56.9	44.4 USSR 12.5 Czechoslovakia	Economic Development Economic Development
Somali Republic	57.9	52.3 USSR 4.2 Czechoslovakia 1.4 " "(grant)	Economic Development Economic Development Technical School
<u>Total Africa</u>	155.8		
<u>Asia</u>			
Burma	84.0	84.0 Communist China	Economic Development
Indonesia	85.0	30.0 Communist China 50.0 Rumania 5.0 Bulgaria	Textile Installations Petroleum Production
Pakistan	30.0	30.0 USSR	Petroleum Exploration
<u>Total Asia</u>	199.0		
<u>Latin America</u>			
Cuba	112.0	100.0 USSR 12.0 Poland	Nickel industry Economic Development
<u>Total Latin America</u>	112.0		
<u>GRAND TOTAL</u>	424.7		

- TABLE III -

BLOC ECONOMIC TECHNICIANS IN UNDERDEVELOPED COUNTRIES (a).
(January - June 1961)

Area and Country	USSR	European (b) satellites	Communist China	Total bloc
MIDDLE EAST	1,335	440	1,000	2,775
1. Iran	0	70	0	70
2. Iraq	320	160	0	480
3. Egypt	500	130	0	630
4. Syria	365	50	0	415
5. Yemen	150	30	1,000 (c)	1,180
AFRICA	745	745	150	1,640
6. Ethiopia	100	20	0	120
7. Ghana	200	5	0	205
8. Guinea	430	620	150	1,200
9. Mali	0	45	0	45
10. Morocco	5	0	0	5
11. Somali Republic	0	5	0	5
12. Tunisia	10	50	0	60
ASIA	2,605	300	265	3,170
13. Afghanistan	1,775 (c)	135	0	1,910
14. Burma	25	0	0	25
15. Cambodia	50	20	240	310
16. Ceylon	25	10	10	45
17. India	580	60	0	640
18. Indonesia	110	70	0	180
19. Nepal	40	0	15	55
20. Pakistan	0	5	0	5
LATIN AMERICA	425	145	0	570
21. Argentina	0	50	0	50
22. Brazil	0	10	0	10
23. Chile	0	5	0	5
24. Cuba	420	80	0	500
25. Ecuador	5	0	0	5
TOTAL	5,110	1,630	1,415	8,155

(a) Minimum estimates of personnel present for a period of one month or more. Personnel engaged solely in commercial or military activities are excluded. Numbers are rounded to the nearest five.

(b) Including : Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Roumania.

(c) Including technicians and labourers.

TABLE II

SINO-SOVIET ECONOMIC CREDITS AND GRANTS EXTENDED TO AND DRAWN BY
UNDERDEVELOPED COUNTRIES OF THE FREE WORLD

Recapitulative totals

(1st January, 1954 - 30th June, 1961)

(in million US \$)

	Economic credits and grants extended(a)	Drawings (a)
T O T A L	4,131	875
MIDDLE EAST	1,067	258
Iran	6	6
Iraq	216	14
Egypt	622	136
Syria	179	75
Yemen	44	27
AFRICA	435	31
Ethiopia	114	4
Ghana	85	10
Guinea	113	17
Mali	57	0
Somali Republic	58	0
Tunisia	8	0
ASIA	2,054	452
Afghanistan	217	93
Burma	96	12
Cambodia	72	27
Ceylon	58	5
India	943	201
Indonesia	524	106
Nepal	41	5
Pakistan	33	3
LATIN AMERICA	464	23
Argentina	104	19
Brazil	4	4
Cuba	357	0
EUROPE	111	111
Yugoslavia	111	111

(a) Figures may not add up to totals because of roundings. They do not necessarily correspond to an addition of the new credits mentioned in Table I and those mentioned in earlier reports. Differences may result from the revision of figures given earlier.

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- TABLE III -

 BLOC ECONOMIC TECHNICIANS IN UNDERDEVELOPED COUNTRIES (a).
 (January - June 1961)

Area and Country	USSR	European (b) satellites	Communist China	Total bloc
MIDDLE EAST	4,335	440	1,000	2,775
1. Iran	0	70	0	70
2. Iraq	320	160	0	480
3. Egypt	500	130	0	630
4. Syria	365	50	0	415
5. Yemen	150	30	1,000 (c)	1,180
AFRICA	745	745	150	1,640
6. Ethiopia	100	20	0	120
7. Ghana	200	5	0	205
8. Guinea	430	620	150	1,200
9. Mali	0	45	0	45
10. Morocco	5	0	0	5
11. Somali Republic	0	5	0	5
12. Tunisia	10	50	0	60
ASIA	2,605	300	265	3,170
13. Afghanistan	1,775 (c)	135	0	1,910
14. Burma	25	0	0	25
15. Cambodia	50	20	240	310
16. Ceylon	25	10	10	45
17. India	580	60	0	640
18. Indonesia	110	70	0	180
19. Nepal	40	0	15	55
20. Pakistan	0	5	0	5
LATIN AMERICA	425	145	0	570
21. Argentina	0	50	0	50
22. Brazil	0	10	0	10
23. Chile	0	5	0	5
24. Cuba	420	80	0	500
25. Ecuador	5	0	0	5
TOTAL	5,110	1,630	1,415	8,155

(a) Minimum estimates of personnel present for a period of one month or more. Personnel engaged solely in commercial or military activities are excluded. Numbers are rounded to the nearest five.

(b) Including: Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Rumania.
 (c) Including technicians and labourers.

TABLE IV

TRADE OF SELECTED UNDERDEVELOPED COUNTRIES WITH THE SINO-SOVIET BLOC
EXPORTS TO THE BLOC (a)

Area and Country	1958		1959		1960	
	in million US \$	% of total exports (b)	in million US \$	% of total exports (b)	in million US \$	% of total exports (c)
MIDDLE EAST						
1. Iran	30.7	3.5	22.1	2.4	26.3(d)	
2. Iraq	0.1	0.2	6.1	1.0	3.4(d)	
3. Israel	6.9	4.9	5.2	2.9	3.8	
4. Jordan	0.9	10.2	1.0	11.5	1.1	
5. Lebanon	2.7	7.8	2.6	5.9	4.2(e)	
6. UAR - Egypt	220.8	46.9	227.9	51.4	244.0	45
7. UAR - Syria	36.9	31.4	12.4	12.4	19.9	23
AFRICA						
8. Ghana	1.1	0.4	6.2	2.0	24.5(f)	
9. Guinea	3.4	9.0	5.2	14.5	12.6	23
10. Morocco	14.1	4.1	14.4	4.3	16.0	
11. Sudan	8.7	7.0	14.4	7.5	30.1(g)	15
12. Tunisia	3.2	2.1	4.7	3.3	3.9	
ASIA						
13. Afghanistan(h)	12.6	20.7	20.0	25.1	20.0	30
14. Burma	8.8	4.5	5.7	2.6	6.3	
15. Cambodia	0.2	0.4	2.5	4.4	7.0	10
16. Ceylon	21.6	6.0	23.7	6.7	37.5	
17. India	74.4	6.1	110.4	8.4	114.6	
18. Indonesia	54.1	7.2	72.3	8.3	76.4(d)	9
19. Malaya and Singapore	119.4	7.3	201.6	10.4	143.4	
20. Pakistan	21.8	7.3	10.9	3.4	30.7	
21. Thailand	3.2	1.0	2.4	0.7	1.0	
LATIN AMERICA						
22. Argentina	63.7	6.4	54.2	5.4	61.1	
23. Brazil	45.8	3.7	55.4	4.3	71.4	
24. Colombia	1.9	0.4	2.7	0.6	8.1	
25. Cuba	17.7	2.4	16.5	2.6	140.0	22
26. Mexico	0.6	0.1	1.5	0.2	1.7	
27. Peru	0.6	0.2	0.1	..	0.1(f)	
28. Uruguay	29.4	21.2	24.7	25.2	13.4	
29. Venezuela	n.a.	..	0.9		n.a.	

NOTE: Footnotes are on the following page

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TABLE V

TRADE OF SELECTED UNDERDEVELOPED COUNTRIES WITH THE SINO-SOVIET BLOC
I M P O R T S F R O M T H E B L O C (a)

Area and Country	1958		1959		1960	
	In million US \$	% of total imports (b)	In million US \$	% of total imports (b)	In million US \$	% of total imports (c)
<u>MIDDLE EAST</u>						
1. Iran	39.1	9.5	37.1	7.0	14.7(d)	
2. Iraq	6.0	2.0	19.4	6.0	37.1(d)	
3. Israel	7.8	1.8	6.2	1.4	4.2	
4. Jordan	5.3	5.6	4.6	4.1	7.2	
5. Lebanon	7.7	3.3	8.9	2.8	10.1(e)	
6. UAR - Egypt	232.0	35.0	183.4	29.8	158.9	25
7. UAR - Syria	24.6	12.1	19.9	11.2	19.3	9
<u>AFRICA</u>						
8. Ghana	6.8	2.9	10.2	3.2	14.7(f)	
9. Guinea	4.4	8.0	9.0	18.1	22.0	44
10. Morocco	22.2	5.6	15.4	4.6	22.7	
11. Sudan	7.5	4.4	12.4	7.6	15.8(g)	9
12. Tunisia	2.7	1.7	4.2	2.7	6.7	
<u>ASIA</u>						
13. Afghanistan(h)	23.2	38.4	32.5	43.3	33.0	30
14. Burma	31.3	15.3	25.4	11.4	33.2	
15. Cambodia	5.4	7.2	6.2	9.4	14.4	15
16. Ceylon	33.8	9.4	36.4	8.6	32.4	
17. India	79.5	4.4	78.9	4.2	74.4	
18. Indonesia	47.3	9.2	69.2	15.1	79.3	15
19. Malaya and Singapore	85.1	4.8	73.1	4.0	63.9	
20. Pakistan	16.1	4.1	7.9	2.2	14.9	
21. Thailand(j)	3.1	0.8	3.1	0.7	5.4	
<u>LATIN AMERICA</u>						
22. Argentina	56.2	4.6	49.2	5.0	47.1	
23. Brazil	29.0	2.1	49.2	3.6	79.6	
24. Colombia	1.9	0.5	2.6	0.6	5.4	
25. Cuba(k)	2.0	0.3	1.5	0.2	90.0	19
26. Mexico	2.3	0.2	2.4	0.2	3.4	
27. Peru	0.9	0.3	0.8	0.3	1.3(l)	
28. Uruguay	10.3	6.8	15.6	9.8	15.0	
29. Venezuela	4.5	0.3	7.0	0.5	6.0(m)	

- (a) Data based on official trade statistics of the free world countries involved
- (b) Percentages calculated on the basis of total imports/exports as reported in "Direction of International Trade," Series T vol. XI N.9, Joint United Nations, IMF and IBRD publication.
- (c) 1960 totals not yet available. figures under this column are estimates.
- (d) Annual rate based on January-September 1960 figures
- (e) " " " " January-June 1960 figures
- (f) " " " " January-November 1960 figures
- (g) " " " " January-August 1960 figures
- (h) Afghanistan's trade figures are estimates
- (i) Cuban trade figures for 1959 and 1960 are estimates.
- (j) Annual rate based on January-October 1960 figures.

See Corr. following

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M I D D L E E A S T

IRAQ

1. Since October 1958, when a large arms deal was concluded between the USSR and Iraq, this country has received at least \$404 million credits and grants from the Soviet bloc, including \$188 million military aid, representing some \$58 per inhabitant. Trade relations with the bloc have been expanding rapidly, the European satellites becoming more important suppliers of equipment.

Aid

2. No new bloc commitments have been reported during the first half of 1961, but considerable progress has been made in the implementation of contracts to be executed under previous Soviet (\$137.5 million in March 1959, \$45 million in May 1960) and Czechoslovak credits (\$33.6 million in October 1960).

3. Of the thirteen projects listed in the original 1959 Soviet agreement, all but three are now in various stages of implementation. They include, amongst others:

- a pharmaceutical plant;
- a canning factory;
- cotton and wool textile mills;
- a garment-manufacturing plant;
- grain silos;
- the installation of automatic telephone exchange equipment in East Baghdad;
- a plant for extracting sulphur from natural gas near Kirkuk.

By the end of April 1961, two additional large contracts were signed under the 1959 Iraqi-Soviet aid agreement. The first covers the construction of an electrical goods plant (estimated cost over \$8 million) and the second an agricultural machinery plant. Iraq has also announced her intention to import \$1.4 million worth of oil-drilling equipment from the USSR, to be used in the Khanaqin area, where oil production is conducted by the Iraq Government. This equipment will presumably be paid for out of the 1959 credit.

4. A contract with the USSR was signed in February for the installation of a 2,000 kw. atomic research reactor at Shuwayfah, provided for by a special agreement on the peaceful uses of atomic energy originally signed in August 1959. Work on the Baghdad - Basra railway project, covered by a separate \$45 million credit agreement, with the USSR, concluded in May 1960, was started by mid-February 1961.

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IRAQ (contd)

5. Iraq has shown signs of impatience with the slow rate of implementation of projects, whilst at the same time encountering difficulties in organizing the reception of Soviet aid. During the visit of the Deputy Chairman of the USSR State Economic Planning Committee, Malakhov, which lasted for three weeks from the end of January 1961, it appears that Iraq insisted on, and obtained, a general reduction in costs of 8% to 15% on economic and technical aid projects to be implemented under the 1959 line of credit extended by the USSR.

6. The instruments of ratification of the Iraqi-Czechoslovak technical and economic co-operation agreement of October 1960 were exchanged on the 13th February, 1961. Preliminary studies on six out of the seven projects included in the October 1960 Czechoslovak credit agreement were delivered to Iraq by the end of February. By that date, contracts for two of these projects had been signed. Apparently, these projects had already been included in the three-year trade agreement of December 1958, under which Czechoslovakia undertook to provide complete plans for the oil industry, power stations and other industries; thus at least part of the credit extended in 1960 might be used for projects originally agreed upon in the 1958 trade agreement.

7. Arms shipments from the bloc continued during the period, including the delivery of sixteen MIG.19s in January.

Technical Assistance

8. During the first six months of 1961 about 765 bloc technicians were reported to be at work in Iraq, of which 285 were giving military instruction. The total of civilian technicians, two-thirds consisting of Soviet and the rest of European satellite nationals, is yet another sign of the increased rate of implementation of credits extended. About 110 Iraqis were receiving technical training in the USSR in connexion with various industrial plants supplied and military training of Iraqi personnel continued, with about 30 Iraqis leaving to attend courses in the USSR during this period.

Trade

9. More than 90% of Iraq's exports consist of crude oil, which is directed towards the free world. Exports to the bloc during 1960, consisting mainly of dates, totalled about £3.5 million representing less than 2% of total exports. Total imports from the bloc have been multiplied by six since 1958 to reach a total value of about £37 million in 1960, or roughly 10% of Iraq's total imports. The value of imports from the bloc has probably increased during 1961. Czechoslovakia remains Iraq's principal bloc supplier, accounting for about 60% of total Iraq imports from the bloc.

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IRAQ (contd)

10. The permanent Soviet industrial exhibition opened in Baghdad in November 1960 continued during the period under review, while at the same time a Polish trade exhibition was opened in Baghdad in February and a Soviet consumer goods exhibition in May.

UAR - EGYPT

11. In May 1961 a series of incidents in the political field created considerable friction between the UAR and the USSR, but these events did not lessen the bloc economic penetration efforts and deliveries of arms.

Aid

12. The European satellites extended new credits to the Egyptian region of the UAR totalling about \$18 million. The Egyptian Ministry of Municipal and Rural Affairs announced at the beginning of April 1961 the grant of a credit by East Germany valued at \$5.7 million, to be repaid in five years at 2½% interest, for the purchase of machinery and equipment for municipal and public utility projects. A Czechoslovak credit of \$12.2 million, to be repaid in eight years at 3% interest for the expansion of an electric power station has also been reported. On 23rd February, 1961, Poland signed her first technical aid agreement with Egypt. The amount of aid extended has not been disclosed, but it is understood that the object of this assistance is to improve the fisheries and harbours of the UAR, including research on the erosion of the Egyptian coasts, the establishment of vocational training centres for fishermen, and the purchase of modern fishing boats and equipment from Poland.

13. Although the work on the Aswan High Dam may be somewhat behind schedule, it is still too early to conclude that the project will not be finished approximately on time, barring unforeseeable and serious deterioration in political relations between Egypt and the USSR. An impressive number of ancilliary facilities have now been constructed, including repair and service installations, living quarters, warehouses, administration buildings, an airstrip, electrical installations, access roads and a sizeable amount of Soviet-built heavy equipment for both the first and second stages is at the construction site. An appendix has been added to the Soviet-Egyptian High Dam Agreement, calling for preparatory studies for a power line network between the Aswan High Dam and Cairo. In the original plans for the High Dam, this network and the power station were included in the third and final stage of the project.

14. The implementation of bloc aid projects has been continued and there have been some Press reports of contracts signed for an antibiotics plant and a coke and chemical plant. In order to determine the pattern of development of sources of raw materials and basic industries, geological and topographical surveys are being carried out in Egypt.

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UAR - EGYPT (contd)

15. New agreements have further increased the dependence of the UAR on the bloc for military supplies, and since January 1961 deliveries of MIG.19 jet fighters have begun, and deliveries of tanks and other military equipment have been resumed; so it would appear that the difficulties encountered which caused prolonged negotiations over a number of years have now at least been partly overcome, although no specific new major arms deal has been disclosed.

Technical Assistance

16. Out of the 630 civilian technicians reported to be at work in Egypt, by mid-1961 the largest single group consisted of 150 USSR technicians on the Aswan High Dam project. This number will probably increase further when work on the second stage of the Dam reaches its peak. In addition, about 245 bloc military technicians were reported to be in Egypt during the first six months of 1961.

Trade

17. Criticism of bloc trading practices seems to have been growing, especially in the cotton marketing circles, and importers are said to be more reluctant to take bloc goods, although the Government is encouraging such imports in order to utilise the trade receipts resulting from large bloc purchases of cotton. On the whole, the bloc share in Egypt's total trade fell from 39% in 1959 to 34% in 1960 as a result of the increase in Egypt's trade with non-bloc countries during 1960. Egyptian exports to the bloc in 1960 increased in absolute terms, but sales of cotton to the free world during the 1959/60 cotton marketing year rose at an even more rapid rate(1). As a result, the bloc share in total Egyptian exports declined from 52% in 1959 to 45% in 1960. Similarly, imports from the bloc in 1960 declined from 30% of Egypt's total imports in 1959 to 25% in 1960. No new trade agreements between the bloc countries and Egypt were announced during the current period. Communist China signed a third protocol to the 1958 trade and payments agreement. Egypt had trade and payments agreements in force by mid-1961 with all the Sino-Soviet bloc countries, with the exception of Albania, and including the Asian satellites, and trade talks were held in Cairo with high-level representatives of several bloc countries, including East Germany, Czechoslovakia and North Vietnam.

UAR - SYRIA

18. With a cumulative total of about \$307 million (including \$127.7 million military assistance credits) for a population of 4.6 million, Syria is the country to which the Sino-Soviet bloc has extended the largest amount of financial assistance per capita (over \$65), but the rate of implementation of the projects covered by these credits, with the exception of deliveries of arms, has been extremely slow.

(1) There are some indications that cotton purchases by the bloc during the September 1960/August 1961 marketing year have again increased and that, as a consequence, the relative share of the free world Egyptian cotton purchases has shown a tendency to decline.

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UAR - SYRIA (contd)

Aid

19. No new extension of bloc credits has been reported during the first half of 1961. Many of the Soviet projects under the \$150 million line of credit extended in October 1957 have not progressed beyond the planning stage. The only project so far completed has been the geological survey of Syria. The aerial photographers at work on a topographical map completed their work towards the end of April 1961. The Bulgarian firm, Techno-Export, acting as a sub-contractor for the USSR, announced the completion of the Rastan and Muhardah dams by the end of March and April respectively. These dams are part of the development programme of the Ghab valley, which is expected to be completed by 1962 and will eventually reclaim more than 30,000 acres of swamp, while providing 80,000 kw. hours annually electric power. Soviet personnel were reported to be installing an electric generating plant at the Rastan dam. This project under the 1957 credit agreement will cost \$1.4 million, and is to be repaid over a period of twelve years.

20. Of the \$2.8 million credit extended by Czechoslovakia at the end of December 1960, about \$0.35 million had been set aside at the beginning of 1961 for the purchase of 46 electric generators to be used in a village electrification project. In addition, Syria has purchased six electric generators, reportedly valued at \$0.14 million from East Germany on credit. At the end of June 1961 it was reported that Syria was considering a Hungarian offer to build a flour mill at Deir-es-Zor, and cold storage facilities for foodstuffs. In December 1960, Hungary extended a credit of \$16.2 million to the UAR, of which apparently about \$2.7 million was intended for Syria, and by the end of June 1961 Syria was conducting negotiations on the possible use of this credit. A butane gas plant, given by Czechoslovakia as part of the Homs refinery, was inaugurated in January 1961, but the fertiliser plant in the same town and the railway from Kameshly to Latakia are still in the planning stage.

21. The Federal Republic of Germany has indicated its interest in Syria's most promising project, the proposed Euphrates Dam, which had been under study for some time by the USSR (1).

Technical Assistance

22. Since the first half of 1959, when 735 civilian technicians and 265 military advisers coming from bloc countries were reported to be at work in the country, their numbers

(1) At the beginning of September 1961, it was reported that the USSR had withdrawn from the Euphrates valley project, which was to have been completed under the 1957 \$150 million credit. West Germany will extend a credit of \$125 million for this project, to be repaid over a period of twenty years, beginning in 1967, at 3.75% interest.

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UAR - SYRIA (contd)

have been declining to an estimated total of 415 civilian technicians during the first half of 1961; 125 of these civilian technicians were connected with the Ghab valley project on the Orontes River, and a similar number were engaged in topographical and geological surveys. In addition, about 235 military technicians were connected with training programmes related to the continued arms deliveries.

Trade

23. During 1960, Syrian exports to the bloc increased considerably as compared with the 1959 figures, while imports from the bloc declined slightly. In both cases, however, the 1960 figures are well below the record reached in 1958 (the USSR is the principal bloc trading partner of Syria), when 31% of Syrian exports went to the bloc and 12% of her imports came from the bloc.

YEMEN

24. The geographical situation of the Yemen and its strategic position on the lines of communication between Europe and Asia are probably the main reasons for the attention that the Sino-Soviet bloc is giving to this country. By mid-1960 about \$61 million (including \$17 million military assistance credits) had been extended by the Sino-Soviet bloc, representing about \$12 per head of population.

Aid

25. Although no new bloc credits have been extended to the Yemen in the first half of 1961, the bloc made significant progress in this country with the completion of the Soviet-built first deep water port in the Yemen, at Hudaydah, and the near completion by Communist China of an asphalt-surfaced road from Hudaydah to Sa'ana. The Soviet-built port is capable of handling ocean-going vessels in the 10,000-ton class, having a maximum draught of 29 feet. The port was officially opened on 2nd April, 1961, and its influence on the trade patterns and economic development in general is being increasingly felt. The opening of the new road built by Communist China, which will probably be completed in the near future, will reinforce the profound impression of new prosperity and progress that the business community is increasingly attributing to bloc assistance.

26. By the middle of March 1961 Soviet technicians had arrived in the Yemen to undertake a survey of the Hudaydah to Ta'izz road, which both the USSR and Communist China had apparently previously offered to build. No final agreement is supposed to be made until the survey is completed. The United States has also been active in the field of roadbuilding. In a relatively short time the Yemen has been provided with an

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YEMEN (contd)

appreciable economic infrastructure, built almost exclusively with foreign assistance.

Technical Assistance

27. About 1,200 bloc civilian technicians and labourers were reported to be at work during the first half of 1961, of which roughly 1,000 consist of Chinese workers engaged in road construction. The completion of the port at Hudaydah has reduced the number of Soviet technicians from about 300 to 150, and it is understood that about 50 will stay in the Yemen as technical advisers in charge of maintaining the 5.5 mile entry channel. There have been some reports that the Yemen authorities tried without success to obtain full control of the port facilities, which will still be kept under the supervision of Soviet experts. Most of the Yemeni trained in the USSR for the operation of the port seem to have now returned to their country. On the other hand about 20 students left by the end of 1960 for the USSR for medical and health training.

Trade

28. During the early months of 1961, the Yemen concluded trade and payments agreements with North Korea and North Vietnam. The Yemen is expected to export coffee, cotton, leather, and North Korea will supply machinery, chemicals and textiles. No details are available on the anticipated North Vietnamese trade with the Yemen. Trade patterns, which were starting to be affected at the beginning of 1960, are changing more rapidly now that the port is in full operation. The USSR has been supplying textiles, sugar, soap, matches and Primus stoves, basic items widely used by the population, while the USSR continues to take the majority of the Yemen's agricultural exports - coffee and hides. It is reported that the USSR has been pressing the Yemen to accept a barter agreement of Soviet petroleum products for cotton in an effort to displace the present Western suppliers of the Yemen's petroleum requirements.

OTHER MIDDLE EASTERN COUNTRIES

CYPRUS

29. There are indications that President Makarios still prefers to avoid bloc technical and financial aid, in spite of his statement in January that Cyprus was prepared to accept aid from any quarter. Although trade with the bloc increased slightly during 1960, it still represented less than 3% of the total foreign trade of Cyprus. Two barter deals concerning an exchange of Cyprus oranges for sugar from the USSR were concluded during the first half of 1961, and Hungary agreed to purchase 2,000 tons of Cyprus wines for which the country had encountered some difficulty in finding outlets.

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OTHER MIDDLE EASTERN COUNTRIES (contd)

IRAN

30. The standing Soviet offer to construct a steel mill, and provide other financial aid apparently continues to be based on the condition that Iran should withdraw from CENTO and renounce its bilateral agreement with the United States. There is no sign that the new government, which came into power in May 1961, will alter the previous Iranian line of conduct. Trade with the bloc during 1960 remained at about the same level as in 1959. Imports from the bloc showed a substantial decline in actual value, while exports increased slightly, representing by the end of 1960 about one-quarter of Iran's total exports, as compared with one-fifth in 1959, if petroleum exports are excluded.

A F R I C A

ETHIOPIA

31. The results of bloc economic activities have apparently not come up to their expectations raised by the extension in July 1959 of a \$100 million line of credit by the USSR. During the first half of 1961 the bloc appeared to shift the emphasis in its relations with Ethiopia from predominantly economic aid activities to cultural, diplomatic and political propaganda efforts.

Aid

32. In March 1961 the USSR presented a revised set of proposals for the petroleum refinery at Assab which raised estimated costs nearly threefold from the original estimates of March 1960. The government had accepted in principle the refinery proposed as a major project under the 1959 line of credit, but the revised cost estimates compared unfavourably with competitive Western proposals. By the end of April a new revision of the cost estimate was announced, this time more in line with the original proposal. Negotiations on this project were continuing.

33. The only other evidence of progress in implementing earlier bloc promises were the signature of a construction contract for the secondary school at Bahardar, to be built by the USSR as a gift, a contract signed with Czechoslovakia for the purchase of hospital equipment under the December 1959 Czech \$10 million credit, for which equipment has been arriving in Ethiopia during the first half of 1961, and the announcement that Czechoslovakia would build a plastic boot and shoe factory under the same Czech credit.

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ETHIOPIA (contd)Technical Assistance

34. In April 1961, protocols to the original 1959 cultural agreements with the USSR and Czechoslovakia were signed, specifying numbers of scholarships, teachers and students, cultural missions, sports delegations, theatrical companies and tourism groups to be exchanged during 1961. Ethiopia is to send Amharic radio announcers, translators, and teachers to work for a period of two years in Soviet institutions.

35. The number of Soviet bloc personnel in Ethiopia has trebled during the first six months of 1961, reaching 120. This considerable increase resulted mainly from the extensive surveys undertaken in the Assab area in connexion with the planned petroleum refinery for which about 100 Soviet technicians were reportedly at work during the period under review.

Trade

36. Trade between Ethiopia and the bloc is generally estimated to be small, probably less than \$4 million, representing under 2% of total Ethiopian trade in 1960.

GHANA

37. The Soviet Union apparently continues to regard Ghana an a primary target in Africa. During the first half of 1961, the bloc further expanded its influence in the country, as more financial assistance was received. Shipments of arms continue to be received, and some of the bloc arms shipped to Ghana have been funnelled to other African areas. By the middle of the year, over \$85 million credits had been extended by the bloc. Of these, about \$47 million came from the USSR, but in recent months the European satellites - Poland, Czechoslovakia, Hungary(1) - appeared to have been playing an increasingly important role in the bloc aid drive in this country.

Aid

38. On 20th April, 1961, Poland extended a \$14 million credit for industrial installations, including a steel foundry, a hand-tool plant, a farm implements factory, a charcoal plant, and various items of machinery for a sugar refinery, distilleries and steel works. It seems likely that a dye plant and a shipyard for the construction of power barges are also to be included in the list. The interest rate has been fixed at 3% and the credit is repayable within eight years.

(1) President Nkrumah's visit to Peking in August resulted in the conclusion between Ghana and Communist China of agreements on technical and economic co-operation, trade and payments, and cultural co-operation, Ghana receiving a loan of about \$20 million to be drawn between 1962 and 1967 and repayable in ten years, starting from 1971.

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GHANA (contd)

39. At about the same time, a credit of \$7 million to finance imports of factories, machinery and transport equipment was extended by Hungary. This credit bears a 2½% interest rate and is repayable over eight years. The Hungarian delegation in Ghana indicated that the amount might be doubled later to include such specific projects as a pharmaceutical factory, an aluminium cable factory, a light bulb factory, minor hydro-electric and thermo power stations, canning factories and flour mills, and the provision of diesel locomotives and railway coaches. This Hungarian credit, like the Polish one referred to in the previous paragraph, seems to be more in the nature of a commercial credit than a purely development one. It is the first time Hungary has extended economic aid to an African country.

40. By the end of May, Czechoslovakia signed an economic and technical assistance agreement providing for a \$14 million credit. Under the terms of this agreement, Czechoslovakia will provide technical assistance for the construction of hydro-electric power plants for four multi-purpose projects, several hospitals, a tannery, and various plants to produce sugar, ceramics, shoes, plywood, tyres. In June, contracts were signed with a Czechoslovak organization for technical surveys of various rivers in the Western region of Ghana to determine possible sites for power stations which Czechoslovakia would design. The Ghanaian Minister of Transport has contracted for two more IL-18 aircraft for Ghana Airways under the same credit facilities as the earlier purchases, payments being made over a period of eight years.

41. A technical assistance agreement with Communist China was reportedly under negotiation (see footnote to previous page).

42. Of the \$40 million line of credit extended by the USSR in August 1960, at least one-quarter had been drawn by mid-1961 and during the period under review shipments of arms continued to arrive in Ghana, reportedly to be supplied to dissident elements in other African countries.

Technical Assistance

43. All the above-mentioned newly-extended credit agreements provide for technical assistance. Polish, Hungarian and Czech experts are expected to arrive in Ghana. The increase of bloc personnel in Ghana is expected to continue. By the end of December 1959, thirty experts were reported to be present in the country. By the end of 1960, this number had grown to 120, and reached 205 by mid-1961.

44. The number of Ghanaian students trained in the bloc has been growing, although the announcement made at the end of 1960

GHANA (contd)

by President Nkrumah saying that Ghana would send 3,000 students to bloc countries during 1961 has so far not materialised. By mid-1961 about 250 Ghanaian students were reportedly studying in bloc countries, mainly in the USSR. It will be recalled that about 3,000 Ghanians are reported to be studying in free world countries.

Trade

45. Ghana's imports of goods from the bloc during 1960 increased to 4% of total imports (3% of total imports in 1959), cement and aircraft being the principal commodities concerned. The USSR plays an important role in the supply of aircraft and technical assistants for Ghana Airways.

46. Exports to the bloc during 1960 rose considerably as a result of the important purchases by the USSR of cocoa during the 1959/60 crop year, but the Ghana Cocoa Marketing Board has found that some of the bloc purchases had been resold in Western Germany. Exports to the bloc increased from 2% in 1959 to 7% of total exports in 1960. It seems, however, that during 1961 trade with the bloc will not increase at a rate comparable to that of 1960, since the bloc is apparently encountering considerable difficulties in breaking into the consumer market in the face of Western competition, except to some extent for sugar and frozen fish. The threat that traditional markets for Ghanaian cocoa might be influenced by bloc re-exports of this product will probably impede large-scale purchases of cocoa by the bloc.

GUINEA

47. Of all the African countries (1), Guinea is at present the one which has the closest economic ties with the Sino-Soviet bloc. She has received the largest amount of financial assistance (about \$118 million, representing about \$40 per inhabitant); she is playing host to by far the largest number of bloc technicians in any single African country; she is sending by far the largest number of African technicians and students for training in bloc countries (about 500); she is the only African country which has accepted extensive military aid from the bloc; and she is depending on her trade with the bloc to a much larger extent than any other African country.

48. The Sino-Soviet bloc continued to expand its activities in Guinea, apparently considering the country as a showcase for the benefit of the other African states. In order to avoid alarming other African countries, the bloc might well have imposed some self-restraint, leaving Guinea considerable independence of action.

(1) Egypt is considered as part of the Middle East

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GUINEA (contd)

President Sekou Touré repeatedly asserted the neutrality of Guinea, and indicated receptivity to an increased Western European and United States role in Guinea. This technique seems to be an inversion of the more usual African strategy, welcoming aid from the bloc both for its own sake and in order to stimulate the West to greater generosity.

49. All major bloc countries have been participating in the bloc economic offensive. The USSR has been providing more than half the total bloc financial assistance, but by mid-1961 the European satellites were still providing more than half the technical assistance personnel and were by far the most important bloc trade partners of Guinea. Communist China has shown increasing interest since 1960 in possible fields of economic penetration.

Aid

50. No new credits were extended to Guinea by the bloc during the period under review, but a number of grants estimated at about \$6 million were made, including Soviet equipment for a 500-bed hospital. Up to the end of 1960, only a negligible amount had been drawn from the accumulated credits and grants so far extended, and during the first half of 1961 the bloc concentrated on the implementation of projects promised earlier, which were included in the Guinea three-year development plan (1960 - 1963). Financial aid so far extended represents probably as much as 80% of the country's annual national income.

51. Projects under the Soviet credit which are being surveyed or are under construction include modernisation of the Conakry airfield, rehabilitation of the port of Conakry, road-building in the Conakry area, modernisation of the Guinean railways, a polytechnic institute for 1,600 students and establishment of the Guinean national airline. In addition, technical studies are under way for three 100-room hotels and the extension of roads and railways, possibly to Mali. The 500-bed hospital presented as a gift by the USSR is to be built at Conakry and will be the largest in the country, including departments of surgery, dentistry, therapeutics and physiotherapy. Soviet staff arrived in Guinea during the spring to supervise installation of the equipment.

53. A joint Polish-Guinean fishing fleet, consisting of four vessels, and including a Polish crew which is to train Guineans in navigation and fishing, was formally inaugurated on the 10th May. A state fishing industry is to be established by Poland, providing for refrigeration, storage, and road transportation for the distribution of the catch.

54. Czechoslovakia is engaged in the construction of a national printing office and a broadcasting station, and Hungary

GUINEA (contd)

in the drilling of water wells. Bulgaria, under the terms of an agreement on scientific and technical co-operation signed during the period under review, is to send water engineers, mining and agricultural experts, doctors and scientists. Communist China is mainly concerned with the establishment of rice, tea and pepper plantations, and with the rehabilitation of a quinine factory.

55. In late May, the fourth delivery of USSR armaments arrived in Guinea, reportedly including five tanks, amphibious vehicles, artillery and small arms. The total delivery of bloc military equipment to Guinea so far received apparently exceeds the needs of this country, and seems to indicate that Guinea may be a centre from which other West African countries are getting arms.

Technical Assistants

56. The number of bloc technicians in Guinea increased strikingly from about 385 at the end of 1960 to about 1,200 during the first six months of 1961. A Guinean official has stated that there will be about 3,000 bloc technicians in Guinea by the end of 1961. As the implementation of the projects proceeds, project analysts have been increasingly replaced by working-level foremen and specialists. Some friction between Guineans and bloc technicians has occasionally been reported, but there is no evidence of lack of competence or any general dissatisfaction with the performance of these technicians. Because of the increased activity in the arrivals of equipment and technicians, earlier criticism concerning the slow rate of implementation has subsided.

Trade

57. A joint Guinean and East German working party met in June to consider the establishment of normal trade relations. Guinea has signed three-year trade agreements with North Vietnam and North Korea. Previous trade between those countries had been non-existent, and the amounts involved will probably remain negligible. By mid-1961 Guinea had trade and payments agreements in force with the USSR, Communist China, Czechoslovakia, Poland and East Germany, and trade agreements with Hungary, North Korea and North Vietnam.

58. Guinea's imports from the bloc continued to grow, reaching 44% of total imports in 1960, as compared with 18% in 1959, and negligible percentages before that. Exports to the bloc grew from 14% in 1959 to 23% of total exports in 1960. Guinea's trade deficit with the bloc was, by the end of 1960, estimated at \$9.4 million, and the cumulative trade deficit with the bloc had risen to about \$15 million by April 1961.

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MALI

59. The continuing tension between Senegal and Mali aggravates the economic difficulties which the latter is facing and makes its further development all the more dependent on foreign aid. Mali has accepted a small amount of United States aid, and the United Kingdom and Israel have reportedly been offering assistance. The bloc has exploited Mali's receptivity to economic aid and has extended credits of \$56.9 million equivalent to about \$14 per head in a country where the per capita income is extremely low.

Aid

60. On 13th March the USSR and Mali signed an economic and technical co-operation agreement, providing for a long-term Soviet credit of \$4.4 million for economic development, and on 24th June it was officially announced that Czechoslovakia had agreed to provide various credits totalling \$12.5 million. Communist China had also agreed in principle to extend a long-term loan, the amount of which was still to be negotiated.

61. The Soviet loan is to be used for technical assistance in prospecting for minerals, construction of a cement plant, navigational improvement on the Niger River, establishment of a training centre, and designing and surveying a railway line to link up with Guinea's transportation system. Soviet commercial aircraft, helicopters and airport equipment are also being furnished, perhaps under a separate credit agreement.

62. The Czechoslovak credits consist mainly of a \$10 million loan to be used for the construction of flour mills, a textile-manufacturing plant and assembly plants for agricultural machinery and bicycles. The credit can be drawn until 1965 and part of it may also cover the cost of hospital laboratories and trucks. Part of the repayment is said to be made in peanuts. About \$1 million will cover the purchase of Czechoslovak aircraft and another \$1.5 million will be used for the training of Mali pilots.

63. There have been some reports according to which Czechoslovakia has agreed to print currency for Mali if the country decided to leave the franc area and form a customs union with Guinea. In addition, Mali reportedly entered into a five-year credit agreement with Czechoslovakia bearing 2½% interest for the delivery of arms, but the full amount of this credit is unknown.

Technical Assistance

64. About 45 Czech technicians were reported to be in Mali by mid-1961 as an advance party for large numbers who will go to the country as soon as the implementation of the

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MALI (contd)

above-mentioned credits has been started. The major part of those technicians arrived in Mali in early May to operate airfields and control towers previously manned by French military forces. Czechoslovakia has also agreed to assist in the training of Mali journalists and there are some indications that East Germany may provide technical assistance to the Mali Information Service. A scientific and technical co-operation agreement was also signed with Bulgaria. Co-operation in the field of medical research was agreed between Mali and North Vietnam.

Trade

65. In addition to its trade and payments agreements concluded with Czechoslovakia at the end of 1960, Mali signed trade agreements with the USSR, Communist China, East Germany, Bulgaria and North Korea during the first half of 1961. Before 1960, France had been purchasing the peanut crop of the Soudan, as Mali was formerly known, at prices generally well above the world market prices. In February 1961 it was announced that Mali would sell nearly all its peanut crop to the USSR and Czechoslovakia at terms apparently similar to those offered by the French. Half of the payment is to be in dollars, or other convertible currency, and the other half in a selected list of goods which were specifically included in the trade agreements. Since peanuts are Mali's major export, this change represents a considerable redirection of the country's foreign trade. As a land-locked country, Mali found its earlier natural outlet to the sea through Senegal, where a railway link connected Bamako, capital of Mali, and Dakar, but since the separation from Senegal, Mali has become increasingly dependent on transportation through the Ivory Coast, Upper Volta and Guinea, hence the economic importance of the railway link between Guinea and Mali.

66. The trade agreement with the USSR calls for the exchange of Mali peanuts, cotton, wool and folk art for Soviet capital goods, rolled steel, petroleum products, manufactured and consumer goods, and foodstuffs. The trade agreement provides for the "most-favoured nation treatment". The trade with Communist China would be on a clearing account basis and China would import peanuts, rice, cotton, wool, hides and skins in exchange for machinery, scientific instruments, electrical appliances, chemicals, drugs, medical equipment, steel products, building materials, textiles, foodstuffs and consumer goods. The agreement is valid for one year, and is renewable; accounts will be settled in Mali francs.

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MOROCCO

67. Although no credits for economic development have so far been accepted by Morocco, a few developments in narrowly limited fields are to be reported.

Aid and Technical Assistance

68. During the first week of February 1961 twelve MIG-17 jet fighters and two MIG-15 trainer aircraft were delivered to Morocco. In spite of assurances by the Moroccan Government that no Soviet technicians would be involved, about forty did accompany the shipment to supervise the assembly of the aircraft. Most of them were replaced in May by personnel from Egypt, apparently at the request of the Moroccan Government.

69. In March 1961 two Soviet technicians, followed shortly after by another couple of experts, arrived to study the feasibility of the construction of a shipyard at Alhucemas, designed to build small and medium-sized boats, chiefly for the coastguard fleet. The project, it is said, would cost about \$8.4 million, and would be put to international tender after the Soviets have presented their initial report.

70. On May 8th, Morocco concluded an economic and technical assistance agreement with Czechoslovakia. No details are available, but Czechoslovakia has reportedly agreed to provide machinery and technical assistance in the textile, sugar and chemical industries. Some Czech technicians arrived in Rabat on 19th May.

71. Czechoslovakia concluded a civil aviation agreement with Morocco extending landing rights at Casablanca airfield to Czech airliners going to Bomako (Mali) and Accra (Ghana).

72. A North Korean goodwill delegation visited Morocco at the end of June, at the conclusion of a tour including Guinea, Ghana and Mali. A joint communiqué on the eve of their departure announced that agreement has been reached on the promotion of economic and commercial exchanges.

73. On 12th June, a Soviet freighter is said to have unloaded in Casablanca harbour about 2,000 tons of ammunition, small arms, light artillery and anti-aircraft guns possibly destined for the Algerian rebels.

Trade

74. During 1960, bloc imports from Morocco increased slightly over the 1959 totals, and bloc exports to Morocco regained approximately their 1958 level after a drop in 1959. Trade between Morocco and the bloc countries does not represent more than 5% of total Moroccan foreign trade. Part of this Moroccan trade consists of the traditional exchange of green

MOROCCO (contd)

tea from China for phosphates from Morocco. Morocco has had trade and payments agreements with the most important countries of the Sino-Soviet bloc for some time, and no new developments are to be reported in this field during the period under review.

NIGERIA

75. A Nigerian mission has been visiting Czechoslovakia, the USSR, Poland and Communist China during May and June in order to establish economic relations and to obtain financial assistance. Although the mission was apparently not empowered to conclude any economic agreements, it laid the groundwork for possible subsequent negotiations on formal agreements.

Aid

76. On the 5th June, a joint Nigerian-Czechoslovak communique announced, next to the establishment of diplomatic relations, that Czechoslovakia was willing to provide Nigeria with long-term economic aid in the fields of agriculture, industry, mining, transport and public health. At the same time, Czechoslovakia expressed her readiness to grant scholarships and supply experts. A Czech mission was sent to Nigeria for further discussions.

77. After the visit of the Nigerian delegation to Moscow, PRAVDA reported that the USSR had offered economic and technical assistance for the development of agriculture, the construction of food-processing plants and the establishment of technical training schools. It was also mentioned that Nigerian students would be accepted at Soviet educational institutions during the 1961/62 academic year.

78. Poland expressed her readiness to deliver industrial installations on credit, and to send technical delegations to determine projects which might be constructed under the credit. Poland also announced that a workshop for a Nigerian technical school and fifteen scholarships for higher studies in Poland had been offered as a grant.

79. Communist China has reportedly offered to supply complete sets of industrial and agricultural equipment, to give technical aid and to develop cultural relations. A Chinese trade delegation arrived in Nigeria on the 6th April. By mid-1961 none of those credit agreements had, however, formally materialised.

Trade

80. During its visit the Nigerian delegation received offers from the four above-mentioned countries for the conclusion of trade agreements. Up to June 1961, trade relations between Nigeria and the bloc had been negligible.

ANNEX toAC/127-D/91SOMALI REPUBLIC

81. Among the African countries that gained independence during 1960, the Somali Republic is probably one of those facing the most considerable economic difficulties. The country's known agricultural and mineral resources are limited. The population consists mainly of nomads, and almost none of the inhabitants is trained in the administrative and technical skills required for economic development; the local education system is hopelessly inadequate. The country will not be able to finance even the minimum costs of government without continued large-scale assistance from abroad for years to come. The Sino-Soviet bloc has been trying to exploit the precarious economic situation of the Somali Republic, and the desire of the government for more aid, to meet the rising expectations of the population. During the first six months of 1961, the bloc made considerable progress in developing political and economic relations with the Somali Republic.

Aid

82. Since early April 1961, both the USSR and Czechoslovakia have been offering to conclude aid, trade, cultural and scientific co-operation agreements. They invited a Somali delegation to visit the USSR and Czechoslovakia in late May and early June. As a result, the USSR extended \$4.5 million in long-term credits for industrial and agricultural development, and a \$7.8 million five-year credit to finance commodity deliveries. In addition, the USSR promised to build as gifts two hospitals, a printing house, a technical school and a radio station, and agreed to send doctors and teachers to the Somali Republic and as well to train Somali health personnel. Czechoslovakia extended a \$4.2 million credit.

83. The USSR credits though small from the point of view of the donor country are almost equivalent to the Somali Republic's GNP. The Somali government had requested in its original negotiations with the USSR assistance in the improvement of the ports of Mogadishu, Bera and Merca, a dam and an international airport, the development of water resources, agricultural irrigation, geological research, the development of processing industries, construction and equipment of hospitals, schools and an information service. Port construction is apparently the major area in which Western and bloc interests may conflict.

84. No specific uses for the Czechoslovak credits were announced, but a Czechoslovak negotiation delegation currently in the Somali Republic will undoubtedly arrive at preliminary agreements on industrial projects. Much of the future evolution of bloc assistance will depend on the progress of negotiations under way, and the speed of aid implementation.

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SOMALI REPUBLIC (contd)

Technical Assistance

85. Only two Czech technicians are so far reported to be working with the Ministry of Education. More than 100 Somalis are reported to be studying in bloc countries: 30 in the USSR, 35 in Czechoslovakia, 17 in East Germany and about 30 in Communist China.

Trade

86. The Somali Republic has signed a trade agreement with the Soviet Union calling for the exchange of such goods as hides and skins, bananas, cotton, peanuts - for imports of agricultural machinery, industrial equipment and consumer goods. Bananas constitute about 45% of the Republic's total exports and have been purchased almost exclusively by Italy at above world prices. This arrangement has been confirmed since independence. Production of many of the Republic's export commodities could be expanded fairly rapidly, if additional markets could be found. Apparently the Somali government has so far shown little interest in this aspect of economic relations with the bloc, but by getting even a small part of the banana trade, the USSR might try to establish a precedent for future expansion.

TUNISIA

87. Although the Tunisian government remained cautious towards bloc aid offers and no major aid or technical assistance agreements were concluded during the first half of 1961, the bloc has pursued its efforts to expand and diversify its economic relations with Tunisia (1). It will be recalled that by the end of 1960 Poland had extended a \$8 million line of credit.

Aid

88. The USSR offered to construct three small earth dams in North-west Tunisia and to assist in the establishment of an engineering school at the Tunis University. A team of experts was scheduled to go to Tunisia to negotiate the final agreement. The major part of the cost of the building of the dams is expected to be provided by Tunisia, as these projects are highly labour intensive, and the foreign exchange requirements would amount to about \$7 million. A Soviet delegation has also been in Tunisia to discuss agricultural, housing and cultural projects.

89. Bloc efforts have also centred on projects in the fields of public works, housing and town planning. The

(1) In early August 1961 the USSR extended a \$27.5 million credit for the construction of several small earth dams and a technical school in Tunisia.

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TUNISIA (contd)

Tunisian Secretariat of Public Works and Housing has reportedly accepted the assistance of thirteen Czech technicians in heavy equipment maintenance, and sixteen Bulgarian architects and engineers, who are in Tunisia on a two-year contract. They will build, inter alia, roads in various administrative districts of the country. A delegation of Bulgarian city planning technicians visited Tunisia in April. There has been no further indication as to the utilisation of the \$8 million line of credit which Poland extended at the end of 1960. A sum of \$1.6 million has apparently been earmarked for a light metal products factory, and Polish engineers are working on a design for a shipyard at Bizerta for the building of fishing boats and other small vessels. A textile mill is another project envisaged to be financed partly under the Polish credit. A Polish group is developing proposals for the construction of workers' housing in an industrial suburb of Tunis.

Technical Assistance

90. Negotiations have been reported between the Tunisian Information Secretariat and Czechoslovakia in the field of film-making and editing. Under an agreement signed with East Germany, Tunisia is expected to receive some assistance in the field of radio and television. By mid-1961 about 50 bloc technicians coming from European satellite countries and about 10 USSR specialists were reported to be working in Tunisia. A small number of Tunisian technicians left the country during the period under review for a six-month training course in Poland in cotton-spinning techniques. Up till then, the number of Tunisian students reported to have been trained in bloc countries had been negligible.

Trade

91. Tunisia has seven trade and payments agreements with the main European satellite countries, the USSR and Communist China. During 1960 she imported an amount valued at \$6.7 million of goods from the bloc, as compared with \$4.2 million during 1959, but her exports were reduced from \$4.7 million in 1959 to \$3.9 million in 1960. Total trade with the bloc represents less than 5% of Tunisia's foreign trade, the main bloc trading partner being Czechoslovakia. A trade protocol with Czechoslovakia for 1961 was signed, providing for an increase of 50% in the trade volume between the two countries during 1961.

OTHER AFRICAN COUNTRIESCAMEROON

92. A Soviet mission visited Cameroon at the end of March 1961 for discussions on the development of economic relations between the two countries. No agreement was announced, but a public statement said that there were considerable hopes of the two countries concluding an agreement on economic co-operation.

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OTHER AFRICAN COUNTRIES (contd)

CONGO

93. A communiqué issued in Cairo on the 17th March by a representative of the "Stanleyville government" announced the signature of a trade agreement with Czechoslovakia on the 6th March. However, this agreement seems to have only a propaganda value.

LIBYA

94. A Libyan Parliamentary delegation visited the USSR, Czechoslovakia and East Germany at the beginning of May, while a Soviet commercial delegation was reportedly in Libya in April.

NIGER

95. A Czechoslovak economic mission visited Niger in late January and early February, offering an economic aid programme, scholarships for advanced study training courses in industry and agriculture, the provision of Czechoslovak exports and scientific and technical co-operation. Niger announced its intention to send in return a mission to Prague.

SUDAN

96. Attempts by the Soviet Union and Communist China to increase their influence in this country were continued during the first half of 1961 (1). Communist China staged for the first time in the Sudan an exhibition illustrating China's economic achievements. This exhibition was held in Khartoum in March 1961. By the end of April, the Council of Ministers agreed in principle to conclude a trade agreement with Communist China. Although there has been some trade on a barter basis, this would be the first formal trade agreement between the two countries.

TOGO

97. In early May, Togo agreed on the Polish proposal for the establishment of trade missions in both countries, and on the 12th June, the USSR and Togo signed a trade agreement providing for the supply of Soviet machinery and equipment, building materials and textile goods, in exchange for such Togo products as coffee, cocoa beans, oil seeds and other agricultural produce.

(1) At the end of July 1961 Sudan accepted a \$ 22 million credit from the USSR to finance various development projects at a 2.5% interest rate, and repayable in 12 years starting one year from the delivery of the equipment.

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A S I A

AFGHANISTAN

98. Afghanistan remains the only country where the steady growth of the USSR's influence has been based on purely economic penetration, often in the face of political reluctance. This country was the first experiment (begun in 1953) made by the Soviets in financial, military and technical assistance, used as a means of bringing the country into the orbit of the Soviet bloc. Soviet influence in Afghanistan's economic development has recently been strengthened by the direct participation of Soviet planning advisers in the formulation of the Afghanistan second Five-Year Plan. For nearly a year a team of up to 24 Soviet planning experts has been working closely with key ministers of the Afghanistan government in the preparation of this plan, which resulted in recommendations for investment targets probably in excess of Afghanistan's capabilities. In taking the side of Afghanistan in the Pushtunistan dispute, the USSR expects to gain public and official support. In order to balance this pressure, the Afghanistan government has been seeking to interest industrialised NATO countries in its development programme (France, Italy, West Germany, United Kingdom, United States).

Aid

99. No new major bloc grants or credits were announced in the first half of 1961. In April the Afghanistan Prime Minister discussed in Moscow the prospects for further economic co-operation. Unutilised Soviet assistance commitments still exceed \$100 million, but they have been completely earmarked for projects already planned. The Afghanistan government has been seeking additional foreign assistance from both the bloc and the free world for its second Five-Year Plan, beginning in September. The Moscow announcement in April suggested that agreement in principle for additional Soviet assistance was reached, and there were rumours that the amount considered was about \$300 million, leaving room for a similar amount of free world aid to be extended for the implementation of the new Five-Year Plan. In keeping with its conception of neutrality, the Afghanistan government has welcomed recent United States offers of assistance in planning.

100. In general, the implementation of Soviet assistance projects has proceeded satisfactorily. The USSR gave high priority to the construction of the Kushka - Kandahar road. A 10 km. railway spur has been completed from Russian territory Afghanistan, ostensibly for the purpose of expediting deliveries of equipment and material needed for the construction of the road to Kandahar. Further progress has also been reported on the Naghlu dam project. During March, a Soviet survey team visited the Lower Helmand Valley, which gave rise to rumours that the USSR might be interested in the building of a dam in this

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AFGHANISTAN (contd)

area, adjacent to the Iranian border. About 200 Soviet and Rumanian technicians continued to make exploratory drillings in the oilfields of Northern Afghanistan. Notwithstanding earlier, more optimistic, reports, only one oil well capable of commercial production has so far been discovered. Although the development of the field will probably take some time, at the suggestion of the Soviet planning advisers Afghanistan is considering the construction of a small refinery in its second Five-Year Plan.

101. Except for limited Czechoslovakian assistance for the building of a couple of small industrial plants (fruit processing and cement manufacturing) bloc assistance in Afghanistan has been extended almost exclusively by the USSR.

Technical Assistance

102. During the first half of 1961, 1,910 Soviet bloc civilian technicians and workers have been reported to be present in Afghanistan, which indicates an increase of more than 250 additional bloc civilians over the comparable figure at the end of 1960. This is by far the largest concentration of Soviet bloc personnel in any single country; over 90% of bloc personnel are USSR nationals.

103. The bloc also continued its efforts to provide vocational training in Afghanistan for large numbers of Afghans. The recruitment of about 700 trainees for a new technical school to be located near the recently-discovered oilfield in Northern Afghanistan, provided training in oil drilling, rigging and mining, had been started at the beginning of the year, and the school will be Soviet-staffed. More than 1,150 Afghans have reportedly received training in construction work, and other crafts, at a training centre north of Herat from Soviet instructors. There have been some rumours that the Afghanistan government may not renew its arrangements with the Turkish Army to supply military instructors to Afghanistan, and the Chief-of-Staff of the Afghan Army has indicated that for the time being no more Afghan personnel will be sent to the United States for military training. The Afghanistan government has sent a battery of 80 trainees to Czechoslovakia for military ground training. These recent developments seem to indicate an increasing dependence of Afghanistan on the bloc for military equipment and supplies.

Trade

104. Although data on Afghanistan's foreign trade are scarce, it seems that there has been no major change during 1960 over the 1959 figures. The increased tension between Pakistan and the land-locked Afghanistan will probably affect

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AFGHANISTAN (contd)

the 1961 trade with the free world, and especially with India, to the advantage of the USSR, thus further strengthening economic links between those two countries.

105. On the 3rd June, Afghanistan signed her first trade agreement with Bulgaria, but so far no targets have been specified. The Afghanistan government also signed, at the beginning of the year, a new contract for Soviet consumer goods valued at \$990,000. Goods delivered under an earlier, similar, contract (August 1960 - \$300,000) were said to be of mediocre quality, but were priced as much as 50% below the prices of similar goods on the Kabul market. During the period under review, special trade inducements in the form of discounts and credit terms were offered by Afghanistan's two major bloc trading partners, the USSR and Czechoslovakia, for the purchase of 250 lorries and 200 passenger cars, including spare parts. The USSR continues to be by far Afghanistan's most important trade partner, accounting for about 30% of total exports and imports.

BURMA

106. Past experience of economic relations with the Sino-Soviet bloc countries in the fields of aid and trade has been rather disappointing for Burma. Over the years Burma has been keeping substantial credit balances with the bloc which she could not utilise. The USSR aid programme met with considerable Burmese criticism, and the relations with Communist China deteriorated until the second half of 1960. The signature of the Sino-Burmese boundary treaty in October 1960 marked a turning point in the Communist Chinese - Burmese relations. A trade agreement was signed soon after between the two countries, followed by an economic and technical co-operation and a payments agreement. China has now emerged as the most important bloc source of influence in Burma, replacing the USSR, who had been particularly active during the period of tension between Communist China and Burma.

Aid

107. On the 9th January, 1961, it was officially announced that Communist China had extended to Burma the largest credit she has ever offered to a free world country. The agreement provides for an interest-free loan of \$84 million, to be used for economic development during the next six-year period ending in September 1967. Repayment is to be made in ten annual instalments beginning in 1971, and will be made either in the form of Burmese exports or, "in a currency of a third country agreed upon by China". No specific projects have yet been selected for the utilisation of the credit, but the loan is to be used to construct projects mutually agreed upon, to purchase

BURMA (contd)

industrial equipment, to pay the Communist Chinese technicians in Burma, and the Burmese trainees in China.

108. Construction of the Soviet gift projects was nearing completion in the period under review. The geological institute was ready for utilisation in June, the hotel was completed, except for the installation of air conditioning equipment (to be provided by a United States company) and the hospital is scheduled to open in August 1961. Soviet specialists will take care of the staffing and maintenance problems of both the institute and the hospital. The long search for personnel to manage the hotel continues, with an Israeli firm now the favourite. A Pan-American Airways hotel subsidiary's offer was finally rejected by Burma, reportedly because of Soviet objections.

109. The new Four-Year Plan is heavily dependent on foreign aid, and the Burmese government has made it clear that it is hoping to obtain substantial aid from both the East and the West.

Technical Assistance

110. In mid-May there were 26 bloc technicians in Burma, all from the USSR. Twenty were involved with the gift projects, and will probably leave Burma in the near future. Three Soviet agricultural experts are preparing a final report on Soviet agricultural assistance to Burma, and three Soviet medical experts arrived to help staff the Soviet-built hospital. No Chinese Communist technicians have yet arrived in connexion with the implementation of the January 1961 technical aid agreement, and a number of Soviet specialists will be posted to the geological institute. Burma has apparently expressed some concern about the number of USSR technicians who will staff the various gift institutions. The Chinese technicians who will be sent under the January credit agreement will not be provided with a standard of living higher than that of their Burmese counterparts and this clause seems to have pleased the Burmese.

Trade

111. Burmese imports from the bloc during the first quarter of 1961 show a substantial decline from the level achieved during the comparable period in 1960. The share of the bloc in total imports during the first quarter of 1961 accounted for only 7% as compared with 13% during the first quarter of 1960. The decline is due mainly to the drop of imports from Communist China. Trade between the two countries, however, can be expected to increase in 1961, especially Burmese imports from China. First quarter 1961 figures show a sharp rise in Burmese exports to the bloc compared with exports during the same period in 1960. The Chinese are expected to purchase about 350,000 tons of the 1960/61 Burmese rice crop, most of it to be resold by

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BURMA (contd)

China to Cuba and Ceylon. The re-exports to Ceylon of Burmese rice by China has become a usual practice, and Burma has apparently not objected to resales to Cuba.

112. The payments agreement with China, signed in January 1961, provides for the establishment of a clearing account in the central bank of each country. The accounts are to be balanced at the end of each fiscal year, and net credits in excess of \$1.4 million are to be levelled off within six months through shipments of goods or payments in a mutually-agreed third currency.

113. As of 4th May, 1961, Burma had a net credit balance with the bloc of about \$9 million, the USSR accounting for almost the entire amount. It has been reported that the USSR is to provide Burma with 32,000 tons of petroleum products, including kerosene, high-speed diesel oil, gasoline and furnace oil. The Soviet bid is reported to have been slightly lower than those of the two competing international companies. Barring the discovery of new domestic sources, Burma will have to rely increasingly on imported petroleum products and the purchase of Soviet products may afford a chance to utilise the credit balance she has with the US.

114. On the 20th February, Burma signed a trade agreement with Czechoslovakia, renewing the trade links which had been severed in 1959 because of Burma's dissatisfaction with the results of her trade with the bloc in general.

115. On the occasion of the visit to Burma of the Friendship Mission from Communist China, led by Prime Minister Chou-en-Lai and consisting of more than 440 delegates, a Communist Chinese industrial exhibition covering 4,500 square metres and including more than 4,600 industrial and agricultural products, was officially opened.

CAMBODIA

116. Communist China from which Cambodia was the first country to receive financial assistance (\$22.4 million on 26th June, 1956), has continued to play by far the most important role in economic assistance extended by the Sino-Soviet bloc. At the end of 1960, substantial aid offers were made to Prince Sihanouk during his visit to Czechoslovakia, the USSR and Communist China.

Aid

CAMBODIA (contd)

Aid

117. The most important development during the period was the arrival of delegations of economic experts from the USSR, Czechoslovakia and Communist China in March and April to negotiate specific projects under the new aid agreements.

118. The Soviet hydro-electric experts studied three sites for a dam, which would roughly double electric power output in Cambodia, at an expected building cost of \$40 million. In addition, the USSR is considering the study of the feasibility of a dam construction on the Mekong River. The Soviet Union has also offered a technical college and a formal agreement on this project was signed on 24th June. The college will be situated at Phnom Penh, and will provide accommodation for 1,000 students in five faculties. The USSR will provide about 25 professors and lecturers and five interpreters for an initial period of two years. The buildings are to be completed by 1964. The first members of the Soviet geological survey team which is to make a complete survey of Cambodia's mineral resources arrived at the same time as the Soviet delegation. Although the 500-bed Soviet hospital in Phnom Penh, which has been completed under a 1957 USSR grant, has been in use since December 1960, there have been some criticisms on the relatively high charges, the fact that the Soviet doctors could speak neither Cambodian nor French, and the alleged corruption among Cambodian personnel.

119. Although an economic agreement between Czechoslovakia and Cambodia had been signed on the 11th February, 1961, negotiations ran into considerable difficulties concerning the three projects envisaged: a palm sugar refinery, a tyre factory and a tractor assembly plant. The Czechoslovak technicians reported that the Cambodian officials were rather unco-operative; to arrange for the proposed palm sugar refinery, the Czech delegation refused Cambodia's proposal to repay for the tyre factory with tyres produced at the plant, while the Cambodians considered the cost of the factory to be too expensive. The Cambodian experts have been questioning the economic feasibility of the tractor assembly plant. A Czechoslovak offer of an ammunition factory was cancelled by the Cambodian authorities in January.

120. Communist China began implementation of several small projects agreed to under the \$26.5 million grant extended in December 1960. Six Chinese railway technicians arrived in Phnom Penh on the 23rd March, to help with the construction of the railway to Sihanoukville and three Chinese navigation officials arrived to negotiate the establishment of a jointly-owned shipping company.

121. Since November 1960 the textile plant constructed under the Communist Chinese 1956 grant has been operating at full

CAMBODIA (contd)

capacity, but the departure of all the experienced Chinese technicians may have an influence on the future efficient operation of the factory. The paper factory, constructed under the same credit, was operating at 70% of capacity in May 1961, owing to difficulties encountered in installing the machinery and the lack of bamboo supplies; a bamboo replanting programme has been started in the Kratie province. The private plant has been in partial production since October 1960, but the lack of domestic demand and the inferior quality of the products are hampering sales. The cement factory is not expected to be completed until 1963. As of February 1961 the costs of the four factories amounted to \$20.6 million. It is anticipated that a large part of the additional sum of \$11 million offered by Communist China to finish and expand the existing factories will be used to pay outstanding debts and to complete the cement factory.

Technical Assistance

122. During the first six months of 1961, an estimated total of 310 bloc technicians were present in Cambodia, of which about 240 were Chinese, 50 Soviets, about 15 Czechoslovak and about 5 Polish. The departure of Soviet personnel from the gift hospital and Chinese technicians from the four factories mentioned above were more than offset by the arrival of the delegations of experts in charge of the preparation of the implementation of the new bloc aid accepted in November and December 1960. The number of Sino-Soviet bloc personnel in the country, mainly consisting of Communist Chinese technicians and specialists have been constantly increasing since the end of 1956. They numbered 175 (of which 155 were Chinese) at the end of 1959, and 235 (of which 210 were Chinese) by the end of 1960.

123. Cambodian technicians trained in Communist China have been increasingly replacing the Chinese personnel in the four factories mentioned above. Eighty-five Cambodian technicians were still studying in Communist China during the first half of 1961. Of these, 68 were trainees for the Communist cement plant, and 17 were studying electrical techniques. A few Cambodian students were reported to be at the Patrice Lumumba Friendship University in Moscow, and about a dozen left the country for academic studies in the bloc at the end of 1961.

Trade

124. Before 1957 Cambodian trade with the bloc had been negligible, but by 1959 exports to the bloc represented 4.3% of total exports, and imports from the bloc represented 9.5% of total imports. The value of Cambodia's trade with the bloc

CAMBODIA (contd)

more than doubled in 1960 as compared with 1959. The increase of the exports was due to sales of rubber (about \$3 million worth to the USSR), and of rice (to Czechoslovakia). By the end of 1960, exports to the bloc represented 10% of total exports, and were valued at \$7 million. Imports from the bloc, consisting of a wide range of commodities (textiles, machinery, transportation equipment, mainly from Communist China and partly from Czechoslovakia and the USSR), reached 15% of total imports, and were valued at about \$15 million, representing a 250% increase. It appears that there will be a continuing trade deficit for Cambodia, and that the amount of commercial imports from the bloc financed by Cambodia with bloc grants might not prevent a deficit in the clearing account. Cambodian officials are viewing with increased concern these growing deficits because, if they continue, they may necessitate substantial settlements in £ sterling. Cambodia negotiated a new trade and payments agreement with Bulgaria in April. An East German trade delegation went to Cambodia in May to implement the trade and payments agreement signed in 1960. An air service between Phnom Penh and Indonesia has been started, with Czech aircraft.

CEYLON

125. Since the formation of Mrs. Bandaranaike's government by mid-1960, the economic and political situation in the country seems to have been slowly developing in a way favouring increased bloc economic penetration. The bulk of the financial aid was extended between September 1957 and September 1958, by Communist China (\$26.3 million) and the USSR (February 1958 - \$30 million), but, two and a half years later, less than 10% of these credits and grants have actually been drawn. The economic policy attempting to "Ceylonise" and to nationalise important industrial sectors (and thus discouraging private investment), in the absence of practical development plans and administrative efficiency, combined with chronic budget deficits and unfavourable balances of trade in recent years, seems to indicate that the government will have to rely increasingly on foreign assistance. Some members of the government have been actively seeking economic assistance from bloc countries.

Aid

126. No new economic credits were extended by Sino-Soviet bloc countries during the first half of 1961, since considerable amounts of credits had been outstanding for years, awaiting opportunities for utilisation. The bloc concentrated its efforts on implementing the \$30 million Soviet line of credit of February 1958 and the \$15.8 million Communist Chinese grant of September 1957, but few projects have so far progressed beyond the planning stage.

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CEYLON (contd)

127. Ceylon has now approved eight of the proposed projects under the Soviet aid programme. The most recent approval concerns a cold storage plant for 200 tons of fruit and vegetables, to be constructed at Kanay. The total cost of the plant is estimated at \$210,000, and Ceylon is to provide at least \$52,000 for part of the material expenditure. Soviet specialists are completing a survey for a flour mill (capacity: 70,000 tons of wheat) and a grain elevator (capacity: 20,000 tons of grain). Another group of Soviet experts arrived on the 22nd March to survey peat deposits and to assess the prospects for economic development. The USSR is also helping with the sugar plantation scheme intended to make Ceylon less dependent on imports.

128. The Singhalese Ministry of Transport and Works has been considering the use of about \$6.3 million out of the 1957 grant from Communist China to obtain railway rolling stock. Negotiations regarding the three-year old Chinese offer of a textile mill, including spinning and weaving machinery were continued, but so far no contracts have been signed.

Technical Assistance

129. About 45 bloc technicians were reported to be in Ceylon during the period under review. The departure of Czech technicians after the completion of the sugar mill at Kantalai, was more than offset by the arrival of Soviet and Chinese experts, who came for preliminary surveys and studies.

Trade

130. The annual protocol to the five-year (1958-62) rubber-rice barter agreement between Ceylon and Communist China was signed on 4th April. It provides for the exchange of 31,000 metric tons of rubber for 200,000 long tons of rice. The previous 1960 agreement called for the exchange of 17,000 metric tons of rubber for 160,000 long tons of rice. Chinese rice commitments are generally met by imports from Burma.

131. On 29th April, Ceylon concluded her first trade agreement with East Germany and agreed on the establishment of a permanent East German trade representation office in the country. Ceylon now has trade and payments agreements with all the Soviet bloc countries (except Albania), as well as with Communist China, which remains by far the most important bloc trading partner.

132. During 1960, Ceylon imported less from, and exported more to the bloc than during 1959 in an effort to redress her trade deficit with the bloc, which had deteriorated during 1958 and 1959. Imports from the bloc during 1961 will, however, probably increase again, possibly including such products as Soviet oil.

INDIA

133. No major change in India's economic relations with the Sino-Soviet bloc during the first half of 1961 is to be reported. The success of the Aid-to-India consortium meetings in April and May has further consolidated the view that India will not rely on more bloc aid than can be absorbed without getting dangerously tied up with the Soviet Union. Nevertheless, the USSR succeeded in maintaining its position in this country in spite of the growing tension with China over border incidents.

Aid

134. There were no new bloc credits extended to India during the six-month period under review (1). In March 1961 the Hungarian Deputy Prime Minister announced in Delhi that Hungary was prepared to participate in India's economic development and offered a \$16.8 million credit (1). This would constitute the first Hungarian loan to India and the largest single credit extended by Hungary to a free world country. Hungary was said to be willing to assist in the establishment of aluminium plants, seamless tube factories, flour mills, pharmaceutical products and sheet glass factories.

135. Agreement was reached on the utilisation of the \$125 million line of credit extended in August 1960 by the Soviet Union. A sum of \$65.7 million has been earmarked for a new oil refinery in Gujarat (capacity: 2 million tons of crude oil annually) and for exploitation, development and production of oil and gas in various areas (Cambay, Anklesvar). To date, the bloc has extended credits totalling about \$180 million for the development of India's government-owned oil industry. The new agreement provides in addition for the construction of a 480,000 kw. hydro-electric power plant at the Bhakra Dam, a coal-washing plant (capacity: 3 million tons a year) and a factory for refractory material (capacity: 25,000 tons of magnesite).

136. Rumours have been going on that India plans to sign an agreement with the USSR for scientific co-operation in the peaceful uses of nuclear energy. The agreement might cover the financing and the building of nuclear power stations, the mining and production of uranium and the training of Indian scientists in the USSR, but it now seems certain that the USSR will not participate in the construction of India's first nuclear power station at Tarapur.

137. Poland signed an agreement for the first project to be obligated under the Polish credit of \$30 million extended in May 1960. A sum of \$3 million has been earmarked for the construction of a machine-tool factory at Hyderabad in South-eastern India.

(1) By the end of August, India accepted a \$16.8 million credit from Hungary for industrial development at an interest rate of 2.5%, repayable by Indian exports in 8 or 9 years and additional credit amounting to about \$14 million from Czechoslovakia, bringing the total Czech aid to India for her third Five-Year Plan to \$83 million.

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INDIA (contd)

138. Bloc participation in the economic development of India is bound to increase during the third Five-Year Plan, started in April 1961. Soviet countries are committed to provide about \$775 million financial assistance to India for 27 projects included in the public sector, part of which had been extended earlier for projects carried over from the second Five-Year Plan. Bloc aid will continue to concentrate mainly on such fields as steel, heavy machine building, petroleum and power. The Bhilai steel plant, which is the only major bloc-assisted project that has so far gone into production, is expected to be operating at its present full capacity in the very near future. This project, which absorbed about 25% of the total bloc aid and was started in 1955, has not yielded, according to some reports, the political propaganda benefits that the Soviet authorities had apparently anticipated and some Indian-Soviet friction was reportedly noted over the detailed, independent Soviet supervision of this major project. Nevertheless, expansion of the plant's capacity from the present 1 million tons of steel to 2.5 million, have been initiated with further Soviet assistance.

139. Recent reports indicate that the Soviet bloc is trying to establish a unified agency for Soviet and European satellite economic assistance to India, designed to facilitate the management of the large-scale Soviet bloc assistance programmes, as well as the inter-bloc multilateralisation of aid. India would undoubtedly derive advantages from such an organization.

Technical Assistance

140. With the virtual completion of the Bhilai project, employing up to 380 Soviet technicians, the number of bloc technicians in India dropped from 736 during the second half of 1960 to about 640 during the first six months of 1961. The largest group comprising Soviet and Roumanian technicians, is now working on the various petroleum projects. The overall figure is expected to increase again as the third plan gets under way. According to the reports available, India continues to be generally favourably impressed by the conduct and performance of the bloc technicians.

141. Fifty-five Indian technicians departed during the period under review for a nine-month training period in oil refinery operations in the USSR. An Indian oil delegation started a two-month visit to the USSR and Czechoslovakia in late June to study bloc petroleum techniques. These new departures come in addition to the 30 Indian technicians currently receiving training in oil refinery operations in Roumania. Apart from training in the field of petroleum technology, 40 Indians are being trained in the USSR to fly the recently-

INDIA (contd)

bought Soviet aircraft and 35 Indians are being trained in Czechoslovakia in connexion with the foundry-forge project under construction with Czech assistance.

Trade

142. India's trade with the bloc during early 1961 continued to show a slight increase, the USSR remaining the most important bloc trade partner, accounting for more than half of India's total bloc trade. India has rupee payments agreements with all the bloc countries, except Albania and Communist China. This factor and the country's close adherence to the annual commodity lists of the bloc trade agreements has enabled India to control carefully its trade with the bloc countries.

143. As mentioned in the previous report, India had signed several contracts for the purchase of Soviet aircraft by the end of 1960. In March 1961 it was agreed that 30 Soviet technicians would go to India to train the airforce crews in the operation of these aircraft. In April, India purchased eight MI-4 helicopters, and there are indications that additional purchases of air transport equipment might be made in the future. By early June, some deliveries had been made and the equipment was being put into use.

INDONESIA

144. Developments in the bloc economic offensive during the first six months of 1961 have been concentrated around two major factors: Communist China's improved relationship with Indonesia and the conclusion of an additional military aid agreement with the Soviet Union. Indonesia is now the country which has received the largest amount of Sino-Soviet bloc aid extended to a single country. Since February 1955, a total amount of over \$1.1 billion has been extended (equivalent to \$13 per inhabitant), about half of which was for military purposes. The most recent military aid agreement between the USSR and Indonesia provides for the delivery of items having an estimated value of more than \$325 million. These credits will substantially increase Indonesia's foreign debt, and may affect the possibility of her attracting more foreign assistance for her ambitious eight-year plan.

Aid

145. In an effort to improve its relations with Indonesia, Communist China took the initiative in re-opening negotiations on her offer of a credit of \$30 million for three textile plants. This offer had originally been made in 1959, but was cancelled

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INDONESIA (contd)

by Indonesia in January 1960 because of the tense situation between the two countries, resulting from Indonesia's campaign to restrict the economic activities of its local Chinese population. In April 1961 the credit was re-accepted. The \$30 million, extended in Swiss francs, is repayable over a period of twelve years at an interest rate of 2½%. The agreement also reportedly provides for Indonesian technicians to be sent to Communist China for one-year periods of training and for Chinese experts to be employed in Indonesia.

146. It was announced by the end of May 1961 that Roumania had offered a credit to Indonesia, but further details on this proposal became available only during the second half of 1961. It has since been revealed that a Roumanian-Indonesian joint commission, set up after the visit of President Sukarno to Roumania in June, had decided to open a credit of \$50 million for the development of the production of crude oil by a government-operated Indonesian oil company. This is the first time Roumania has shown interest in Indonesia's economic development. The only other new credit for economic purposes from the Sino-Soviet bloc during the period under review came from Bulgaria(1), who granted a loan to Indonesia of \$5 million, to be repaid within eight years at 2½% interest, for the construction of unspecified industrial enterprises.

147. In February 1961 Indonesia and the USSR signed a protocol specifying some industrial projects to be constructed under the \$250 million line of credit established during Khrushchev's visit to Indonesia in 1960. Among these projects are a large hydro-electric plant, an aluminium factory to be constructed in North Sumatra, a chemical plant in South Sumatra and a large iron and steel plant in South Borneo. No precise information is available on the estimated cost of these projects. On 14th January, the USSR and Indonesia signed a contract for the construction of two nuclear reactors valued at \$2.2 million under the same credit.

148. In addition, several agricultural projects were negotiated during the period. A contract was signed for the construction of a phosphate plant in Java. The foreign exchange cost of the project has been estimated at about \$8 million, and will be charged against the still outstanding part of the \$100 million line of credit extended by the USSR in September 1956. Some reports have indicated that the USSR might build two small steel-works under the 1956 loans; the first with a capacity of 400,000 tons would be located at Merak, and the second, with a capacity of 250,000 tons, in South-East Kalimantan.

(1) In August Indonesia accepted a \$30 million credit from Poland, and in September a similar amount from Hungary. By the end of the year it was revealed that Indonesia had agreed earlier on an unspecified amount of Czechoslovak aid.

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INDONESIA (contd)

149. An agreement for co-operation in science was also signed by the USSR and the Indonesian Council for Sciences, providing for the exchange of scientists. It was reported that at the same time the Soviets offered to construct a satellite-tracking station at Bandung University. The expenditures involved would probably come under an earlier line of credit.

150. Under the \$33.6 million extended during the summer of 1960 by Czechoslovakia, Indonesia will be supplied with 2,500 lorries and 2,000 railway waggons, in addition to machinery and equipment for a railway waggon factory, to be built in East Java. An earlier agreement had been concluded for the construction of a \$4.4 million cement plant in South Celebes.

151. In the economic field, the bloc has generally succeeded in identifying itself with high-priority prestige projects in Indonesia, but few concrete results are yet apparent. The inability of the bloc to convert even long-standing agreements quickly into demonstrable results is apparently due in part to Soviet inexperience in construction under tropical conditions, but mainly to the administrative inexperience of the Indonesians, lack of skilled labour, and local currency problems. For instance, the construction of the Asian games stadium in Djakarta, the primary showpiece of the USSR in Indonesia, has met with continuing difficulties. In early 1961 the Indonesian Army moved a construction battalion to the stadium site, and Indonesians replaced Soviet engineers in charge of construction, and since then progress has improved.

152. Up to the end of 1960, Indonesia had purchased a total of \$206 million of bloc military equipment and training, as compared with \$260 million in the free world. A protocol to the Soviet-Indonesian arms agreement, announced at the end of 1960, was signed in Moscow on the 10th June, providing for substantial increases in Soviet military aid. This protocol provides for an additional \$75 million credit. The grand total since 1955 of credits for military purposes has thus reached at least \$580 million and, if discounts are added, the total actual value of military aid extended by the bloc may be estimated at over \$800 million. The recent developments will increase the already serious dependence of Indonesia's navy and air force on bloc replacement parts and services and might give the USSR its first opportunity to gain a significant foothold in the generally anti-Communist army.

153. This considerable military effort is bound to have serious repercussions on the economic development of the country. The annual per capita income of Indonesia is generally estimated at between \$60 and \$100, and the new credit agreement with the USSR represents \$3.5 per head, not counting earlier expenditures.

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INDONESIA (contd)

Technical Assistance

154. There has been little increase in the relatively small number of bloc technicians in Indonesia during the period under review. The reduction in the number of Soviet personnel working on the Asian games stadium project was more than offset by the arrival of technicians to work on other projects. Under the April 1961 aid agreement, Indonesia has now agreed for the first time to receive Communist Chinese technicians. The small number of bloc technicians in Indonesia (now estimated at 180) is yet another indication that so far much has been promised, but little accomplished. The USSR has recently shown increased interest in the development of Indonesia's petroleum industry, and is expected to send two petroleum engineers to Indonesia, in addition to the three Rumanian specialists assigned to Indonesia in September 1960. In late May, the Indonesian government announced that it would send 100 petroleum technicians to be trained in foreign countries, and the USSR has apparently offered to accept the entire group for training at Baku. During the first half of 1961, there was a marked increase in departures of Indonesian military personnel for training in the bloc. Early in the year about 100 marines left for three months' training, followed in late March by a 260-man navy contingent, including two submarine crews.

155. A new trade agreement between East Germany and Indonesia was signed in Djakarta on the 15th February. East Germany would supply complete factory equipment (to the value of \$15.6 million), machinery, precision and optical instruments, chemical products, textiles and other consumer goods in exchange for copper, vegetable oil, oilcake, sisal, rattan and rubber. The agreement is for one year, with provision for automatic extension. Trade between the two countries in the past had never exceeded \$1 million a year. According to the latest available statistics, the 1960 trade of Indonesia with the bloc increased by about 10% over 1959, and three-quarters of the total has constantly been conducted with Communist China. The bloc share in Indonesia's total trade was 9% of her total exports, and 15% of her total imports.

NEPAL

156. The assumption of direct rule by King Mahendra in December 1960 has not affected the continued efforts of the Sino-Soviet bloc to increase their influence in the economic field, and the relations between Nepal and Communist China have been improving after the tension resulting from the border incidents and the Mount Everest discussions.

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Aid

157. No new Soviet bloc aid was offered during the period under review, and the implementation of the proposed projects met with difficulties resulting from the delays in the delivery of equipment, the lack of local currency, adverse weather conditions and administrative inertia. Of the five projects under the Soviet \$7.5 million grant of 1959, only the hospital has reached the construction stage, and the first half of the East-West highway survey was completed in May.

158. The Communist Chinese assistance programme was discussed on the occasion of the visit in May of a Chinese delegation. Two-thirds of the first \$12.6 million grant extended in October 1956 was still unutilised, and only preliminary studies for the construction of a cement plant and a paper mill had been completed under the \$21 million grant extended in March 1960. In June the Chinese delegation agreed to assume the local costs involved in the construction of both these plants (1).

159. Communist China has renewed her 1956 offer for the building of a road linking Kathmandu with the Tibetan border. Up to now the only road connexion between the Nepalese capital and the outer world has been the Indian-built road from the Indian border to Kathmandu. Up to mid-1961, Nepal had been reluctant to open the country to more influence from the North, and alleged that the building of this road could not be justified on purely economic grounds (2).

Technical Assistance

160. By mid-1961, 55 bloc experts were reported to be in Nepal, consisting of 40 Soviet and 15 Communist Chinese technicians. It will be recalled that up to mid-1959 Nepal had been reluctant to accept the presence of Sino-Soviet bloc nationals in its country.

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- (1) In September 1961, Nepal accepted a new grant of \$2.1 million in Indian rupees, covering the local costs of a tannery and a shoe factory, to be built under earlier grants.
 - (2) During the September visit of King Mahendra to Peking, agreement was reached on the construction of the road between Kathmandu and the Tibetan border.

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PAKISTAN

161. In order to pacify the neutralist demand within his country for greater independence in foreign affairs and for better relations with the USSR, President Ayub Khan agreed that the Soviet Union could play a limited role in the development programme of this SEATO country. During the negotiations and up to the official announcement of the signing of the agreement for Soviet economic assistance, wild rumours had been circulating that the USSR was offering vast amounts of financial assistance. The Soviet Ambassador, Kapitsa, went so far as to disclose in a Press interview that aid had been offered for the development of atomic energy, academic scholarships and for solving the problems of waterlogging and salinity, one of the most dangerous threats to Pakistan's agricultural development.

Aid

162. In March 1961, after several months of negotiations, a Soviet loan of about \$30 million, to be spent over a period of five years and repayable in twelve annual instalments beginning one year after the start of expenditures, and bearing an interest rate of 2½%, was accepted by Pakistan. Repayment is to be in rupees, which, according to the Pakistan Government, will be used by the USSR mostly for the purchase of Pakistani goods. The USSR reportedly has given assurances that it will not apply for conversion of the rupees used to repay the loan into convertible currency, although the agreement apparently contains a clause that the USSR could ask for part of each annual instalment up to \$2 million in convertible currency. The agreement will cover the cost of Soviet equipment and technical services in the field of oil exploration. Soviet technicians, in addition to those engaged in operational work, are to train Pakistanis in the techniques of oil research. A special organisation is being set up under the Bureau of Mineral Resources of the Pakistan Ministry of Fuel, Oil and Natural Resources to implement the agreement. The first party of Soviet experts arrived in Karachi on 31st May to start negotiations for the implementation of the contracts. Press reaction to the agreement was highly favourable, and the USSR has constantly tried to exploit its initial advantage, encouraging dissatisfaction in Pakistan on the results of the "Aid to Pakistan" consortium, which met in Washington to consider free world assistance for Pakistan's second Five-Year Plan. A statement made by the Soviet Ambassador to the fact that more Soviet aid could be expected if Pakistan withdrew from CENTO and SEATO met, however, with rather unfavourable comments in Pakistan's Press, and the government has been insisting that this agreement should remain on a strictly business basis, and that it would not influence the foreign policy of the country. It seems that a Pakistani delegation may be visiting the USSR to study Soviet techniques and means of dealing with the problems of waterlogging and salinity, but no thought has been given to seeking additional financial assistance.

Trade

163. During 1960, trade with the bloc increased considerably over the 1959 figures. However, the 1959 trade was at the bottom of a declining trend which had been going on since 1954. Communist China regained its earlier important position as an outlet for raw cotton from Pakistan. During the second half of 1960, China was the largest single purchaser of this commodity, and accounted for 46% of Pakistan's raw cotton exports, but this predominant position was in part due to the seasonal decline in raw cotton shipments. For the whole of 1960, exports to the bloc represented not more than 9% of Pakistan's total exports.

164. Imports from the bloc, which had increased considerably during the first half of 1960, declined during the second half of the same year. By the end of the year, imports from the European satellites, closely followed by those from the USSR, exceeded for the first time total imports from Communist China, which fell below the 1959 figures. Imports from the bloc during 1960 did not account for more than 5% of Pakistan's total imports.

OTHER ASIAN COUNTRIESLAOS

165. Both the USSR and Communist China have reportedly made lavish promises of aid to Prince Souvanna Phouma during his visit to Moscow and Peking in the Spring of 1961. The Russians declared their willingness to expand economic and technical help in developing agriculture, prospecting for minerals, developing transport and communications and also to help in the health, cultural and educational fields. In addition, the USSR would construct a hospital and a radio station as gifts. The Communist Chinese offer was in more general terms, and mentioned the construction of a highway to improve communications between the two countries. These offers are contingent upon the formation of a government prepared to ratify Prince Souvanna Phouma's acceptance of them.

166. Prince Souvanna Phouma has also concluded agreements on economic and cultural co-operation with North Vietnam. These agreements have only been described in general terms, but the establishment of a civil airline between the two countries has been envisaged, next to the establishment of formal trade relations.

THAILANDAid

167. According to some reports, the Soviet Union has continued, so far without success, to press the Thai Government to accept Soviet assistance.

THAILAND (contd)Trade

168. The Thai Ministry of Foreign Affairs announced on the 3rd January that the USSR had offered to buy 5,000 tons of rice as an initial shipment, and has expressed its willingness to become a regular buyer. This transaction, although of minor importance, indicated a further Soviet attempt at increasing trade with Thailand. Trade between the two countries has never reached \$1 million annually in the past.

L A T I N A M E R I C AARGENTINA

169. Since 1954/55, when Argentina was the most important trading partner of the Sino-Soviet bloc among the economically underdeveloped countries, trade relations with the bloc have been declining, reaching their lowest level in 1957, and regaining some strength in 1958, when slightly more than 5% of Argentina's total foreign trade was conducted with the bloc. By the end of 1960, Argentina had cancelled her bilateral payments agreements with all bloc countries except the USSR, and during the first half of 1961 the trade pattern started in 1958-60, when the bloc trade accounted for about 5% of Argentina's foreign trade, was continued. Most of this trade with the bloc now consists of cash transactions.

Aid

170. In October 1958 the USSR extended a \$100 million line of credit originally intended for petroleum equipment, and in 1960 a protocol was signed diverting part of the credit to other sectors. By mid-1961 only about \$15 million of this credit had been utilised. Argentina does not seem to have taken any further action to implement the remaining part of the Soviet credit.

Technical Assistance

171. During the period under review, about 50 bloc economic technicians were reported to be present in the country, all of them originating from European satellite countries.

Trade

172. During the first six months of 1961, Communist China made several efforts to expand trade relations with Argentina. In May, 20,000 metric tons of corn were sold to China, but a Chinese delegation that visited Buenos Aires in June, with a view to

ARGENTINA (contd)

establishing trade on a permanent basis, and buying meat, textiles and maize in exchange for machinery and traditional Chinese products failed to reach agreement. The Polish Under-Secretary of State for Foreign Trade visited Argentina in April to try to increase trade and the possibilities of technical co-operation between the two countries, apparently without much success. The bloc has not been able so far to supply Argentina with the goods she needs, and ever since 1958 Argentina has been building up large favourable balances for which she cannot find any use. This is reflected in the better position that the European satellites have been taking in the overall bloc trade with the country. During 1960, as compared with 1959, both exports and imports from the USSR declined, while exports to and imports from the European satellites increased.

BRAZIL

173. It is difficult to assess at the present stage the economic relations between Brazil and the bloc. The policy inaugurated by President Quadros tended to give the impression that Brazil's foreign trade with the bloc countries would increase. The general line of policy followed was designed to strengthen Brazil's overall trade position in an effort to find additional outlets for its products.

174. There has been a growing feeling in Brazil that the bloc is a vast untapped potential market, capable of absorbing increasing amounts of Brazilian export products. This line of thought had already appeared to the Brazilian government by the end of 1958, and a number of trade agreements had been signed with the main European satellite countries and the USSR. As a consequence, contrary to what happened in the case of Argentina, Brazil's trade with the bloc as a percentage of her total trade has been increasing since 1957 from about 2½% to 4% in 1959 and almost 5% in 1960.

Aid

175. It appears that during the period under review various offers of economic development credits have been made by Sino-Soviet bloc countries. The Brazilian mission which toured the bloc during the spring is believed to have received offers from Roumania, Bulgaria, Czechoslovakia, East Germany, Poland, Hungary and the USSR amounting to over \$500 million. The acceptance and utilisation of this aid, which would make Brazil one of the largest recipients of bloc aid in the world, depends mainly on political developments in Brazil.

Technical Assistance

176. During the spring of 1961 a number of economic and technical co-operation agreements were signed. Although some bloc technicians have previously been working on a few Brazilian deve-

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BRAZIL (contd)

lopment projects, their presence in the country was never sanctioned by formal agreements such as those recently negotiated. There is little information available concerning the types of assistance contemplated under these agreements, but Rumanian technicians could be asked to assist in the development of petro-chemical industries. Petroleum exploration and development of Brazil's rich oil shale deposits are fields in which bloc technical assistance might be utilised.

Trade

177. During the spring, a Brazilian mission was sent to the European satellites, and a separate one to Moscow. The aims in sending these missions were outlined as follows:

- (a) to try to increase the volume, value and variety of products exchanged between Brazil and the bloc countries;
- (b) to make special efforts to obtain wheat, fertilizers, machinery and equipment;
- (c) to obtain credits for most of the expected imports, and special payments facilities for the purchase of wheat, petroleum and industrial products.

178. The first of the above-mentioned Brazilian missions concluded a number of agreements with the European satellites, as well as trade and payments agreements with Albania, Bulgaria, Rumania, Hungary and East Germany. It also signed trade protocols with Czechoslovakia and Poland. At the same time, a separate Brazilian group in Moscow negotiated a trade protocol to the 1959 Soviet-Brazilian agreement. Judging from official communiqués and Press announcements, it appears that the bloc has pledged itself to increase its trade turnover with Brazil to about \$400 million annually. Total trade in 1960 was approximately \$150 million. Most of the new agreements appear to have a five-year duration, beginning in 1962. If such trade targets were attained, they would represent about 15% of the present level of Brazil's total foreign trade.

179. A Communist Chinese trade delegation visited Brazil in May, trying to create the impression that Communist China could become an important trade partner. An agreement envisaging an exchange of products up to the value of \$50 million annually has been signed, and another Chinese trade mission was expected to go to Brazil at the beginning of June to negotiate individual contracts. There has been no trade at all between China and Brazil in recent years.

180. The reported trade targets have been set extremely high, but, according to the available information, they could nevertheless be attained, granted sufficient political motivation on the

part of the bloc; in fact, the Ambassador Designate appointed by Brazil to the Soviet bloc has declared that in five years' time one-third of all Brazil's exports would be going to the bloc.

181. There have been other indications of the bloc's renewed economic interest in Brazil. Several bloc countries have apparently made plans to hold industrial exhibitions in the next years or two; Bulgaria and Rumania have agreed to provide Brazil with a free port on the Black Sea, Hungary and Czechoslovakia have approached Brazil concerning direct air routes, and the USSR has established a resident trade mission in Rio de Janeiro.

General

182. In the fields of financial aid, technical assistance and trade, the proposed deals between Brazil and the bloc would represent a radical departure from earlier economic relations with the bloc, but the entire scheme is dependent on future political developments in the country.

CUBA

183. The process of bringing Cuba into the orbit of the Sino-Soviet bloc, which started during the spring of 1960 and gathered considerable momentum during the second half of that year, continued throughout the first half of 1961. The Communist world has now become the primary source of support for the Cuban economy. Cuba's annual trade with the bloc, which was negligible in 1959, represented roughly 20% of her total 1960 foreign trade. During the first half of 1961, it reached some 66% and will probably grow further to about 75% by the end of the year. The Castro régime is relying on bloc military equipment for the building up of its armed forces; increasing numbers of bloc technicians are entering the country, and the plans for Cuba's future economic development are based on extensive Sino-Soviet bloc assistance.

Aid

184. To the \$257 million credits already extended, the USSR added another \$100 million in June 1961. This means that by mid-1961 the Sino-Soviet bloc had extended economic and financial aid, equivalent to \$50 per inhabitant. The most recent \$100 million loan is said to be destined for the development of Cuba's nickel industry, and will reportedly be repaid by exports of nickel, starting 5 years after the delivery of the equipment. This is apparently the first time that repayment of credits with the output of the assisted industry has been envisaged in cases outside the bloc. Earlier, similar examples had been the USSR's building of five plants in the petroleum and chemical industries, to be paid from the production of the new plants in Rumania (December 1956 agreement), of an oil refinery in Bulgaria (1958 agreement), and

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of an agricultural commodities processing plant in North Vietnam (1960 agreement).

185. The economic development credit extended by Poland for the financing of a shipyard, and various other small industrial plants, announced at the end of 1960, but for which the amount was not available at the time, has now been revealed to total \$12 million.

186. The bloc's much publicised aid to Cuba's industrial development has so far made little progress, and only about half a dozen projects have made any noticeable headway: only one of the projects under consideration since February 1960 (when the first large-scale Soviet credit had been accepted) has reportedly been completed. However, considerable preliminary study work has been carried out on various projects.

187. To utilise the bloc credits, Cuba has established a Ministry of Industry, and the newly-appointed Minister of Industry "Che" Guevara, in a long radio speech on the 30th April, outlined a programme for the construction of more than 100 new industrial enterprises to be carried out by 1965.

188. According to this statement, projects for which contracts have already been signed include the following:

(a) with the USSR for:

- a steel mill, with an annual capacity of 1.3 million tons, to be carried out in several stages, with production reaching 260,000 tons in 1964;
- an oil refinery at Santiago de Cuba, with an annual capacity of 1 million tons;
- two power stations, one with a capacity of 100,000 kw. and the other of 200,000 kw.;
- a geological survey covering about 25% of the country.

(b) with Czechoslovakia for:

- a factory capable of producing: 2,000 tractors, 5,000 trucks, 100 stationary motors and 3,000 motorcycles a year (production of cars to begin in 1965).

189. Among the contracts expected to be signed shortly are those

(a) with Communist China for the supply of 50,000 spindles;

(b) with East Germany for the supply of 25,000 spindles and 500 looms in 1962; 50,000 spindles and 1,000 looms in 1963 and 75,000 spindles and 1,500 looms in 1964.

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CUBA (contd)

Guevara stated that the fulfilment of these contracts would mean that the Cuban textile industry would be in a position to meet all domestic demand by 1965.

190. During the first half of 1961, several new arms shipments were delivered to Cuba by the USSR and Czechoslovakia, and the government used anti-aircraft guns, tanks and small arms received from the bloc to counter the April 1961 attempt of invasion by political opponents to the régime.

Technical Assistance

191. Cuba continued to rely on bloc technical assistance, both for the implementation of its industrialisation programme, and for the day-to-day operation of various sectors of its existing industries. The number of bloc technicians reportedly present in Cuba has now reached about 500. In late April Guevara announced that 150 top-grade bloc technicians were in various Cuban institutions such as the Mining Institute, the Institute of Petroleum or working in industrial plants, the electric power, the sugar and ceramics industries. Many come for a short period to perform specific tasks, but a number of them will be staying in the country for some time. In early June, Cuba announced the arrival of 300 "young Soviet farm specialists", who were expected to remain in Cuba for a long term.

192. In January, the Guevara mission returned from the bloc with plans to send 2,400 Cubans for technical training in Communist China, the USSR, Czechoslovakia, East Germany and other bloc countries. During the first half of 1961, several of these groups left the country, the most important departure concerning a group of 1,000 agricultural workers that went to the USSR in early June.

193. According to some reports, bloc military technicians in Cuba have been estimated at about 300. Little is known concerning the number of Cubans receiving military training in bloc countries, but there has been some information indicating that at least 60 air force personnel, trained in Czechoslovakia and the USSR, could have already returned.

Trade

194. With the signing of trade and payments agreements with Albania in January 1961, Cuba has now concluded five-year economic agreements with all the European and Asian satellite countries, as well as with the USSR and China. The redirection of foreign trade towards the bloc countries which started during 1960 has been considerably stepped up, all Communist countries participating in the efforts to keep the Cuban economy running. Since the beginning of 1961, 65% to 75% of Cuba's total world trade has been redirected towards the bloc, representing a total value of an order of magnitude of between \$800 million and \$900 million both ways.

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CUBA (contd)

This vast increase in trade represents a major share in the recent increases in the trade between the bloc and the underdeveloped countries of the free world as a whole.

195. Although Cuba has experienced periodic shortages of particular commodities and suffered severe maintenance problems, so far the bloc's efforts have been successful in providing a continuous flow of the main essential commodities to keep the Cuban economy afloat.

196. General Loginov, Director of Soviet civil aviation and head of the Aeroflot, announced in Moscow on the 11th May, while commenting on the proposed extension of air services between the USSR and countries in the Western hemisphere and South-East Asia, that an air service between the USSR and Cuba was being planned.

197. There have been some reports that the USSR has had some difficulty in accommodating the large sugar imports, but to date no large amounts of sugar have apparently been resold in world markets. The target for the Soviet sugar production, as fixed in the Seven-Year Plan, has been set at about 9.25 to 10 million tons for 1965; according to Soviet sources, about 8.7 million tons of sugar will be produced during 1961, of which 2.2 million tons were expected to come from sugar cane. Considerable efforts have apparently been made to expand total production capacity.

OTHER LATIN AMERICAN COUNTRIES

BOLIVIA

198. The Soviet interest in Bolivia reported during the second half of 1960 seems to have subsided. By the end of February, the Bolivians sent to the USSR a list of projects for which they were trying to obtain outside financial and technical assistance, but to date there is no evidence that the USSR has responded to this request. In June, the Bolivian Minister of Mines announced that he would shortly lead a delegation to the USSR to discuss the \$150 million development credit offer announced at the end of last year. A Czechoslovak mission visited the country, and proposed to buy copper, lead, tin and farm produce, and to assist Bolivia in building antimony and copper smelters. A Bolivian mission is expected to visit Czechoslovakia and to discuss this recent offer. A cultural agreement was signed providing for the exchange of information by scientific institutions and universities, and for cultural scholarships. Bolivian trade with the bloc remained negligible during the first half of 1961, although there are some indications that a small amount of trade may be conducted with Czechoslovakia. It was reported that a Bolivian transport co-operative has contracted to purchase 21 Skoda trucks from Czechoslovakia on credit.

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CHILE

199. The Czech mission that visited Bolivia also went to Chile. Chile has been reported to be envisaging the establishment of formal commercial and diplomatic relations with several Eastern European countries, including Poland. By mid-May, commercial negotiations between Poland and Chile had resulted in an agreement on the establishment of a Polish trade office in Santiago and on conditions of payment and lists of goods to be exchanged. The Central Bank of Chile is to send a trade mission to China to explore possibilities of trade between the two countries.

ECUADOR

200. It was announced at the end of June that an agreement had been approved whereby Czechoslovakia is to supply Ecuador with equipment worth \$500,000 for a number of technical and technological schools, in return for cocoa. The deal had originally been mentioned in the Autumn of 1960, when a form of commercial credit worth \$10 million was offered by Czechoslovakia to Ecuador's Minister of Education. The \$500,000 worth of technical school equipment is presumably merely a first instalment, and the widely-publicised announcement that an agreement has been reached seems to imply a formal acceptance of the Czechoslovakian credit by the Ecuador Government.

MEXICO

201. A Polish mission has been visiting Mexico to discuss the possibilities of expanding trade between the two countries to a level of about \$2 million annually. The present volume of trade between the two countries is only a few hundred thousand dollars, and the real motive of the Polish efforts seems to be more political than economic. The Czech mission which visited a number of Latin American countries also went to Mexico, where it declared Czech willingness to supply complete factories in order to step up Mexico's industrialisation programme.

URUGUAY

202. Economic relations between Uruguay and the Sino-Soviet bloc have been following lines similar to those between Argentina and the bloc. The Soviet Union has persistently tried to induce Uruguay to accept some form of a wool-petroleum barter deal, but, in February 1961, the Uruguayan Government awarded contracts for the 1961/63 petroleum requirements to Western suppliers.

URUGUAY (contd)

The importance of the Sino-Soviet bloc for Uruguayan wool exports, which were still considerable during 1959, has now been sharply reduced. As a consequence, while in 1959 exports to the bloc still accounted for 28% of the total Uruguayan exports this percentage has dropped to about 10% of the total Uruguayan exports during 1960. Uruguayan statistics indicate that imports from the bloc during 1960 increased slightly over the 1959 total but the abolition of the multiple exchange rate has considerably weakened the position of the bloc exports in the Uruguayan market. Consequently, Uruguayan imports from the bloc started to decline during the last six months of 1960, and the trend will probably continue during 1961. The Czech delegation in Uruguay offered a loan of \$5 million for the purchase of machinery, to be repaid in traditional Uruguayan products. It is, however, highly unlikely that Uruguay would accept this offer, which has now been renewed for the third time by Czechoslovakia.

VENEZUELA

203. In Caracas, the head of the Czech mission which had been touring Latin America stated that his country was willing to resume diplomatic relations, and to increase trade with Venezuela. The proposed items of exchange would be iron ore and cocoa from Venezuela, and machinery from Czechoslovakia.

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