

N A T O C O N F I D E N T I A L

ORIGINAL: ENGLISH
22nd April, 1977

WORKING PAPER
AC/127-WP/510

ECONOMIC COMMITTEE

COMMUNIST ECONOMIC AID TO
LESS DEVELOPED COUNTRIES IN 1976

Note by the United Kingdom Delegation

Preliminary estimates of new Communist aid commitments in 1976 (no figures are yet available for disbursements) indicate a continuing downward trend since 1972, with 1975 the sole exception. Table 1 shows the progress of new Communist aid since 1965.

TABLE 1

New Aid to LDCs

	US \$ millions(1)			
	USSR	East Europe	China/ North Korea	Communist total
1965	403	565	130	1,098
1970	159	181	710	1,050
1971	931	501	459	1,891
1972	775	683	592	2,050
1973	609	581	379	1,569
1974	419	836	293	1,548
1975	1,331	131	274	1,736
1976	772*	364	113	1,249
Total 1954-76	12,019	6,327	3,846	22,192

* This figure may prove much lower (see under "Soviet Aid" below)

(1) Currencies are converted to the US \$ at the current official exchange rate

N A T O C O N F I D E N T I A L

AC/127-WP/510

-2-

Comparison between Communist and OECD aid

2. Resource flows from DAC countries(1) include official development aid (oda), food aid, commercial credits (whether or not backed by official guarantees) and grants from private organizations (e.g. charities); virtually all Communist aid comes into the oda category. The table above shows Communist aid commitments, which are normally considerably higher than disbursements, whereas OEC aid is normally fully disbursed. Bearing in mind these distinctions, DAC aid rose steadily from \$5,916 million in 1965 to \$13,585 million in 1975, or an average of 0.36% of the GNP of the countries concerned. Soviet and East European aid represents 0.05% of GNP, and Chinese aid 0.06%. The oda terms, with approximately 87% grant element(2) are far more favourable than the 38% average for the USSR and East Europe, although China's terms are usually nearer to those of the DAC countries.

Soviet aid

3. New Soviet aid commitments in 1976 were at best 10% less than the average of the last five years, although only just over half the 1975 figure which was distorted by the massive credit to Turkey. It is made up of a maximum of \$300 million to Indonesia for an alumina plant, between \$240 million and \$290 million to Algeria for an aluminium plant, \$100 million to Colombia for a hydroelectric power station, a total of \$57 million to Tunisia for water supply and irrigation and \$25 million to PDRY for an irrigation project, a thermal power station and a geological institute. In practice the total may prove considerably less, since the Indonesians have not specified the amount of Soviet aid offered (on not particularly favourable terms) for the alumina plant, whose total cost will be \$300 million. Mozambique and Angola are receiving some technical assistance from the USSR, but no figures have been released.

4. Table 2 gives cumulative Soviet aid extensions to the top eleven recipients in 1976, showing how their positions have changed since 1965.

-
- (1) Members of the Development Assistance Committee of the OECD
- (2) The form of measurement of the grant content of credits, taking into account interest rates, grace periods, life of the credit and re-scheduling

TABLE 2

USSR: Cumulative aid extensions to LDCs(1)

	1965		1970		1976	
	\$ millions	%	\$ millions	%	\$ millions	%
India	1,028	22	1,583	23	1,943	16
Afghanistan	570	12	700	10	1,248	10
Turkey	8	-	373	5	1,230	10
Egypt	998	21	998	14	1,218	10
Iran	325	7	580	8	753	6
Pakistan	94	2	265	4	710	6
Algeria	228	5	228	3	705	6
Indonesia	368	8	370	5	670	6
Iraq	183	4	331	5	551	5
Syria	100	2	232	3	505	4
Chile	-	-	-	-	421	3
Others	786	17	1,257	20	2,065	18
Total	4,688	100	6,917	100	12,019	100

(1) Cuba and the countries of Indo-China are not included

5. Turkey's total may be as high as \$1,760 million, since the 1975 aid offer for development of the steel and aluminium works and the construction of two power stations and two heavy electrical engineering plants was said in December 1976 by a responsible Turkish Minister, recently back from Russia, to be \$1,230 million (rather than the \$700 million of the previous estimate).

Current problems of Soviet aid

6. The disagreement between the USSR and Egypt on the re-scheduling of Egyptian debts came to a head in March with the latter's unilateral abrogation of the 20-year Treaty of Friendship signed five years earlier, and the expulsion (with

AC/127-WP/510

-4-

some publicity) of several Soviet experts. But the disagreement mainly concerned military debts, since Soviet economic aid to the Helwan steel plant, the aluminium plant and land reclamation and electrification seems to have continued, and a new annual trade protocol was signed in April.

7. The problem between the USSR and India of the rouble/rupee exchange rate in the joint clearing account (covering 99% of their financial transactions) remained unsolved; the rate has remained unchanged since 1966 at 12 roubles = 100 rupees, although rouble official revaluation and rupee devaluation against the US \$ would give a rate closer to 8.7 roubles. This problem concerns not only the rupee value of the rouble, but also the prices charged between the two countries for goods which may have taken the disparity into account; the Indians complain that it could add \$500 million to their indebtedness. A special effort was made unsuccessfully to solve this problem immediately before Mrs. Gandhi's Moscow visit in June, and another effort is to be made in February.

East European aid

8. New East European aid in 1976 was well above the depressed 1975 figure, but at \$364 million is well below the 1971-1975 average of \$539 million. The aid was largely connected with the particular capability of the donor country: Romania has offered \$200 million to Turkey (the first from East Europe) for an oil refinery, East Germany \$100 million to Syria for electrical machinery and \$10 million to Pakistan for equipment for the textile, agricultural and telecommunications industries, Bulgaria \$2.5 million to Ethiopia for agricultural aid and equipment, and Czechoslovakia \$2 million to Afghanistan for the purchase of coal mining equipment. Only a minimum credit from Czechoslovakia to Tunisia of \$30 million for a wide range of projects seems more politically motivated, since it parallels the new Soviet \$57 million aid to the same country. Romania has agreed to a re-scheduling of Egyptian debts, but no figures have been published. Cumulative East European aid commitments now total \$6,326 million, mainly to Egypt (\$929 million), Syria (\$802 million), Iran (\$655 million), India (\$445 million), Iraq (\$425 million), Algeria (\$424 million) and Argentina (\$304 million).

Chinese aid

9. New Chinese aid in 1976 totalled only \$111 million, the lowest since 1969 and well below the average since 1970 of \$386 million. Almost half the new aid is a waiver of the additional \$53 million debts incurred equally by Zambia and

Tanzania in the completion of the Tanzam railway, finally handed over at a ceremony in July. No other new aid was offered to sub-Saharan Africa, hitherto the principal target for Chinese aid, although North Korea offered \$2 million to Mali. The rest of China's credits were extended to Morocco (\$32 million for a sports stadium), and Jamaica (\$8.5 million for a polyester plant), both for the first time; and to Peru (\$8 million for use in agriculture).

The Outlook

10. The USSR is devoting much of its aid towards its neighbours and countries of the Mediterranean littoral; East European countries are seeking outlets for their own industrial capacity; while China is continuing along its independent way of seeking local prestige, preferably at the expense of the USSR.

11. Communist aid, however, cannot compete with DAC aid, either in quantity or credit terms and it is therefore expected to continue to fall from its 1972 peak.

NATO,
1110 Brussels.