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ECONOMIC COMMITTEE

COMMUNIST ECONOMIC AID TO LESS DEVELOPED COUNTRIES IN 1976

Note by the United Kingdom Delegation

Preliminary estimates of new extensions of Communist economic aid in 1976 were given in April (AC/127-WP/510). It is now possible to estimate drawings and repayments of communist aid in 1976, and to put this aid into perspective vis-à-vis Western aid.

I. Drawings

2. The following table shows total drawings on Communist aid in the 1970s.

Table A

Drawings on Communist Aid 1970-1976

	<u>USSR</u>	<u>East Europe</u>	<u>China & NK</u>	<u>US \$ millions</u> <u>Total</u>
1970	366.7	148.5	83.9	599.1
1971	389.1	166.1	139.5	694.7
1972	453.0	150.6	226.0	829.6
1973	536.0	112.6	254.7	903.3
1974	589.6	136.6	210.3	936.5
1975	390.0	174.0	168.1	732.1
1976	406.3	174.9	156.1	737.3

3. The general falling-off in extensions is not yet fully reflected in drawings, although they are well down from the 1973-74 plateau. What is perhaps even more significant is the shift in the area receiving most Soviet bloc aid from Asia to the Middle East, and the large share of Chinese aid going to Africa, as is shown in the following tables.

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Table B
Aid Disbursements By Regions
1976

	USSR		East Europe		China & N. Korea		Total	
	\$ million	%*	\$ million	%*	\$ million	%*	\$ million	%*
Europe and the Middle East	181.9	45	90.9	52	13.6	9	286.4	39
Africa	110.0	27	37.6	21	104.7	67	252.3	34
Asia	90.9	22	29.3	17	36.1	23	156.3	21
Latin America and the Caribbean	23.5	6	17.1	10	1.7	1	42.3	6
World Total	406.3	100	174.9	100	156.1	100	737.3	100

1954 - 1976

	USSR		East Europe		China & N. Korea		Total	
	\$ million	%*	\$ million	%*	\$ million	%*	\$ million	%*
Europe and the Middle East	1,641.8	26	689.3	34	118.0	7	2,459.1	25
Africa	1,822.4	29	545.3	27	1,000.7	58	3,368.4	34
Asia	2,651.8	42	590.1	29	591.1	34	3,833.0	38
Latin America and the Caribbean	148.6	2	177.4	9	21.9	1	347.9	3
World Total	6,274.6	100	2,002.1	100	1,731.0	100	10,007.7	100

4. The bulk of Soviet aid is still going to the traditional recipients - Egypt, Iraq, Syria and Algeria in the Arab world; Iran, Turkey and Afghanistan on the USSR's borders; India, Pakistan and Bangladesh; and Somalia. Only \$15 m of Soviet aid was disbursed in 1976 in the whole of Sub-Saharan Africa (excluding Somalia and Ethiopia) compared to \$24 m, \$22 m, \$42 m and \$17 m from 1972 to 1975 respectively.

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Of the East European countries the Czechs and the Romanians are the most active at present, the former particularly in Syria, Afghanistan, Bangladesh and Peru, while the latter is building oil refineries and chemical plant in Syria, Turkey, Egypt, Pakistan and possibly already in Bangladesh. East Germany's main involvement is in an iron and steel complex in Algeria, and Bulgaria is still giving aid to agriculture fairly widely. Poland and Hungary are comparatively quiescent.

5. Chinese aid disbursement has fallen steadily to about 60% of its 1973 peak, largely owing to the completion of the costly Tanzam railway. Chinese disbursements to Nepal and Pakistan have risen, as well as those to Ghana, Niger and Zaire; sub-Saharan Africa still accounts for two-thirds of the drawings on Chinese aid.

II. Repayments

6. Estimates of repayments (including interest) of Communist aid suggest that they are becoming an increasing burden on the recipient countries, and as far as the USSR is concerned have been at a higher level than disbursements; of the Communist countries only China's aid proves little of a burden in repayment, since if it is not a grant it is often interest-free and of very long life (see Table at Annex).

III. A Comparison Between Communist and Western Aid

7. Official development assistance (ODA) by the 17 member countries of the Development Assistance Committee of the OECD in 1975 (the latest year available), less servicing, amounted to \$13,585 million, with an average grant element of 89%. Gross aid disbursement by all the Communist countries amounted to only \$737 million, or 5% of Western aid, and nett disbursements \$181 million, or 1.3% of Western aid.

8. Still more striking is the nett flow of total resources (including non-concessional aid such as export credits, direct and portfolio investments and international bank loans) which are making a massive contribution to the development of Third World countries: these amounted to over \$40,000 million from Western sources, \$6,000 million from OPEC countries and \$300 million, or 0.06% of the total, from Communist countries.

IV. The Efficacy of Communist Aid

9. An important influence on future trends in communist aid will be its achievements and drawbacks in relations with recipient countries, some of which may be tangible (e.g. increasing interdependence in trade or a signed friendship treaty), while others may be sensed only in the recipient country according to the local attitudes to such aid.

10. The clearest examples of increased trade leading to closer involvement are India, Iran, Turkey and, willy-nilly, Egypt vis-à-vis the USSR. None of the Eastern European countries is in a position to reach any monopoly position in a developing country, and China has not sought to attain any such position.

11. Friendship treaties have been sought by the USSR, and success achieved, with India, Egypt, Iraq, Somalia, and recently with Angola and Mozambique. Turkey and Syria have been pressed to sign some similar treaty, but have refused; Egypt's unilateral abrogation of her 20-year treaty, signed in 1971, without any serious further disruption in Soviet-Egyptian relations suggests that such treaties have only a limited effect. China, by contrast, proclaims that her aid is not in any way part of an attempt at political pressure, and indeed does not seem to expect either treaties or financial return.

12. There has been some evidence of local reactions to Communist aid in recipient countries. Some Algerians expressed disappointment when an aluminium plant contract - on aid terms - went to the USSR, since they judged that the Soviet performance at the El Hadjar steel works had been poor; they believed that the Russians would in future try to steer clear of prestige projects, since they had brought them into disrepute in other countries. The Egyptians have been accusing the Russians of buying on the cheap, while the Russians claim that nobody else would buy such shoddy goods. In Somalia, where perhaps the clearest comparisons can be made between the Chinese and the Russians, the latter are reported to be unpopular. In contrast, Soviet aid to Turkey seems to have been welcomed, in spite of some mutterings about high unit costs.

13. The USSR has recently been trying to defend its economic aid record; the Deputy Chairman of the State Committee for Foreign Economic Relations (the body responsible for all Soviet economic aid to the Third World) was at pains to print in a Soviet international journal* in March that Soviet aid is selfless, whereas Western aid is recompense and therefore must be higher; that socialist ideas are more important than economic aid; and that Soviet trading policy is fair. There have been further suggestions elsewhere that the Russians are disillusioned with the effects of aid, including criticisms of type and quality, difficulties in repayment and a readiness to take too literally the dictum that there were no political strings attached. East European aid has been apparently better applied and leads to fewer criticisms, whereas since Chinese aid is almost an outright gift in most cases little criticism can be fairly justified.

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* New Times No. 9 1977

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Drawings on, and Servicing of, Communist Aid Credits in 1976

ANNEX to
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	USSR			East Europe			China and N. Korea			TOTAL		
	Drawings	Repay-ments	Nett Aid	Drawings	Repay-ments	Nett Aid	Drawings	Repay-ments	Nett Aid	Drawings	Repay-ments	Nett Aid
Middle East and Europe	182	110	72	91	50	41	14	-	14	287	160	127
Africa	110	140	-30	38	35	3	105	5	100	253	180	73
-of which North and North East	(95)	(110)	(-15)	(37)	(30)	7	(44)	(-)	(44)	(176)	(140)	(36)
-of which sub-Saharan	(15)	(30)	(-15)	(1)	(5)	-4	(61)	(5)	(56)	(77)	(40)	(37)
Asia	91	160	-69	29	25	4	36	-	36	156	185	-29
Latin America and the Caribbean	23	10	13	17	20	-3	2	2	-	42	32	10
TOTAL	406	420	-14	175	130	45	157	7	150	738	557	181