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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

THE ECONOMIC OFFENSIVE OF THE SINO-SOVIET BLOC
(from 1st July, 1961 to 1st July, 1962)

Eighth Report by the Committee of Economic Advisers
(draft)

Note by the Chairman of the Sub-Committee on
Soviet Economic Policy

Please find attached a draft of the Eighth Report on the Economic Offensive of the Sino-Soviet Bloc, prepared by the Economics Directorate. Since a summary review, giving information on the subject up to the end of 1961, was already established in March, 1962⁽¹⁾, the present report covers the twelve-month period from mid-1961 to mid-1962.

2. The attached draft consists of:-

- (i) The main report on developments of the Economic Offensive during the period considered.
- (ii) A statistical Annex.
- (iii) A second Annex containing an analysis by country.

(Signed) A. VINCENT.

OTAN/NATO,
Paris, XVIIe.

(1) The Sino-Soviet Bloc Economic Offensive
A Summary Review 1954-1961 circulated as C-M(62)36 ✓

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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY
THE ECONOMIC OFFENSIVE OF THE SINO-SOVIET BLOC
Eighth Report (1st July, 1961 to 1st July, 1962)

SUMMARY AND CONCLUSIONS

Since the last report⁽¹⁾ there have been significant changes in the main trends of Sino-Soviet economic relations with the less developed countries of the free world. From 1954 up to mid-1961 these relations had generally been characterised by:

- a rapid increase in the volume of new economic credits extended by the bloc to reach over \$1 billion per year in 1960;
- a slow rate of drawings on such credits, never exceeding one-fifth of the total economic aid committed;
- a fast expansion of bloc trade with less-developed countries, both in total value and in geographical distribution.

2. The most striking features of the Sino-Soviet economic penetration during the twelve months period from July 1961 to July 1962, can be summarised as follows:

- the extension of new economic aid during the first half of 1962 declined to less than \$300 million, the lowest level in any six-months' period since the end of 1958. At the present rate, the 1962 annual total of new economic aid commitments will hardly exceed 50% of the record level reached in 1960;
- the rate of implementation of the economic aid programmes has been stepped up. Drawings during 1962 will probably be of the order of \$450 million, as against \$284 million in 1961 and less than \$200 million in previous years;
- technical assistance is gaining rapidly in importance. The number of Sino-Soviet technicians in the countries concerned reached over 12,100 (9,565 civilian and 2,540 military experts) by mid-1962, as compared with 9,685 by mid-1961 (8,155 civilian and 1,530 military advisers). The total of nationals from less-developed countries

(1) See Seventh half-yearly report C-M(62)13, and the Summary Review on the Sino-Soviet Economic Offensive 1954/61 C-M(62)36.

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that have received or were receiving training in Communist countries has risen to about 27,000, of which 10,000 were military trainees;

- with the noticeable exception of Cuba, trade between the bloc and the less-developed countries of the free world outside Europe during 1961 increased at a much slower rate than during previous years. For the first time, the USSR became the most important Communist trading partner of these countries, overtaking the European satellites, who increased their trade with those areas at a modest rate.

3. No firm conclusions can yet be drawn as to the reasons for the striking decline in the flow of new Sino-Soviet aid commitments or whether this trend will continue. So far the real cost to the bloc as a whole of aid to less developed countries remains extremely small - far below that borne by most advanced Western nations - and has not constituted an impediment to its own economic development. However, throughout the Communist bloc, productive resources remain stretched to capacity. In these circumstances, any substantial increase in aid could lead to further strains.

4. The economic stresses in the USSR, resulting primarily from the increased expenditures on agriculture and defence, the repercussions of the success achieved by the Common Market on the European satellites and the serious difficulties encountered by Communist China have emphasised the internal needs and probably played their part in the re-evaluation of bloc aid and trade programmes with the less-developed countries. This does not necessarily imply a lessening of the importance attached by the bloc to its future efforts of economic penetration in the most vulnerable areas of the free world, but stresses the need for careful re-examination of the ways and means to obtain the most favourable returns in economic, political and propaganda terms of each rouble put at the disposal of the less-developed countries. On the whole, it would seem that the growth of the bloc aid programmes have been affected less by internal economic problems than by the lack of new opportunities.

5. Various considerations seem to confirm this view:
- (a) it is generally agreed that at least four to five years must elapse before new credits are completely drawn by the recipient countries. The rate of utilisation of bloc credits is the only part of the extended credits which has a direct bearing on any internal shortage, and drawings have been kept steadily rising. They would continue to do so even if no new commitments are extended in the near future:

- (b) recent developments point to a considerable increase in the importance attached by the bloc to technical assistance, resulting possibly from the consideration that, while this type of assistance might be less onerous, it proves to be better adapted to the needs of some less-developed countries (especially in Africa), and it may provide better political and propaganda returns for the outlay involved;
- (c) new offers of large-scale financial assistance (amounting in total to about \$900 million) have been announced by the bloc during the first half of 1962, although so far they have not been accepted. At least \$500 million has reportedly been offered to Brazil, as well as large sums to Bolivia, Chile and other countries in Africa and Asia. If these offers were accepted, the growth of new aid commitments would rapidly regain its earlier impetus;
- (d) the relative lack of success in further bloc penetration in Africa seems to result rather from a revised attitude of some African countries (e.g., Guinea) concerning bloc aid than from the reluctance of the bloc to extend further economic aid;
- (e) in Asia and the Middle East, large amounts of so far unused credits are still at the disposal of various countries (Egypt, India, Afghanistan, Indonesia), rendering superfluous any additional credits extended before the already available amounts have been usefully absorbed;
- (f) it may also be that some of those countries which seem to the bloc to offer the best prospects for economic penetration are in fact small countries, (e.g. Bolivia, British Guiana, African countries) where only relatively small quantities of aid can, at present, be usefully absorbed.

6. It should not be concluded from this that the Soviet bloc would be capable of maintaining indefinitely the past rate of rapid growth of aid programmes, nor that it would be in a position to compete seriously with the volume of aid flowing from the industrialised free world. It seems obvious that the bloc economy can ill afford in the near future the cost of "several Cubas" at the same time, while still aiming to reach its ambitious internal targets of increased standards of living and defence preparation. The limitations of the foreign aid potential of the USSR have been openly stressed by the Soviet Government on various occasions during 1962 with growing insistence upon the fact that the internal economic development of the less-developed countries is primarily the responsibility of the less-developed countries themselves. In addition, the European

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satellites, who rely more than the USSR on foreign trade, may have urged that aid and trade programmes should take more account of the bloc's economic needs.

7. The Soviets have always insisted on trade as the most helpful means of assisting the development of less-developed countries. It is generally agreed that the volume of such trade is closely linked to the increase in the standards of living of the Communist countries. Imports of tropical products (sugar, rice, coffee, cocoa and fruits) depend largely on such an evolution, while a steady growth of industrial production inside the bloc can provide exports of value to the less-developed countries. Economic stringencies within the bloc might well hamper such developments.

8. At the present stage, it is still impossible to evaluate to what extent the recent internal economic difficulties inside the Sino-Soviet bloc might have dimmed the image that Communism has tried to build up as a model for economic development.

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THE SINO-SOVIET BLOC ECONOMIC OFFENSIVE IN THE
LESS DEVELOPED COUNTRIES OF THE FREE WORLD

9. Over the year under review there have been some significant changes in the various kinds of economic activities used by the bloc for reinforcing its presence in the less developed areas of the free world. In the following paragraphs dealing with the various means utilised - economic and military aid, technical assistance and trade - an attempt has been made to assess their importance for the recipient countries.

I. ECONOMIC AID

(a) Credits extended

10. From January 1954 to mid-1962, the bloc pledged to the less-developed countries of the free world economic credits and grants totalling \$4.9 billion. Of this total 73% has been extended by the USSR, 19% by the European satellites, and 8% by Communist China. This represents an increase of about \$775 million since mid-1961, of which \$475 million was extended during the second half of 1961 and \$300 million during the first six months of 1962.

11. The Soviet Union reduced the rate of her new commitments since early 1961 to about \$500 million a year, as compared to \$800 million during the two previous years. The European satellites, who had considerably stepped up their participation in the economic aid offensive during 1960 and 1961, reaching an annual average of about \$300 million, extended less than \$70 million between January and July 1962. Communist China added no new credits during the first half of 1962 to the \$145 million yearly average extended during 1960 and 1961.

12. Evidence has been accumulated since January 1962 of some restraint on the part of the Sino-Soviet bloc in the expansion of their economic aid programmes to less-developed countries that had already accepted earlier credits. While Soviet official statements emphasised that the USSR could not be regarded as an unlimited reservoir for the provision of economic aid, and stressed the need for less-developed countries to rely chiefly on their own internal resources for economic progress, new large-scale offers totalling \$900 million were made to various countries (Bolivia, Brazil, Chile, Morocco, Niger, Iran, Thailand) where previous bloc aid had been extremely small, or had even been refused.

13. During the second half of 1961 the flow of large-scale new bloc economic credits was directed to Asia and Africa. Afghanistan (\$196 million), Indonesia (\$60.5 million), India (\$37.2 million) and Ghana (\$93 million), Tunisia (\$38 million) and Sudan (\$22 million) accounted for more than

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90% of total new credits extended. As the extension of new credits has tended to decline since January 1962, almost 90% of the additional assistance provided by the bloc during the first six months of 1962 went to three countries only:

Afghanistan (\$104 million), Cuba (\$100 million) and Egypt (\$57.4 million).

(b) Drawings

14. Notwithstanding the sharp drop in the volume of new aid commitments, most of the previously established economic assistance programmes have now entered the stage of active implementation. Drawings on the accumulated outstanding credits are requiring on the part of the bloc countries a more serious contribution if they wish to honour their commitments and to appear as a potential source of reliable aid to the less-developed world. Therefore, it would seem that this trend will continue, even if new aid promises were to be curtailed during the coming months. On the 30th June, 1962, out of the \$4.9 billion aid extended, the accumulated total of outstanding credits amounted to about three-quarters of this total, while only \$1.2 billion of the Sino-Soviet bloc aid had so far been actually utilised.

15. The rate of utilisation of the financial resources put at the disposal of the less-developed countries by the European satellites has been slightly more rapid than drawings on the USSR's credits. By mid-1962, out of a total of about \$923 million economic aid extended by the European satellites, roughly \$675 million was still outstanding (73%). Out of \$3,550 million Soviet credits, \$2,675 million was still outstanding (75%). Communist Chinese financial assistance, which was started in 1956, has so far been utilised to the extent of about 19% of the total amount of aid committed.

16. Up to the end of 1961, drawings (i.e. deliveries of equipment and actual contribution of technical assistance) had been extremely small, if compared to the GNP of the bloc countries. They never exceeded one-tenth of 1% of the GNP of the USSR, and represented in 1961 an even smaller fraction of the combined GNP of the other COMECON countries, as well as of that of Communist China. The sharp increase foreseen for 1962 that might bring the annual drawings close to \$450 million, would not represent more than one-fifth of 1% of the GNP of the USSR, and less in the case of the European satellites and Communist China.

17. The area where the credits have been most actively utilised was the Middle East, where the Yemen had drawn about two-thirds of total bloc aid extended, and Syria and Egypt more than one-third. In Asia, Cambodia has already used up almost one-half of total credits and grants made available by the bloc. Afghanistan has drawn about 30%. Actual utilisation of bloc economic aid represents nearly one-quarter of the aid extended in India, and

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one-fifth in Indonesia. Drawings on bloc credits have so far been smallest in Africa, with one notable exception - Guinea, where 36% of the credits extended had been drawn by mid-1962. Africa as a whole has used only slightly more than one-eighth of the bloc aid committed to this continent. Of total bloc aid promised to Cuba, less than one-tenth had been drawn by that country by mid-1962.

18. This geographical distribution of drawings up to mid-1962 reflects the chronological development of Sino-Soviet ventures in the field of economic aid since 1954. Originally directed towards the Middle East and some selected Asian countries, bloc aid to Africa and Cuba is relatively recent, and can be expected to materialise in the coming years, unless the donors or the recipients decide to modify drastically their attitude regarding bloc economic aid.

(c) Repayments

19. Repayments of bloc economic credits were estimated by mid-1962 to total about \$165 million, representing about 14% of drawings. More than three-quarters of the total repayments are accounted for by India, Indonesia, Egypt and Yugoslavia. Assuming that repayments will increase at the same rate as drawings, the net financial cost to the bloc of goods and services under its aid programmes would continue to be about 86% of the drawings.

(d) Aid procedure

20. In early 1962, the Soviet Government announced the establishment of a special commission (Soviet State Commission for Foreign Economic Affairs) at a supraministerial level, attached directly to the Praesidium of the Council of Ministers, in charge of the co-ordination of Soviet domestic activity concerned with foreign aid. This new commission comes in addition to the already existing but lower level foreign aid committee (Soviet State Committee for Foreign Economic Relations).

21. Some significant changes in the procedure of bloc aid have been reported, reflecting a developing sophistication and flexibility of aid programmes. For instance, the USSR has found it necessary to provide commodities for sale on the domestic markets of a number of less-developed countries, in order to help raise the local currency needed for development projects included in bloc aid programmes. Such agreements were concluded during the period under review between the USSR and Ceylon, Guinea, Indonesia, Nepal and the Somali Republic, in an effort to overcome the danger of the recipient countries' slowing down progress of development programmes by their inability or unwillingness to allocate sufficient domestic resources for projects to be undertaken with foreign assistance.

(e) Importance of bloc aid programmes to the recipient countries

22. The Sino-Soviet economic assistance programmes, by their concentration on some selected areas, have managed to represent quite considerable contributions to the economic development of the few major recipient countries of this aid. In others, where Sino-Soviet assistance plays only a small marginal rôle for the development of the countries, bloc aid programmes constitute merely an economic foothold for the establishment of a symbolic presence.

23. Among the first group of major recipient countries, the most spectacular case is obviously Cuba, whose economic survival at present depends almost exclusively on bloc aid and trade. From February 1960 up to the end of July 1962, that country had received bloc economic credits equivalent to over \$60 per inhabitant, to be used in all vital economic sectors: agricultural mechanisation, natural resources' exploration and exploitation, industrial development, technical and expert advice, etc.

24. Afghanistan, the first country to receive economic aid from the USSR (end of 1953), was recently brought into the limelight again. The total amount of credits extended has been more than doubled during the period under review, to reach \$515 million, or nearly \$37 per inhabitant, which is all the more considerable in view of the backwardness of Afghanistan's economy. In addition, the country plays host to the largest number of bloc civilian technicians ever recorded in any single country (2,320) and accounting for nearly 25% of all Sino-Soviet civilian technicians abroad.

25. In Africa, bloc aid efforts have been mainly concentrated on three major recipient countries: Guinea, Ghana and Mali. In Guinea, where bloc aid amounts to over \$40 per inhabitant, recent developments have been unfavourable to further Communist penetration. In Ghana, the size of the USSR aid programme has more than doubled since the last report and as a consequence, Ghana has become the largest African recipient of bloc financial aid, having accepted \$196 million (\$28 per inhabitant).

26. In Asia, bloc economic aid extended to Indonesia totalled \$641 million, though in view of the country's vast population this represents less than \$7 per head. Total aid commitments to India have now reached \$950 million, thus maintaining India at the top of the list of recipient countries. However, the financial assistance requirements under the current five-year plan are extremely high and Soviet participation represents about 9% of total foreign aid requirements. No spectacular new development is to be reported, but by the implementation of its existing aid programme the bloc continues to make its presence felt in India.

27. In the Middle East, Egypt, Iraq and Syria have continued to draw on credits previously extended. In these three countries, bloc aid contributes an important part to the economic development plans.

28. In a large number of less-developed countries, bloc aid plays little or no part in the overall economic development. Aid has often been accepted as a means of showing independence of the West, or of proving neutralism. Bloc aid offered in order to establish a presence that might serve as an opening for possible penetration has been mainly directed to infrastructure projects. In some cases, the amounts accepted have been fairly considerable - Argentina (\$104 million), Ethiopia (\$114 million) - but no implementation has followed; in others, only one or two bloc projects have so far been accepted (Bolivia, Cyprus, Pakistan, Morocco, Iran, Brazil).

29. Finally, in a number of countries the size of the bloc aid programmes has more economic significance, without playing any substantial part in the development projects of these countries (Somali, Tunisia, Yemen, Sudan, Nepal, Ceylon, Burma, Cambodia).

II. MILITARY AID

(a) Credits extended and drawings

30. Four new military aid agreements have been concluded since mid-1961. The most important one, amounting to \$70 million, was signed in mid-1962 by the USSR and Indonesia. Before the end of 1961, the USSR also concluded an additional arms deal with Iraq amounting to at least \$50 million, which was followed in February 1962 by an agreement with Syria. The size of the latter deal is not known, but it might be as high as \$40 million. A Soviet/Moroccan agreement in early 1962 of about \$4 million completes the list of new military aid agreements.

31. The aggregate value of military supplies and equipment already provided or committed under bloc military agreements with eleven less-developed countries (Indonesia, Egypt, Iraq, Syria, Cuba, Afghanistan, the Yemen, Guinea, Morocco, Sudan and Mali) reached a total of about \$2.5 billion by mid-1962. If down payments are deducted, financial assistance for military purposes amounts to nearly \$2.4 billion, consisting of \$0.6 billion grants and discounts, and \$1.8 billion in the form of credits.

32. Substantial deliveries of Soviet military equipment and supplies continued throughout the period under review, implementing agreements concluded since 1960. Indonesia remained the major recipient, accounting for 40% of all Soviet arms and military equipment so far delivered or promised to less-developed countries of the free world, including Cuba. The Middle East, where Iraq, Syria and Egypt had concluded additional military agreements in 1961 and 1962, was supplied with more military equipment. Iraq and Egypt are to receive more advanced jet aircraft, tanks and other land armaments, as well as air-to-air and surface-to-air missiles. Cuba and Afghanistan have also received additional military supplies.

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33. Almost all types of conventional weapons for land, sea and air use have been delivered by the Soviet bloc. The main source of military aid has been the USSR, accounting for threequarters of this kind of aid. Most of the remainder was provided by Czechoslovakia. Contrary to economic aid, about 75% of all arms ordered have been delivered and the unfulfilled commitments consist of orders for items requiring lengthy production schedules (naval vessels) or items for which operating personnel are still to be trained (modern jet fighters). In many instances, actual deliveries of arms have been started a few weeks after the signature of the contract.

(b) Repayments

34. About \$655 million is estimated to have been repaid on bloc military credits. Such repayments represent more than 35% of total military credits extended. Egypt has probably reimbursed over \$370 million, and Indonesia about \$120 million.

(c) Importance of Military Aid for the Recipient Countries

35. Soviet military aid has been concentrated mainly on six countries: Indonesia (\$1 billion), Egypt (over \$500 million), Iraq (\$300 million), Syria (\$280 million), Afghanistan (\$100 million), and Cuba (\$100 million). Indonesian military build-up (naval, air and land forces) during the period of tension over West New Guinea has been based mainly on Soviet aid, which provided more than \$1 billion, including discounts and price cuts valued at nearly \$200 million. The Egyptian, Iraqi and Syrian armies have all become dependent to a large extent on deliveries of Soviet equipment, each of them using large quantities of ground forces' equipment and also fighter aircraft. Both Egypt and Iraq are receiving MIG.21 fighters and TU.16 medium jet bombers, in addition to defensive missiles of various types. Military aid to Afghanistan, mainly for land forces, but also including deliveries of light bombers and jet fighters, is increasing rapidly the dependence of the military strength of that country on Soviet assistance and equipment. Aid to Cuba amounted to over \$100 million by mid-1962, but unusually large shipments began to arrive in Havana thereafter.

36. Soviet arms aid has enabled some of these countries to build-up a military strength that might constitute a potential threat to neighbouring countries, and the USSR is currently expanding her programme in complexity, while developing the technical capability of the recipient countries to absorb more advanced types of weapons.

37. Most of the other recipient countries have obtained mainly ground forces' equipment in smaller quantities. This is the case of Guinea, Mali, and Yemen. Morocco and India have received air force equipment, the former a few jet fighters, the

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latter transport planes and helicopters.(1)

III. TECHNICAL ASSISTANCE

38. Various indications point to the increased importance attached by the bloc to its efforts to enhance its influence in the less-developed countries by rendering technical assistance to such countries, and by allowing growing numbers of military, technical and academic trainees from less-developed countries to train and to gain working experience in the Communist countries, or in institutes built locally with bloc assistance and generally staffed by Soviet personnel.

39. Contrary to earlier Soviet practice, during the first half of 1962 at least five African countries concluded technical agreements separated from any major economic credit arrangements. Special emphasis was given to Soviet technical assistance for the establishment of state farms and for the development of agricultural co-operatives. Although this particular kind of assistance had already been extended earlier to some Asian countries, it never represented such an important part of the bloc aid programme in these countries, nor were technical advice projects so rapidly implemented as in the African countries.

40. Another significant innovation introduced since 1962 consisted of providing preliminary on-the-job training under the conduct of Soviet technicians in industrial establishments built in the less-developed countries with financial assistance from the bloc. Under this new scheme, the Soviet technicians will train Indian engineers in India before their departure for the USSR, as well as Cingalese engineers, who might later be employed at the rolling mill that the USSR has undertaken to construct in Ceylon. In particular, Cingalese technicians will be trained at the Bhilai steel mill established in India with Soviet financial assistance. This new procedure reduces the length of time and the cost of the training, while increasing the services of bloc technicians already at work in the less-developed countries.

41. The number of bloc technicians, both military and civil, has continued to increase rapidly, from 6,790 by mid-1960 to 9,685 by mid-1961 and reaching 12,105 by mid-1962, which reflects the increased tempo of both the implementation of economic aid programmes and military aid activities. The number of military technicians increased by more than 40% over the previous half-year to 2,540, while the civilian technicians rose only 14%, to 9,565.

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- (1) The Sino-Indian border incidents delayed the promised delivery of Soviet MIG.21 fighters and the establishment of a factory for building such fighters in India.

(a) Civilian technicians

42. During the first half of 1962, 69% of the 9,565 bloc civilian technicians in less-developed countries came from the USSR, 22% from European satellite countries and 9% from Communist China. Over half of the USSR nationals were working in Asian countries. The Middle East accounts for one-quarter of the total number of Soviet technicians, with Egypt (700) and Iraq (655) leading the list. Fifteen per cent of the Soviet technicians went to Africa, mainly to Guinea (495), Ghana (225) and Mali (100). In Latin America, 600 Soviet experts were reported to be in Cuba, out of a total of 605 in this region.

43. The geographical distribution of the technicians from European satellites reveals that more than 37% of them were reported to be in Africa. In Guinea their number (540) exceeds that of the Soviet technicians, while in Tunisia no bloc experts are reported other than from the European satellites. The next region where the European satellites are most active is the Middle East, which accounts for another 30% of the number of experts, followed by Latin America, where, in addition to the 300 satellite experts reported in Cuba, small numbers have been at work in Argentina, Brazil and Chile. There are only five Asian countries where European satellite experts have been stationed, 90% of them in India and Afghanistan.

44. Communist China has a number of experts in three Asian countries: Nepal, Cambodia and Burma; by mid-1962, there were still some 500 Communist Chinese labourers in the Yemen, and the Chinese have joined other bloc technicians in Cuba, Guinea and Mali.

(b) Military advisers

45. Half of the 2,540 bloc military advisers in under-developed countries reported during the first half of 1962 are stationed in the Middle East, and one-third in Asia. By mid-1962, 400 military technicians were reported in Cuba. Africa accounts for only 65 out of the total. Indonesia and Egypt absorbed most of the recent sharp increase in the number of military advisers, reflecting a large-scale implementation of military agreements concluded earlier. Small increases were also registered in Afghanistan and Iraq.

(c) Trainees from less-developed countries in the bloc

46. In at least two Communist countries - the USSR and Czechoslovakia - special universities had earlier been established exclusively to train students from the less-developed countries. The number of academic students and technical trainees from such countries who have undertaken training in Communist countries has grown rapidly, but the sharpest rise came in the field of military training. Between 1955 and 1960, about 11,700 nationals from less-developed countries went to the bloc;

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of this number about 4,600 were there for military training. By mid-1962, the total had risen to about 27,000, 10,000 being military trainees. Fifty-four underdeveloped countries are now sending students to the bloc academic and vocational institutions, but five countries (Cuba, India, Indonesia, Iraq and Egypt) continue to account for almost 70% of all the trainees sent to the bloc. Military training has so far been extended, or was being extended, to a cumulative total of 9,680 nationals from underdeveloped countries, 70% of this total came from Indonesia and Egypt.

(d) Establishment of technical institutes in less-developed countries

47. Increasing emphasis has been given to the establishment of training institutes and centres in various less-developed countries. In the past, various Asian and Middle Eastern countries have had some kind of training centre, technological institute or laboratories included on the list of projects to be assisted by Soviet financial aid. (India, Burma, Cambodia, Indonesia, Egypt). Special attention has more recently been devoted to this particular field in Africa. Generally, the USSR will assist in the construction of the institute buildings, sometimes covering the entire cost, in furnishing the equipment and in supplying the major part, if not all the staff needed. In several countries, a bloc-built institution will be the major or even the sole centre for technical training.

IV. TRADE

48. Sino-Soviet bloc trade with the less-developed countries⁽¹⁾ maintained throughout 1961 its upward trend initiated in 1954. Total bloc trade turnover with fifty-two less-developed countries outside Europe amounted to \$0.7 billion in 1954, \$1.8 billion in 1959, \$2.2 billion in 1960 and \$2.9 billion in 1961; i.e., an increase of 23% in 1960 and another of 30% in 1961. Bloc trade with Cuba alone accounts for about 70% of the 1961 increase. If Cuba is excluded, the total value of bloc trade with the less-developed countries during 1961 increased at a slower rate (about 9%) than during previous years (20%).

49. Cuba is now integrated into the Sino-Soviet economic system. During 1961, she conducted about 80% of her total foreign trade with the bloc (as against 20% during 1960, and 1.5% in 1959) and it can be expected that this share will rise further during 1962. Cuba's trade in 1961 represented 30% of total bloc trade with the less-developed countries (11% in 1960).

50. If the exceptional case of Cuba is disregarded, the increase in total trade turnover in 1961 was roughly 20% in the case of the USSR, 6.5% in that of the European satellites, and

(1) In the following paragraphs the words "less-developed countries" are intended to cover all the less-developed countries outside Europe.

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there was a reduction of about 12% in the case of Communist China. These percentages reflect a continued declining trend in commodity prices which affected some of the major commodities imported by the bloc (e.g. cocoa, cotton, tobacco and rubber). Whereas the value of bloc imports from Indonesia and Malaya, consisting of more than 90% of rubber, declined, the volume of rubber imported from these countries together rose about 30%. The value of Ghanaian cocoa imports declined more than 50% but the volume of these imports by the bloc fell only 40%.

51. The rôle played by the USSR in bloc trade with the less-developed countries has been steadily increasing. While in 1954, about 45% of this trade was conducted by the European satellites, 30% by Communist China and only about 25% by the USSR, in 1961 the USSR accounted for about 43%, the European satellites 38% and Communist China 19%.

52. Cuba apart, the less-developed countries where bloc trade represents an important share of their foreign trade remained roughly the same as those mentioned in earlier reports. In 1961, Egypt sent 43% of her exports to the bloc from which she received 24% of her imports; Afghanistan's trade with the bloc amounted to about one-third of her total exports, and the bloc provided about 40% of her imports, Syria exported about 25% of her total exports to the bloc from which she received about 10% of her imports. Sudan conducted 11% of her total trade with the bloc and Indonesia and Cambodia about 10%.

(a) The USSR's trade with the less-developed countries

53. According to statistics released by the Ministry of Foreign Trade in Moscow, Soviet total foreign trade in 1961 increased by 5.7%, but trade with the less-developed countries rose from 903 million roubles during 1960 to 1,450 million roubles in 1961. This trade, which represented 9% of world Soviet foreign trade in 1960 reached 14% in 1961; it now exceeds both trade with NATO countries and with Communist China.

54. Exports to the less-developed countries increased at a faster rate than imports from these countries. In 1961, they absorbed 31% of all Soviet exports of machinery, agricultural and industrial equipment, including deliveries to the rest of the world (Communist countries included), as against 11% in 1960.

55. Imports from the less-developed countries still exceeded Soviet exports by 109.5 million roubles. Part of this Soviet import surplus is due to repayments in goods of military⁽¹⁾ and economic assistance. Another main reason to explain the imbalance of Soviet foreign trade is to be found in the vastly increased imports of Malayan rubber, while Soviet exports to that country are restricted.

(1) It will be noted that deliveries of arms and military equipment are not included in Soviet export statistics

56. The Soviet official list of trading partners during 1961 includes thirty-six less-developed countries outside Europe; the recent additions were Libya, Togo, Mali and Peru. About 70% of Soviet trade with the less-developed countries is directed to only four of them: Cuba (36%), Egypt (13%), Malaya (11%), and India (10%).

57. The spectacular increase of the USSR's trade with the less-developed countries results mainly from the exceptional development of trade with Cuba, which increased almost three and a half times during 1961 in comparison with the 1960 level. In 1961, Cuba became the seventh most important trading partner of the USSR, coming immediately after the Soviet-occupied Zone of Germany, Czechoslovakia, Poland, Communist China, Bulgaria and Roumania. Soviet trade with Cuba represented 5% of total Soviet foreign trade, and over one-third of Soviet trade with the less-developed countries. The Soviet Union imported 3,345,000 tons of sugar from Cuba, accounting for 96% of total imports from that country. 22% of Soviet exports to Cuba consisted of machinery and equipment for agriculture and industry, and another 17% of petroleum and petroleum products. The other Soviet exports to Cuba included fertilizers (5%) and steel (5%).

58. Soviet trade with Latin American countries as a whole, other than Cuba, remained at approximately the same level reached in 1960. Soviet exports to Argentina declined more than imports from that country. The exports of Soviet machinery and industrial equipment to this country were one of the few exceptions indicating a decline in 1961 as compared to 1960. The main imports from Argentina are hides and skins, vegetable oils and wool. Brazil became in 1961 the USSR's second most important Latin American trade partner. The increase in total turnover with that country resulted mainly from a sharp increase in the import side, consisting chiefly of coffee, cotton and cocoa. Trade with Uruguay, Peru and Mexico represented less than 2% of Soviet trade with Latin American countries.

59. Up to the end of 1960, Asia had been the region with which the Soviet Union had conducted the most important part of her trade directed towards the less-developed countries, but in 1961 Asia was overtaken by Latin America. Within this area, the most striking development was the 50% increase of total trade turnover with Malaya, bringing her to the top of the list of Asian trading partners. This change was due to the considerable increase in Soviet purchases of Malayan natural rubber, and this trend would have been more marked had the prices of natural rubber not fallen during the period under review. The Soviet trade balance with Malaya has thus continued to show an increased deficit, with Soviet exports to that country representing an almost negligible fraction of the Soviet rubber imports. It seems likely that such Soviet imports will be continued during the coming years, even if the production of synthetic rubber in the Soviet Union increases according to plan.

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60. India is the next most important Asian trading partner of the Soviet Union. India increased her total trade with the USSR during 1961 at a faster than average rate. More than half of the Soviet exports to India consisted of machinery and industrial equipment, and have more than doubled in 1961 over 1960, reflecting in part the continuation of the Soviet economic assistance programme. Soviet imports from India were kept approximately at the same level as during 1960. They consisted mainly of tea (25%), sacking and jute (20%), rope, fishing nets and synthetic fibres (20%), pepper and spices (11%), raw hides (10%).

61. Exports of Soviet machinery and industrial equipment to Indonesia, accounting for about 70% of total Soviet exports to that country, nearly doubled in 1961 as compared to 1960, thus almost balancing Soviet imports of natural rubber from Indonesia. A similar trend is noticeable in Soviet trade with Afghanistan, where increased exports in 1961 were valued at twice the imports from that country. Soviet trade with Burma, Cambodia, Ceylon, Pakistan and Thailand taken together amounted to less than 10% of total Soviet trade with Asian countries.

62. Soviet trade with the Middle East has only increased slightly over 1960. By far the most important trading partner here is Egypt, who accounts for about 64% of total Soviet trade with countries of that region. The decline of Soviet imports from Egypt was largely due to a poor cotton crop, and was compensated by the increase of Soviet exports, consisting mainly of machinery and industrial equipment (40%), crude oil and oil products (19%) and wood and paper (13%). The implementation of the Soviet economic aid programme in Iraq has resulted in an increase of Soviet exports of machinery and equipment, representing two-thirds of total Soviet exports, thus maintaining a considerable credit balance over Soviet imports of Iraqi dates. Trade with Iran was kept at about the same level as in 1960. Soviet trade with Syria showed a decline in Soviet imports, compensated by an increase of exports among which machinery, equipment and petroleum products predominated. Lebanon, Cyprus and the Yemen accounted for less than 5% of Soviet trade with the Middle East.

63. In 1961, Soviet/African trade represented about 1% of total Soviet foreign trade and less than 8% of Soviet foreign trade with the less-developed countries. Soviet imports from African countries declined sharply, but this decline was compensated by a considerable increase of exports to these countries. Total trade turnover increased only slightly, the main African trading partners of the USSR being Guinea, Ghana, Sudan, Rhodesia and Nyasaland and, for the first time, Mali. Soviet imports of Ghanaian cocoa were sharply reduced, while exports of Soviet machinery and equipment continued to increase. A similar emphasis on the Soviet export side was noticeable in Guinea and Mali. Sudan and Morocco were the only African countries to increase their sales of local products to the Soviet Union, although total trade with the latter declined as a

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result of reduced Soviet exports to Morocco. Soviet imports of copper from Rhodesia and Nyasaland were seriously curtailed in 1961. The other African countries, such as Tunisia, Uganda, Libya, Ethiopia, Algeria, Nigeria and Togo, accounted for less than 12% of total Soviet trade with African countries.

(b) The European satellites' trade with the less-developed countries

64. Trade with the less developed countries (which represented a larger share of total foreign trade in the case of the European satellites than in that of the Soviet Union), increased in 1961 at about the same rate as trade with the Soviet Union. The European satellites maintained trade relations with about fifty less-developed countries and this trade was more evenly spread over a greater number of countries than in the case of the Soviet Union. Trade between the satellites and the less-developed countries has shown in the past a more steady trend, increasing at a slower rate than Soviet trade, but avoiding the wild fluctuations occurring in the USSR's trade. Czechoslovakia and Poland have generally played the rôle of spearhead in the bloc trade drive based on their longer traditions and experience in the field of foreign trade relations.

65. About 70% of this trade was directed to eight countries: Egypt, Cuba, India, Brazil, the Argentine, Malaya, Indonesia and Iran. According to statistics based on information provided by the various less-developed countries, European satellite trade reached \$1,061 million in 1961 as against about \$875 million in 1960, but here again the largest part of this increase was due to the expansion of trade with Cuba. If Cuba is excluded, the 6½% increase of the European satellites' trade with the less-developed countries outside Europe during 1961 resulted mainly from a greater volume of exports while imports remained at about the same level as the year before.

66. European satellite trade with the less-developed countries in 1961 was distributed as follows: 37% to Latin America, 20% to the Middle East (where the satellites' trade still exceeds that of the USSR), 23% to Asia and 12% to Africa where also the satellites' trade exceeds that of the USSR).

67. Trade with Cuba, which became the leading less-developed country receiving Satellite exports, experienced a very sharp increase in 1961, reaching over four times the value of trade in 1960. Satellite trade with Brazil and Argentina, though it declined somewhat in the case of Brazil and was kept at almost the same level in Argentina, is still at least three times greater than the USSR's trade with those countries. Similarly, the European satellites continued to play by far the most important rôle in bloc trade with other Latin American countries. They increased slightly their trade with Uruguay and continued to maintain sizeable trade relations with Mexico and Peru as well as with Colombia, Venezuela, Chile, British Guiana and Ecuador,

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where they are the only bloc countries engaged in trade.

68. The second most important area towards which the European satellites are directing their trade is the Middle East, where they play traditionally a more important rôle than the Soviet Union. In 1961, trade with that part of the world was kept at about the same level as in 1960, resulting from a slight decrease in European satellite exports, compensated by an increase in imports from that area. Egypt, who accounts for about 18% of trade with all the less-developed countries outside Europe, remained an important source of supply of agricultural raw materials. Imports by the European satellites from that country increased by about 10% during 1961, while exports to that country decreased in the same proportion.

69. The next most important trading partners in this area are Iran, Iraq and Syria, accounting together for about 7% of the European satellites' trade with the less-developed countries. The Lebanon, Israel, Jordan and, to a lesser extent, Aden and Cyprus accounted for the rest of Middle Eastern trade.

70. Trade with the Asian countries increased by about 20% in 1961, mainly as a result of a considerable increase of European satellite exports to India and a similar trend in trade with Indonesia. Imports by European satellites from Malaya decreased seriously. While in 1960 European satellite imports exceeded exports to that area by about 50%, in 1961 the balance was reversed, with exports becoming slightly more important than imports.

71. The European satellites' trade with Africa is distributed over about twenty countries, amongst which the most important are Guinea, Morocco, Nigeria, Sudan, Ghana, Tunisia and Algeria. In general, exports to African countries during 1961 increased by about 25%, but imports from this region were kept at about the same level as in 1960. Exports have steadily exceeded imports since 1959. In a number of African countries, the European satellites are maintaining the presence of the bloc with minor amounts of trade that are, however, of some interest for the countries exporting tropical products. Such is the case in the Portuguese overseas province of Angola, Congo, Cameroon, Kenya, Ethiopia, Libya and Sierra Leone.

(c) Communist China's trade with the less-developed countries

72. During 1961 Communist China's trade with the less-developed countries of the free world outside Europe experienced a violent shift towards Latin America, as a consequence of the exceptional development of trade with Cuba. The geographical distribution of Communist Chinese trade with the less-developed countries in 1961 indicates that more than 28% was directed towards Latin America, as against hardly more than 10% in 1960 and less than 2% in 1959. Consequently, China's traditional

trading partners, mainly Asian countries, have seen their share reduced to about 44% in 1961 as against 63% during 1960 and about 75% in 1959. The part of the Middle East and Africa was reduced to 22% in 1961, as compared with 26% in 1960.

73. During 1961, Communist China's trade was carried on with ten Latin American countries, nine Asian, eight Middle Eastern and eighteen African countries. The value of total trade with most of these countries is generally small, but spread over a large number of countries, indicating China's tendency to manifest her presence in as many countries as possible, especially in Africa.

74. Cuba's trade with Communist China increased more than 300% over the 1960 level from about \$44 million to \$171 million in 1961. As a consequence, Cuba emerged suddenly as the most important of all less-developed countries trading with China, bypassing countries with traditional trade links with China, such as Burma, Indonesia, Malaya and Ceylon. Cuba absorbed 27% of all Chinese exports to other less-developed countries and provided 35% of imports from these countries.

75. The internal economic difficulties and food shortages were reflected in China's trade with other Asian countries, where total trade turnover dropped by 22% as compared to the years 1959 and 1960, thus returning to the level reached in 1956 and 1957. This sharp decline resulted mainly from a considerable reduction of Chinese exports and of imports other than foodstuffs.

76. Imports from Burma, consisting mainly of rice, increased considerably while exports to that country declined. In 1961, Burma became China's most important Asian trading partner, overtaking Indonesia, Malaya and Ceylon. Traditionally, part of the rice imported by China from Burma is resold to Ceylon in exchange for rubber, but Chinese exports to Ceylon in 1961 showed a sharp drop as compared to the previous year, while imports from Ceylon, although reduced as compared to 1960, amounted to two and a half times the value of Chinese exports.

77. Trade with Indonesia experienced a sharp decline of Chinese exports to that country and a less important decline of Chinese imports. Chinese exports to Malaya were more or less maintained, while rubber imports showed a marked decline. Indian trade with China suffered severely from the tension between the two countries.

78. Chinese trade with the Middle East also decreased, as the imports from Egypt were considerably reduced, while those from Syria increased. The only other noticeable modification during 1961 as compared to 1960 results from \$9.6 million exports of Chinese goods to Iran, with whom previous trade had been negligible. After a rapid increase of trade with African

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countries during 1960, the level then reached was maintained throughout 1961, although small-scale trade was reported with a greater number of African countries than in 1960. Communist China's main African trading partner is Morocco (\$12.2 million total trade turnover), followed by Sudan, Uganda and Guinea (\$6.7 million).

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ANNEX I to
AC/89-WP/100

THE ECONOMIC OFFENSIVE OF THE SINO-SOVIET BLOC

(Eighth Report)

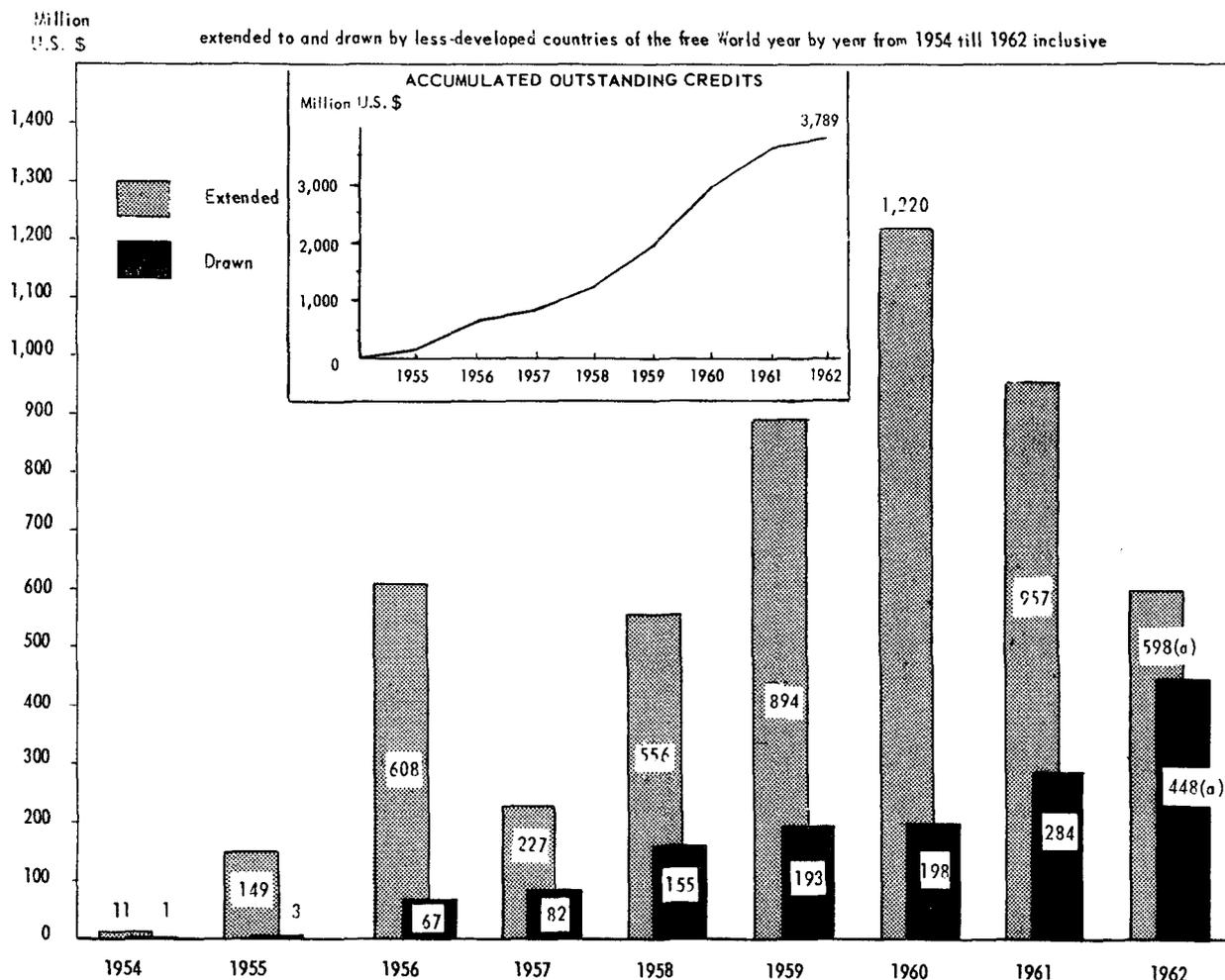
STATISTICAL ANNEX

- Chart I Sino-Soviet Bloc Economic Credits and Grants (1954-1962)
- Chart II Sino-Soviet Bloc Military Credits and Grants (1954-1962)
- Chart III Sino-Soviet Bloc Technical Assistance (Number of Bloc Personnel in less-developed countries)
- Chart IV Sino-Soviet Bloc Trade with the less-developed countries of the Free World outside Europe
- Table I Bloc Economic Aid extended (July - December, 1961)
- Table II Bloc Economic Aid extended (January - June, 1962)
- Table III Recapitulative total Sino-Soviet Economic Credits extended and drawn (1st January, 1964 - 30th June, 1962)
- Table IV Bloc Civilian Technicians in less-developed countries (January - June, 1962)
- Table V Trade of less-developed countries with the Sino-Soviet Bloc (1959, 1960 and 1961)
 - A. Imports
 - B. Exports

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CHART I

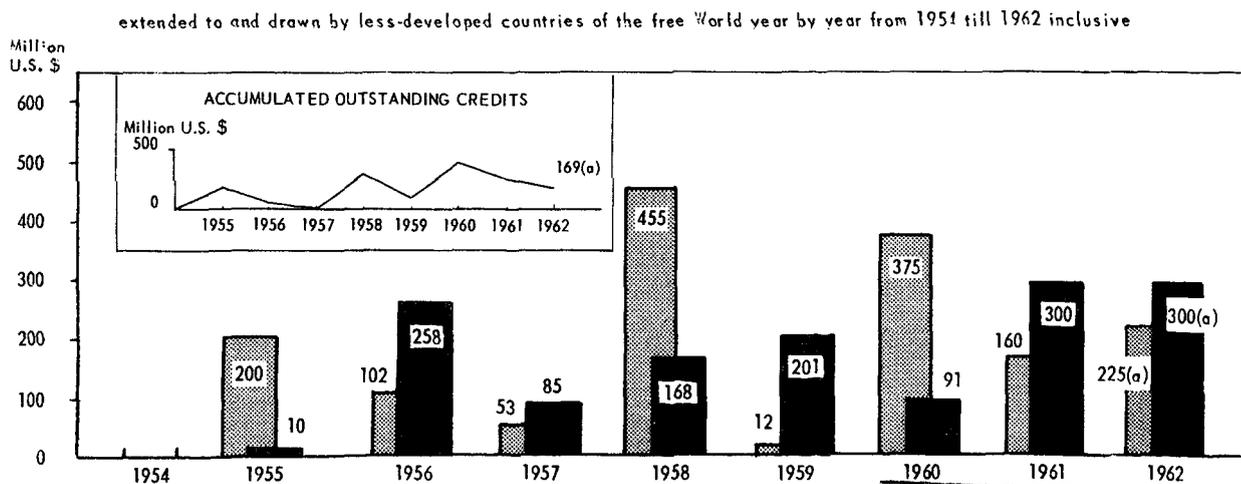
SINO-SOVIET BLOC ECONOMIC CREDITS AND GRANTS



(a) Annual rate based on Jan-June 1962

CHART II

SINO-SOVIET BLOC MILITARY CREDITS AND GRANTS



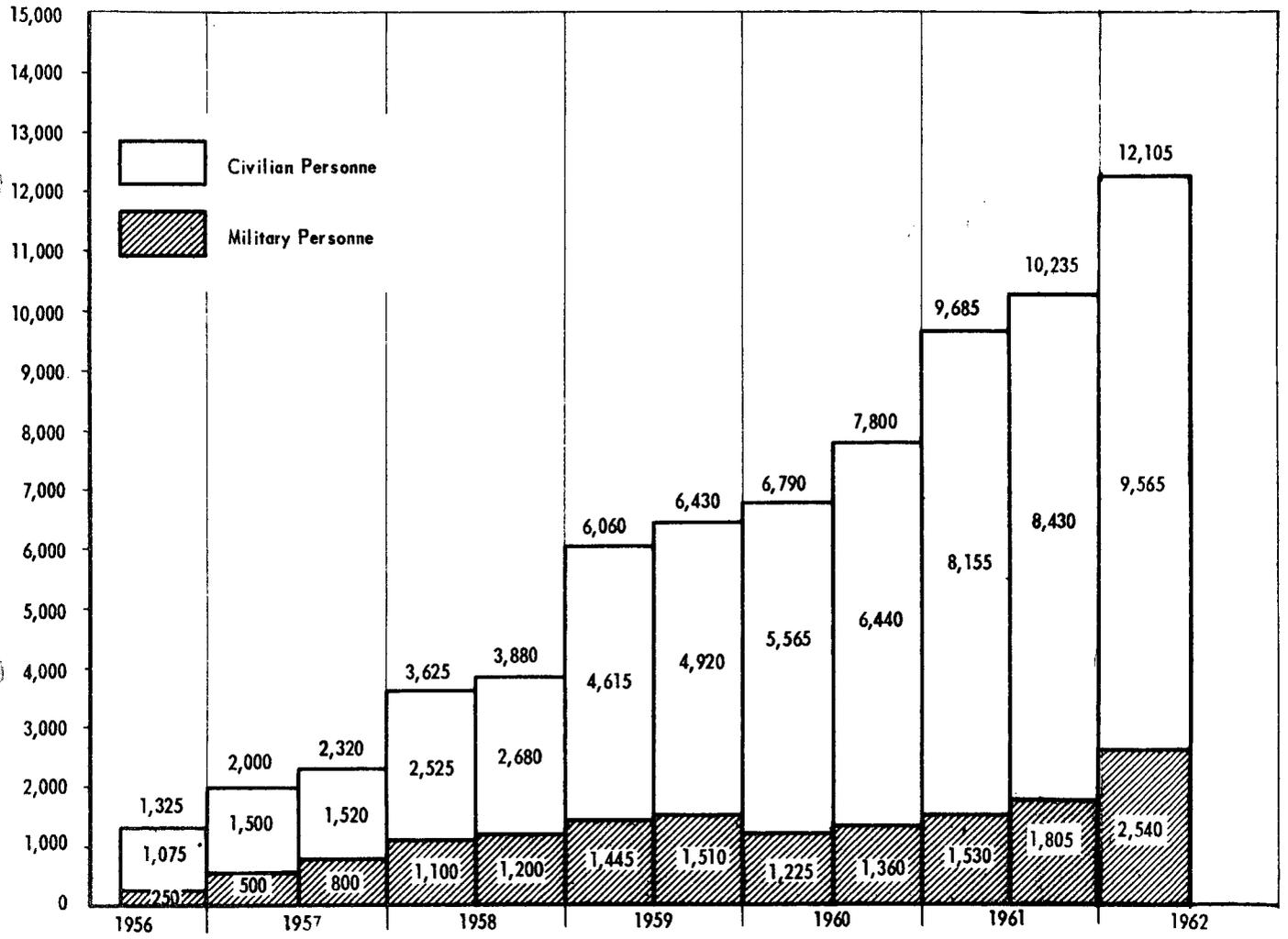
(a) Annual rate based on Jan-June 1962

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Chart III

SINO-SOVIET BLOC TECHNICAL ASSISTANCE

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

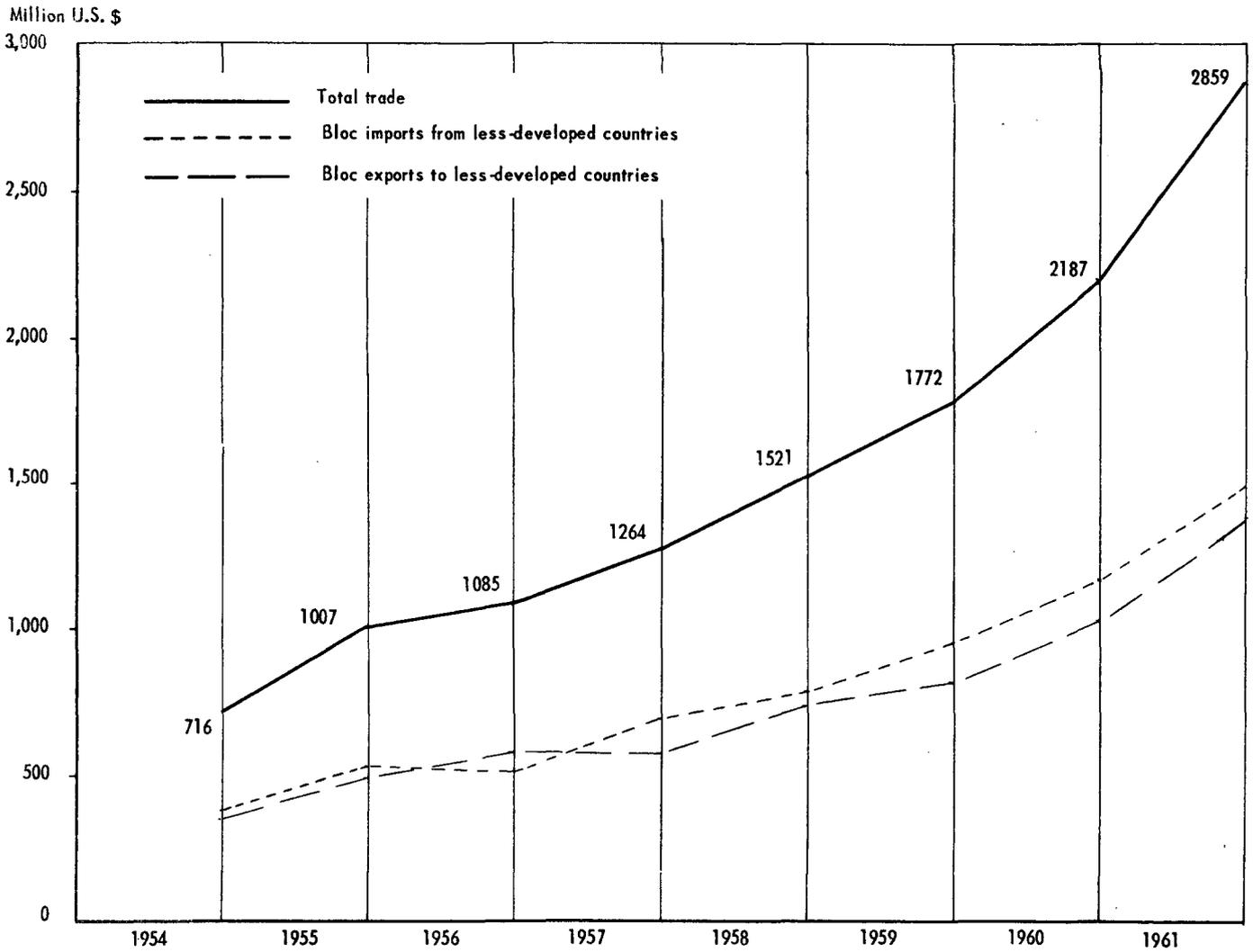


(1) Minimum estimates on a 6 monthly basis of bloc personnel in less-developed countries for a period of at least one month excluding personnel solely engaged in trade promotion

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CHART IV

SINO-SOVIET BLOC TRADE WITH THE LESS-DEVELOPED COUNTRIES OF THE FREE WORLD OUTSIDE EUROPE (1)
(Annual totals at the end of each year)



(1) The present chart cannot be compared with charts on the same subject, included in earlier reports, since it has now been possible to eliminate from these global trade figures those related to trade conducted between the Sino-Soviet bloc and some European countries that were previously included in these totals.

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TABLE I
BLOC ECONOMIC AID EXTENDED TO LESS-DEVELOPED
COUNTRIES (a)

July to December 1961

(million US \$)

| Area and country receiving aid | Bloc country extending aid | | | Total bloc |
|--------------------------------|----------------------------|---------------------|--------------------|---------------------|
| | USSR | European satellites | Communist China | |
| MIDDLE EAST | - | 1.4 | - | 1.4 |
| Cyprus | - | 1.4 | - | 1.4 |
| AFRICA | 92.0 | 48.9 | 19.6 | 160.5 |
| Ghana | 42.0 | 31.4 | 19.6 | 93.0 |
| Mali | - | 7.5 | - | 7.5 |
| Sudan | 22.0 | - | - | 22.0 |
| Tunisia | 28.0 | 10.0 | - | 38.0 |
| ASIA | 199.0 | 101.1 | 9.8 | 310.8 |
| Afghanistan | 196.0 | - | - | 196.0 |
| Cambodia | - | 3.4 | - | 3.4 |
| India | - | 37.2 ^(b) | - | 37.2 ^(b) |
| Indonesia | - | 60.5 | - | 60.5 |
| Nepal | 3.9 ^(c) | - | 9.8 ^(c) | 13.7 ^(c) |
| TOTAL | <u>291.9</u> | <u>151.4</u> | <u>29.4</u> | <u>472.7</u> |

(a) Credits, unless otherwise indicated.
 (b) Of this amount, \$ 1.5 million was a grant.
 (c) Grants.

TABLE II

BLOC ECONOMIC AID EXTENDED TO LESS-DEVELOPED COUNTRIES (a)

January to June 1962

(million US \$)

| Area and country receiving aid | Bloc country extending aid | | | Total Bloc |
|--------------------------------|----------------------------|---------------------|-----------------|----------------------|
| | USSR | European satellites | Communist China | |
| MIDDLE EAST | - | 57.4 | - | 57.4 |
| Egypt | - | 57.4 | - | 57.4 |
| AFRICA | 24.0 | 8.8 | - | 32.8 |
| Guinea | 13.0 | 2.0 | - | 15.0 |
| Mali | 11.0 | 2.0 | - | 13.0 |
| Morocco | - | 4.8 | - | 4.8 |
| ASIA | 106.8 | - | - | 106.8 |
| Afghanistan | 103.9 ^(b) | - | - | 103.9 ^(b) |
| Nepal | 2.9 | - | - | 2.9 |
| LATIN AMERICA | 100.0 | 1.9 | - | 101.9 |
| Bolivia | - | 1.9 | - | 1.9 |
| Cuba | 100.0 | - | - | 100.0 |
| TOTAL | <u>230.8</u> | <u>68.1</u> | - | <u>298.9</u> |

(a) Credits, unless otherwise indicated.

(b) Of this amount, \$ 2.9 million was a grant.

TABLE III

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

Recapitulative totals
 (1st January, 1954-30th June, 1962)

(in million US \$)

| | Economic credits and grants extended (a) | Drawings (b) |
|----------------------|--|--------------|
| T O T A L | 4,903 | 1,188 |
| MIDDLE EAST | 1,125 | 353 |
| Cyprus | 1 | 0 |
| Iran | 6 | 6 |
| Iraq | 216 | 32 |
| Syria | 179 | 65 |
| UAR | 679 | 221 |
| Yemen | 44 | 29 |
| AFRICA | 629 | 87 |
| Ethiopia | 114 | 6 |
| Ghana | 178 | 15 |
| Guinea | 128 | 47 |
| Mali | 78 | 19 |
| Somali | 58 | 0 |
| Morocco | 5 | 0 |
| Sudan | 22 | 0 |
| Tunisia | 46 | 0 |
| ASIA | 2,471 | 558 |
| Afghanistan | 517 | 155 |
| Burma | 96 | 7 |
| Cambodia | 75 | 31 |
| Ceylon | 58 | 6 |
| India | 980 | 224 |
| Indonesia | 654 | 122 |
| Nepal | 58 | 6 |
| Pakistan | 33 | 7 |
| LATIN AMERICA | 567 | 79 |
| Argentina | 104 | 36 |
| Bolivia | 2 | 0 |
| Brazil | 4 | 3 |
| Cuba | 457 | 40 |
| EUROPE | 111 | 111 |
| Yugoslavia | 111 | 111 |

(a) Figures rounded to the nearest million. Addition of the new credits to those mentioned in the 7th report C-M(62)13.

(b) Revised figures.

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TABLE IV
BLOC CIVILIAN TECHNICIANS IN LESS-DEVELOPED
COUNTRIES (a)

(January - June 1962)

Numbers of persons are rounded to the nearest five)

| Area and Country | USSR | European(b) satellites | Communist China | Total Bloc |
|-------------------------|-------|---------------------------|--------------------|------------|
| MIDDLE EAST | 1,725 | 670 | 500 | 2,895 |
| 1. Cyprus | 0 | 5 | 0 | 5 |
| 2. Iran | 20 | 0 | 0 | 20 |
| 3. Iraq | 655 | 175 | 0 | 830 |
| 4. Syrian Arab Republic | 225 | 200 | 0 | 425 |
| 5. United Arab Republic | 700 | 260 | 0 | 960 |
| 6. Yemen | 125 | 30 | 500(d) | 655 |
| AFRICA | 930 | 800 | 55(c) | 1,785 |
| 7. Ethiopia | 30 | 0 | 0 | 30 |
| 8. Ghana | 225 | 30 | 0 | 255 |
| 9. Guinea | 495 | 540 | 45 | 1,080 |
| 10. Mali | 100 | 60 | 10 | 170 |
| 11. Morocco | 5 | 0 | 0 | 5 |
| 12. Somali Republic | 50 | 0 | 0 | 50 |
| 13. Sudan | 25 | 0 | 0 | 25 |
| 14. Tunisia | 0 | 170 | 0 | 170 |
| ASIA | 3,295 | 315 | 260 | 3,870 |
| 15. Afghanistan | 2,200 | 120 | 0 | 2,320 |
| 16. Burma | 20 | 0 | 40 | 60 |
| 17. Cambodia | 50 | 15 | 105 | 170 |
| 18. Ceylon | 20 | 15 | 0 | 35 |
| 19. India | 510 | 155 | 0 | 665 |
| 20. Indonesia | 400 | 10 | 0 | 410 |
| 21. Nepal | 15 | 0 | 115 | 130 |
| 22. Pakistan | 80 | 0 | 0 | 80 |
| LATIN AMERICA | 605 | 360 | 50 | 1,015 |
| 23. Argentina | 0 | 45 | 0 | 45 |
| 24. Brazil | 0 | 10 | 0 | 10 |
| 25. Chile | 0 | 5 | 0 | 5 |
| 26. Cuba | 600 | 300 | 50 | 950 |
| 27. Ecuador | 5 | 0 | 0 | 5 |
| T O T A L | 6,555 | 2,145 | 865(c) | 9,565 |

- (a) Minimum estimates of personnel present for a period of one month or more. Personnel engaged solely in commercial or military activities are excluded.
- (b) Including Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania.
- (c) Including 10 technicians from North Vietnam in Guinea and 5 in Mali.
- (d) Including technicians and labourers.

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TABLE V - A

TRADE OF LESS DEVELOPED COUNTRIES WITH THE SINO-SOVIET BLOC

Imports from the Bloc⁽¹⁾

| Country | 1959 | | 1960 | | 1961 | |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | in million U.S. \$ | % of total imports | in million U.S. \$ | % of total imports | in million U.S. \$ | % of total imports |
| <u>MIDDLE EAST</u> | | | | | | |
| | | | | | | (2) |
| 1. Cyprus | 3.2 | 3 | 2.7 | 3 | 3.2 | 3 |
| 2. Iran | 37.1 | 7 | 30.3 | 5 | 49.2(f) | 8 |
| 3. Iraq | 18.2 | 6 | 38.0 | 10 | 38.9(c) | 11 |
| 4. Israel | 6.2 | 1 | 4.2 | 1 | 6.7 | 1 |
| 5. Jordan | 4.6 | 4 | 7.2 | 5 | 7.4 | 6 |
| 6. Lebanon | 8.9 | 3 | 13.9 | 4 | 13.0(g) | 4 |
| 7. Syrian A.R. | 19.9 | 11 | 19.3 | 9 | 18.6(a) | 11 |
| 8. UAR | 183.6 | 30 | 158.9 | 25 | 166.2 | 24 |
| <u>AFRICA</u> | | | | | | |
| 9. Algeria | 14.4 | 1 | 11.3 | 1 | 7.3 | 1 |
| 10. Ethiopia | 1.8 | 2 | 4.6 | 6 | 4.1(c) | 4 |
| 11. Rhodesia | | | | | | |
| Nyasaland | 1.3 | (h) | 2.0 | 1 | 1.9 | (h) |
| 12. Ghana | 10.2 | 3 | 15.0 | 4 | 21.1 | 5 |
| 13. Guinea | 9.0 | 18 | 22.0(g) | 35(g) | 29.8(g) | 40(g) |
| 15. Morocco | 15.4 | 5 | 22.7 | 6 | 26.9 | 7 |
| 16. Nigeria | 14.7 | 3 | 16.7 | 3 | 19.0(a) | 3 |
| 17. Sudan | 12.4 | 8 | 16.7 | 9 | 22.0(d) | 10 |
| 18. Tunisia | 4.2 | 3 | 6.7 | 4 | 10.1 | 5 |
| 19. Uganda | 0.1 | (h) | 0.1 | (h) | 0.1 | (h) |
| <u>ASIA</u> | | | | | | |
| 20. Afghanistan | 32.5 | 43 | 31.7 | 30(g) | 32.0 | 40(g) |
| 21. Burma | 25.4 | 11 | 35.0 | 14 | 25.0(c) | 12 |
| 22. Cambodia | 6.2 | 9 | 14.4 | 14 | 12.3 | 12 |
| 23. Ceylon | 36.4 | 9 | 32.4 | 10 | 18.2 | 7 |
| 24. India | 78.9 | 4 | 74.4 | 3 | 124.6(a) | 6 |
| 25. Indonesia | 69.2 | 15 | 72.4 | 13 | 69.2(e) | 9 |
| 26. Malaya | | | | | | |
| Singapore | 56.0 | 3 | 64.0 | 3 | 67.0 | 3 |
| 27. Pakistan | 7.9 | 2 | 14.9 | 3 | 10.6 | 2 |
| 28. Thailand | 3.1 | 1 | 5.5 | 1 | 6.3 | 1 |
| <u>LATIN AMERICA</u> | | | | | | |
| 29. Argentina | 49.1 | 5 | 47.1 | 4 | 48.6(b) | 3 |
| 30. Brazil | 49.2 | 4 | 79.6 | 5 | 70.3 | 5 |
| 31. Chile | 0.5 | (h) | 1.1 | (h) | 1.5(e) | (h) |
| 32. Colombia | 2.6 | 1 | 5.4 | 1 | 5.0 | 1 |
| 33. Cuba | 1.5 | (h) | 105.0(g) | 19(g) | 395.0(g) | 85(g) |
| 34. Guiana | 0.9 | 1 | 1.3 | 2 | 1.4(b) | 2 |
| 35. Mexico | 2.4 | (h) | 3.6 | (h) | 3.1 | (h) |
| 36. Uruguay | 11.3 | 8 | 15.0 | 7 | 4.1 | 2 |
| 37. Venezuela | 7.0 | 1 | 5.8 | 1 | 5.7(f) | 1 |

See notes on page 37.

TABLE V - B

TRADE OF LESS DEVELOPED COUNTRIES WITH THE SINO-SOVIET BLOC

Exports to the Bloc⁽¹⁾

| Country | 1959 | | 1960 | | 1961 | |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------------|
| | in million U.S. \$ | % of total exports | in million U.S. \$ | % of total exports | in million U.S. \$ | % of total exports ⁽²⁾ |
| <u>MIDDLE EAST</u> | | | | | | |
| 1. Cyprus | 1.2 | 2 | 1.4 | 3 | 2.4 | 5 |
| 2. Iran | 22.1 | 2 | 28.0 | 3 | 28.2(f) | 3 |
| 3. Iraq | 6.1 | 1 | 3.4 | 1 | 4.8(c) | 1 |
| 4. Israel | 5.2 | 3 | 3.8 | 2 | 7.0 | 3 |
| 5. Jordan | 1.0 | 12 | 1.1 | 10 | 0.9 | 6 |
| 6. Lebanon | 2.5 | 6 | 3.2 | 6 | 3.5(g) | 8(g) |
| 7. Syrian A.R. | 12.4 | 12 | 22.3 | 22 | 25.7(a) | 26 |
| 8. UAR | 229.8 | 51 | 244.3 | 45 | 208.6 | 43 |
| <u>AFRICA</u> | | | | | | |
| 9. Algeria | 4.7 | 1 | 2.0 | 1 | 2.1 | 1 |
| 10. Ethiopia | 0.4 | 1 | 0.6 | 1 | 11.3(c) | 3 |
| 11. Rhodesia | 5 | | | | | |
| Nyasaland | 15.0 | 3 | 17.0 | 3 | 12.0 | 2 |
| 12. Ghana | 6.2 | 2 | 22.7 | 7 | 10.5 | 3 |
| 13. Guinea | 5.2 | 15 | 12.6 | 23 | 16.4 | 20(g) |
| 14. Ivory Coast | 5.6 | 4 | 2.9 | 2 | 3.0 | n.a. |
| 15. Morocco | 14.4 | 4 | 16.0 | 4 | 17.6 | 5 |
| 16. Nigeria | 4.1 | 1 | 9.6 | 3 | 5.2(a) | 1 |
| 17. Sudan | 14.0 | 8 | 23.6 | 13 | 20.6(d) | 11 |
| 18. Tunisia | 4.7 | 3 | 3.9 | 3 | 7.8 | 7 |
| 19. Uganda | | | 5.1 | 4 | 9.4 | 8 |
| <u>ASIA</u> | | | | | | |
| 20. Afghanistan | 20.0 | 25 | 16.7(g) | 30(g) | 17.0(g) | 33(g) |
| 21. Burma | 3.0 | 2 | 13.4 | 6 | 54.1(c) | 19 |
| 22. Cambodia | 2.5 | 4 | 7.0 | 13 | 3.5 | 5 |
| 23. Ceylon | 23.7 | 7 | 37.5 | 10 | 33.9 | 10 |
| 24. India | 110.4 | 8 | 108.3 | 8 | 116.4(a) | 8 |
| 25. Indonesia | 72.3 | 8 | 70.3 | 8 | 68.8(d) | 9 |
| 26. Malaya | | | | | | |
| Singapore | 189.0 | 9 | 143.9 | 7 | 128.9 | 6 |
| 27. Pakistan | 10.9 | 3 | 30.7 | 8 | 27.0 | 7 |
| 28. Thailand | 2.4 | 1 | 9.4 | 2 | 7.1 | 2 |
| <u>LATIN AMERICA</u> | | | | | | |
| 29. Argentina | 54.2 | 5 | 61.1 | 6 | 55.9(b) | 6 |
| 30. Brazil | 55.3 | 4 | 71.5 | 6 | 74.8 | 5 |
| 31. Chile | | | 0.6 | (h) | 1.2(e) | (h) |
| 32. Colombia | 2.7 | 1 | 8.1 | 2 | 2.1 | (h) |
| 33. Cuba | 16.5 | 3 | 143.0(g) | 22 | 478.0(g) | 75(g) |
| 35. Mexico | 1.5 | (h) | 1.7 | (h) | 14.6 | 2 |
| 36. Uruguay | 27.4 | 25 | 13.4 | 10 | 14.9 | 9 |

See notes on page 37.

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TRADE OF LESS DEVELOPED COUNTRIES WITH THE SINO-SOVIET BLOC

Notes referring to Tables V - A and V - B

- (1) Data based on official trade statistics of the less developed countries unless otherwise indicated as estimates (see (g)).
 - (2) Sources for total trade: International financial statistics, IMF December, 1962; Direction of International Trade - United Nations publication Statistical Papers, Series T, Volume XII, 1-9.
 - (a) Annual rate based on January - November, 1961 figures.
 - (b) Annual rate based on January - October, 1961 figures.
 - (c) Annual rate based on January - September, 1961 figures.
 - (d) Annual rate based on January - August, 1961 figures.
 - (e) Annual rate based on January - July, 1961 figures.
 - (f) Annual rate based on January - May, 1961 figures.
 - (g) Estimates.
 - (h) In the column of % of total trade represents less than 0.5%.
- n.a. Not available.

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THE ECONOMIC OFFENSIVE OF THE SINO-SOVIET BLOC

(Eighth Report)

ANALYSIS BY COUNTRY

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MIDDLE EAST

IRAQ

Iraq is probably the one country in the Middle East where Soviet bloc economic penetration during the twelve-month period under review has made the most serious headway, although so far there is no reason to conclude that the country can be considered to be at the mercy of Soviet bloc economic pressure. The increased Soviet bloc influence in the economic field resulted mainly from the near monopoly that the USSR has managed to obtain as a supplier of arms, military equipment and advice, and from the important part the USSR and, to a lesser extent other bloc countries such as Czechoslovakia, are playing in the industrialisation programme of the country. These developments are illustrated by the considerable influx of Soviet bloc economic and military technicians at present at work in Iraq. By mid-1962, they numbered over 1,100, as compared with about 765 one year earlier.

2. The Communist countries have now become the main source of economic development credits for Iraq, as well as of military aid. The most recent new commitments have been in the military field, where, at the end of 1961 an additional credit of \$50 million was extended for deliveries of military equipment. The total amount of credits so far extended is equivalent to \$454 million (\$238 million for military and \$216 million for economic aid). Iraq is at present the sixth largest recipient of Sino Soviet bloc assistance among the less-developed countries of the free world, and the total amount of credits on which Iraq can draw represents the equivalent of about \$63 per inhabitant.

3. Unlike the deliveries of military equipment that followed shortly after the signature of the arms deals, actual drawings on credits for economic development up to mid-1962 were estimated at about \$32 million. The pace of implementation has been accelerated since the beginning of 1962, and about 90% of the Soviet (\$182.5 million) and Czech credits (\$33.6 million) have been earmarked for thirty-nine projects, mainly in the industrial field, included in the five-year economic development plan for Iraq (1961/66), in which bloc credits represent about 12% of total planned outlay. Although a few industrial projects have been undertaken in Iraq by Western firms, the greater part of Iraq's industrialisation programme is dependent on bloc aid. Construction was begun on a pharmaceutical factory, two grain silos and a nuclear reactor. A contract for the first stage of the new Baghdad international airport was awarded to Bulgaria.

4. By the middle of 1962, approximately 830 bloc technicians, of which over three-quarters are reportedly Russians, were engaged in economic activities, in addition to about 300 military advisers. At the same time, about 3,600 Iraqi nationals have so far received some form of academic, technical or military training in bloc countries.

5. Iraq concluded a new trade agreement with Communist China on the 18th October, 1961, under which the Chinese agreed to buy 65,000 tons of low-grade dates from the 1961 date crop of 300,000 tons. As the implementation of the bloc financially-assisted projects gathered speed, the bloc share in Iraq's total imports rose from 2% in 1958 to 10% in 1960 and 11% in 1961 (total Iraqi imports from the bloc: 1958 - \$60 million; 1960 - \$38 million; 1961 - \$38.9 million). Since more than 90% of total Iraqi exports consist of oil products that are absorbed by the Western industrialised countries, there is not very much left that Iraq can offer to the bloc. By the end of 1961, the bloc share of Iraqi exports excluding oil amounted to 23% of the total, or \$4.8 million.

6. Although the bloc has been able to substitute to a large extent its presence for that of the West in Iraq, the country, which is largely dependent on its crude oil exports to the West, still maintains a position that gives its considerable independence vis-à-vis the bloc if it chooses to use it. One notable exception may possibly be in the military field, where most of the equipment of the Iraqi armed forces is now of Soviet origin.

UNITED ARAB REPUBLIC

7. Since the middle of 1961, the United Arab Republic has attempted to steer a course at a more equal distance between bloc and Western economic influence, recognising her dependence on both groups and trying to derive whatever benefits are available, irrespective of their source. A sharp tendency towards closer economic relations with the bloc had characterised the Egyptian policy prior to this revised attitude, so that in practice the new course tended to favour the West somewhat more than previously. The United Arab Republic's turning to the West for economic aid has not altered the Soviet approach and deliveries of military equipment, progress on the implementation of the Aswan High Dam and of various other economic projects included in the \$175 million Soviet aid programme and extension of new credits by various European satellite countries were all continued during the period under review, resulting in further increases in the number of bloc economic technicians and military advisers in the country. The United Arab Republic attempted to shift a

larger portion of her cotton crop to Western markets, so as to increase her hard currency earnings, although imports from the bloc continued to increase slightly in 1961 over 1960, without, however, reaching the peak of 1959; exports to the bloc declined rather sharply, in part as a result of the poor cotton crop.

8. With a total amount of economic aid equivalent to over \$680 million, in addition to more than \$0.5 billion military aid, extended by the Soviet bloc since the end of 1955, when the first large-scale military assistance credits were extended, Egypt remains the second largest recipient of bloc aid to less-developed countries in the free world. If actual utilisation of credits extended is considered, Egypt leads the list of such countries. In the economic field alone over \$220 million had been drawn by mid-1962. The major project in this field is the Aswan High Dam, which by its very nature is a project which will take a long time to complete and concerning which it is difficult to estimate if it is proceeding on schedule. Public announcements during 1962 expressed confidence that the first stage would be completed in 1964. Data supplied by the United Arab Republic on bloc economic credits as at the end of February 1962 showed contracts concluded for \$290 million, under negotiation \$23 million and credits still available of \$293 million. Repayments of Soviet military credits are reportedly at the rate of about \$45 million a year, and repayments on other obligations have been estimated at about \$13 million a year.

9. The main source of bloc economic assistance is still the USSR: \$325 million for the Aswan High Dam (extended in two Slices: the first in 1958 and the second in 1960) and the line of credit of \$175 million extended by the USSR in January 1958 for a considerable number of projects mainly connected with the industrialisation programme of the United Arab Republic.

10. In 1962 Czechoslovakia extended a credit of about \$57 million for capital goods, Hungary was reported to have agreed in principle to a line of credit totalling approximately \$17 million, and Poland was contemplating in late June the extension of a \$20 million credit for capital goods(1).

11. About 960 bloc economic technicians were at work in Egypt during the first half of 1962; of these, 700 were from the USSR, the largest group being employed on the Aswan High Dam. Since 1955, about 1,560 Egyptian nationals have undertaken some academic or technical studies in bloc countries, and at least the same number has received military training.

(1) The agreement for such an amount was concluded on 5th July, 1962.

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12. Egypt's total trade turnover with the bloc declined to about \$375 million from the level of about \$403 million reached in 1960 and \$413 million in 1959. The main bloc purchasers of Egyptian goods remained the European satellite countries as a whole, but in 1961 the USSR overtook the satellites as a supplier of goods to Egypt. In both imports and exports, the bloc share of total United Arab Republic foreign trade in 1961 remained about the same as in 1960 (at 24% and 43% respectively), which is below the peak reached in 1959 and even less than the bloc share in total United Arab Republic trade in the years 1957 and 1958. The United Arab Republic continued to negotiate trade and payments agreements with bloc countries, and agreements were concluded with Albania, Bulgaria, Communist China, Czechoslovakia, the Soviet-occupied Zone of Germany and the USSR. The agreement with Albania was the first concluded between these two countries and came after Albania's ostracism by the USSR.

13. The enthusiasm for closer economic relations with the bloc that prevailed several years ago has waned and there has been an increasing number of reported complaints from Egyptians about Soviet equipment, the availability of spare parts and Soviet performance. Nevertheless, the UAR Government is still seeking the continuation of extensive aid from the bloc, as well as from the free world, a more acute interest in Western economic assistance having been generated by a serious lack of hard currency. With the exception of the military field, the economic leverage at the disposal of the USSR has tended to decline, and pressure on the United Arab Republic would probably be noticed by the African countries, where it might damage the efforts of the USSR to develop a favourable image in Africa, especially South of the Sahara.

SYRIA

14. On 28th September, 1961, Syria's union with Egypt was ended, and the USSR was the first major power to recognise an independent Syria. Since then, continued instability in the Syrian Government has limited increases of bloc economic activity, although work on several projects continues. No new economic aid has so far been extended since Syria regained her independence; the bulk of Soviet economic aid was extended as long ago as the second half of 1957. However, an additional military aid agreement resulted from a visit to Moscow by a Syrian military mission in February 1962, thus increasing the dependence of the efficiency of the Syrian army still further on bloc military assistance. Soviet economic technicians, largely occupied in oil exploration and railway construction, were estimated to number about 425, much below the peak reached during 1959. Syrian trade with the bloc remained almost unchanged; the main increases in her exports to the bloc resulting from the bloc acquiring large amounts of a better cotton crop in exchange for fuel oil and wood products.

15. Bloc economic assistance to Syria at the present level is not believed to constitute a serious threat to Western interests in the country, so long as Western attitudes remain in favour of continued aid to Syria. Of a total amount of \$179 million credits extended, about \$65 million had been actually drawn by June 1962. Bulgarian work on reclamation in the Ghab area and Soviet construction of the Lataki-Qanishli railway was pursued, and seemed to be well received in Syria. Some criticism of other Soviet projects, the Homs fertiliser factory and the petroleum exploration, was reported, the former for a lack of progress, and the latter because of the poor quality of the equipment, and the large number of Soviet personnel required for the work.

16. Technical assistance was continued on a large scale, both in the form of bloc technicians sent to Syria, and Syrian students studying in the bloc. Syrian statistics indicate that in early 1962 some 315 students were studying in Communist countries, two-thirds under scholarships from the bloc, compared with about 2,000 studying abroad in the free world, nearly all of them at their own expense.

17. The Soviet bloc is currently maintaining its position as a major market for Syria's cotton, and it is anticipated that the bloc will purchase about half of Syria's 1961/62 cotton exports. The share of the bloc in total Syrian commodity exports represented about 23% during 1960 and has increased to about 26% in 1961; however, imports under bloc aid agreements may not be reflected in those statistics.

18. Bloc military assistance still represents the main source of concern for the West, all the more since Syria remains one of the more active participants in the campaign against Israel. In addition, it offers a possible point of penetration into the Syrian army, which is the strongest force in the political field.

CYPRUS

19. Apprehensions that Britain's entry into the Common Market would adversely affect Cyprus's largest export market facilitated trade overtures from the Soviet bloc. Bilateral trade and payments agreements providing for the exchange of Cypriot agricultural products for bloc manufactured goods were signed with the USSR in December 1961, and during 1962 with Bulgaria, Czechoslovakia, Hungary, Poland and Roumania. These agreements involve potential trade of about \$14 million, or more than double the value of Cypriot/bloc trade in 1961.

20. On 19th December, 1961, Cyprus concluded an agreement with Poland for the improvement of the port of Famagusta, and granted permission in Spring 1962 to bring into the country a 44-man team to begin work on the project, but by the end of June the team had not yet arrived.

21. Cypriot trade with the bloc totalled about \$6 million in 1961, as compared with some \$4 million in 1960. As a percentage, of Cyprus's total trade, exchanges with the bloc amounted to less than 4% in 1961, a slight increase over the previous year.

IRAN

22. No basic change in bloc strategy and tactics towards Iran was discernible in the period under review, the USSR making further efforts to conclude a treaty of non-aggression with Iran without success.

23. The composition of Iran's trade with the bloc in 1961 did not vary significantly from that of previous years, although total value of trade is estimated to have risen from \$58 million in 1960 to \$77 million in 1961. The bloc supplied about 8% of Iran's imports, and took about 3% of her exports (21% of her non-petroleum exports). The volume of trade with the USSR is likely to increase in the future, in view of the revised quotas as agreed in the trade protocol signed in June 1962.

YEMEN

24. Bloc economic activity in the country has remained at a virtual standstill since the middle of 1961. No new bloc credits were extended, and there was little progress on projects included in earlier agreements. The Soviet and Communist Chinese Governments began to put pressure on the Yemen to repay previous credits, which the Yemen was in no position to do. This is not to say that the previous performance of the Communist Chinese in building the Sana - al Hudaydah road had not favourably impressed the Yemenis, but the inadequacy and deterioration of the port facilities at al Hudaydah attracted some criticism.

25. At the end of 1960, the number of bloc technicians in the country was estimated at about 650. By the middle of 1962, their numbers had been drastically reduced, owing to the departure of the majority of the 500 Communist Chinese technicians and labourers who had worked on the road-building project.

26. The bloc pressed trade promotion, and occupied an important position in several key items (exports of coffee, and imports of sugar, textiles, matches and petroleum products). No marked changes in the level of bloc trade occurred, although the USSR tended to concentrate its business in the hands of a small number of merchants, and seems to have been less inclined to enter into barter agreements exchanging Yemeni coffee for Soviet products.

27. The absence of any new bloc credits, the Communist Chinese delay in the building of a long-promised textile factory and the criticism of the Soviet-constructed port facilities at al Hudaydah may eventually have an adverse effect on the bloc's position in the Yemen, although much will depend on the future political evolution of the country.

AFRICA

ETHIOPIA

28. There have been no significant developments in Ethiopia's relations with the bloc since the middle of 1961, in spite of an agreement in principle to proceed with a long-standing Soviet offer to build an oil refinery at Assab. Of the \$100 million Soviet credit extended to Ethiopia in 1959, so far only \$2 million in cash and small sums for technical services have been drawn. The only project under way is the construction of the Baherdar technical school, which is a Soviet gift announced in March 1960 and which is scheduled to be completed by the end of 1962. No other project included in the Soviet aid agreement has so far been started. On the 20th January, 1962, a contract was signed for the construction of a canvas shoe factory under the Czech credit of \$10 million extended in 1959, but failure of the Ethiopian budget to provide funds delayed initiation of the project.

29. The lack of any progress is also shown in the number of Soviet technicians in Ethiopia: about 30 were reported during the first half of 1962, as compared with 120 one year earlier. Fifty Soviet technicians that prepared the initial survey work on the oil refinery at Assab left the country in 1962 after the completion of this preliminary work.

30. The same stagnation can be reported in the field of trade. Total trade with the bloc amounted to about \$5 million both in 1960 and in 1961, and no new trade agreements were concluded with bloc countries during the period under review; notwithstanding some publicity efforts, the bloc made little progress in selling its products, and Ethiopia's trade with the bloc represents not more than 2% of her total trade.

31. Aid to Ethiopia from bloc and Western sources has been inhibited by the conflict between Ethiopia and the Somali Republic. Aid to Ethiopia tends to alienate the Somalis, while aid to the Somali Republic irritates the Ethiopians. This is the situation facing any country extending aid in this area.

GHANA

32. Since the last report, Ghana has considerably strengthened her ties with the bloc. Financial assistance for the economic development of the country from the Soviet bloc has more than doubled during the period under review, more trade and payments agreements have been signed, including long-term commitments to buy progressively greater quantities of Ghana's major export commodity - cocoa. 250 bloc technicians are currently at work in the country, and in 1962 about 525 Ghanaians were undertaking academic and technical training programmes in the bloc. Up to now, Soviet aid activity has been primarily directed to surveying and project negotiations, reflecting a prudent lag between the offers of credits and the beginning of actual construction. Ghana has been, together with Mali, the African country where Soviet economic activities have been stepped up most considerably.

33. The total amount of credits at Ghana's disposal by the middle of 1962 reached \$196 million, of which so far only about \$16 million have been drawn. It consists mainly of credits extended after Nkrumah's fund-raising tour of the bloc in the summer of 1961. The USSR has so far extended in total \$95.4 million, Poland \$26.6 million, Czechoslovakia \$24 million, Hungary \$7 million and other European satellites (Bulgaria, Roumania, Albania and East Germany) \$10.4 million; Communist China \$19.6 million. The credits from the USSR and the European satellites bear 2.5% interest, whereas the credit extended by Communist China is interest free. In general, most of these credits are designated for Ghana's industrialisation programme, including the establishment of light and medium industries.

34. Except for the receipt of IL aircraft in 1961 and the engagement of bloc crews, only the hydrogeological survey has so far been completed. Feasibility studies for four Soviet state farms were carried out. Under Polish credits, feasibility studies were reportedly completed for eleven projects and contracts were signed for a factory to produce light metal products, and another to produce hand tools. An agreement was also signed for an integrated sugar cane project, including a plantation, a refinery and a distillery. The Czech credits are to be used for 22 projects, subject to feasibility studies, and specific agreements; a hydro-electric feasibility survey was completed, and various project agreements were signed. A contract was awarded to East Germany for the construction of a printing works at Tema, expected to cost about \$2 million. Hungarian, Bulgarian, Roumanian and Albanian projects were all still in either the feasibility study, or the project negotiation stage. So far, the Communist Chinese line of credit has apparently been untouched.

35. In August 1960, Ghana had contracted for the delivery of a number of civil aircraft by the USSR. Those deliveries were completed by the middle of 1961, but Ghana soon discovered that the Soviet IL.18s involved heavy operating losses, and she had to withdraw six of the Soviet aircraft from West African routes, replacing them with British Viscounts. Moscow reportedly agreed to take back the aircraft, and provide replacements on a lease basis. Out of the 250 bloc technicians in the country, 50 were Soviet aircrew personnel, and the Ghanaian Airways sent 75 of their personnel to the USSR.

36. At least 75 military trainees went to the USSR out of a 45-man quota announced in September 1961. In spite of continued indications that military aid might be acceptable from the bloc, the internal security forces remain so far free from bloc influence.

37. Ghanaian trade with the bloc in 1961 dropped about 15% from the level achieved in 1960. Although imports from the bloc increased, exports to the bloc dropped sharply, leaving Ghana with a trade deficit with the bloc of about \$10 million. Exports to the bloc accounted for about 3% of total Ghanaian exports, and imports for 4% of total Ghanaian imports. Soviet bloc imports from Ghana in 1962 should be substantially higher, in view of bloc commitments to buy an increasing share of Ghana's cocoa production.

38. The most striking aspect of Ghanaian developments during the period under review has been the country's ability to extract massive aid commitments from both East and West without accommodation to either. The bloc has now awarded more economic credits to Ghana than to any other African country, and Western commitments are now also substantial. The World Bank, in conjunction with the United States and the United Kingdom, has, since the end of 1961, undertaken a firm commitment to finance most of the Volta River project.

GUINEA

39. Bloc relations with Guinea, where Communist aid is most heavily concentrated, if account is taken of the small population of the country, have deteriorated since the Guinean charges of bloc complicity in an alleged local plot against the Government at the end of 1961. During the first half of 1962, a gradual and limited re-orientation of Guinea towards the West has been attempted. Guinea accepted aid from the United States; she applied for membership of the IMF and the IBRD, and made soundings on the possibility of rejoining the franc zone. She tried to

induce the members of a Western consortium to take over operation of the major bauxite industry, and adopted a more positive policy towards foreign private enterprise. During the first half of 1962, the bloc undertook no new major initiatives in Guinea, with the exception of the provision of a \$13 million credit.

40. In March 1962, the USSR extended a \$13 million credit, of which \$8 million was to cover Guinea's imports of industrial commodities under a five-year credit at 2.5% interest. For the first time, Bulgaria extended aid to Guinea in the form of a \$2 million credit for technical assistance. These credits brought the total of bloc aid to about \$125 million, of which about \$47 million had been drawn by the end of the period under review. Drawings on the remaining credit balances can be expected to be heavy during the next year, as Soviet supplies arrive for the polytechnic institute, a hospital and the Guinean railways. By the middle of 1962, the following projects had been completed: a printing works equipped by the East Germans; a radio station; a cannery; four model dairy farms; new berths at the port of Conakry; all with Soviet assistance. Further progress has been made on a number of Soviet projects, including a 125-room hotel, the Conakry sports stadium, a hospital, the polytechnic institute, and Guinea's railways and roads. Czechoslovakia had earlier completed the establishment of the Guinean National Airline, and began work on a tannery and shoe factory. East Germany was constructing an open-air theatre, and completed the instalment of a public address system in Conakry. Poland delivered six trawlers, equipped a cinema and continued her hydrological survey. Of all the Communist Chinese projects agreed to in 1961, only work on an experimental tea plantation was undertaken. Some criticism of bloc aid was voiced, comparing the suitability of bloc equipment to local conditions unfavourably with equipment that the West could supply; the motivation of such criticism was seemingly related to Guinea's efforts to obtain greater Western aid and to the régime's tendency to blame outsiders for its own shortcomings.

41. Further deliveries of arms from the bloc were reported during the twelve months under review, of which some may have been transhipped to Mali. More recently, two coastguard cutters have arrived in Conakry. A certain amount of small arms may have gone to various neighbouring African countries, including in particular some to the Portuguese overseas provinces. The results of bloc military training assistance have improved the quality of the Guinean army, which has doubled in size since 1960, and is now much better equipped.

42. More than 1,000 bloc technicians are still reported in Guinea, although by the end of 1961 a total number as high as 1,450 had been reported. In addition to technicians working on economic development projects, significant groups were working in

such fields as education, aviation, diamond mining, electric utility operation, medicine, printing and fishing. The major difficulties that bloc technicians have encountered, apart from cool Guinean treatment as a result of the general re-orientation of the country, are their inability to speak French and the lack of interest of their Guinean counterparts in pursuing joint tasks. A number of Guinean students were recalled by the Government from the USSR because the Guinean Government thought that they might have become excessively oriented towards the USSR. Most of them subsequently returned to the USSR. About 685 Guinean students and technical trainees were studying in bloc countries during the first half of 1962.

43. Guinea's trade with the bloc increased substantially, rising from \$35 million in 1960 to \$46 million in 1961, representing about 33% of Guinea's total trade. The bloc took about 20% of Guinea's exports and supplied about 40% of her imports, so that the Guinean trade deficit with the bloc for 1961 was nearly \$13 million. For the first few months of 1962, the trade deficit with the bloc continued, and reached about \$3 million.

MALI

44. Since the beginning of 1962 Mali has been one of the most important targets for bloc economic activity in Africa. By the middle of 1961, Mali had accepted a long-term Soviet bloc credit of \$44.4 million and Czech credits totalling \$12.5 million. This first wave of bloc financial assistance was followed by a military assistance credit of unknown value extended by Czechoslovakia for a period of five years, and bearing an interest rate of 2.5%. During the latter part of 1961, Poland extended a credit of \$7.5 million, and during the first half of 1962 the Soviet Union added a new credit of \$11 million, followed by Bulgaria, who put at Mali's disposal \$2 million. In January 1962, the terms of a 1961 Communist Chinese credit were divulged for the first time: they provided for supplies of goods and services valued at \$19.6 million, and for repayment over a ten-year period beginning in 1971 free of interest. On 1st July, 1962, Mali adopted a national currency not tied to the French franc, and demonstrated increased readiness to accept bloc assistance to replace French aid. The primary motivation behind this trend seems to be the desire to curtail dependence on France; Mali has welcomed aid from almost any source, including the United States, the United Kingdom, the Federal Republic of Germany and Israel. Recent developments tend to indicate that Mali's economic dependence on the bloc will increase, but so far bloc aid delivered is only a small fraction of that being supplied by the West. The most significant economic inroad that the bloc has made in Mali is probably in the field of civil aviation.

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45. Out of a total amount of \$97.6 million so far put at the disposal of Mali by the bloc, about \$19.2 million had been drawn by mid-1962. The USSR has agreed to build a railway linking Bamako with the Guinean railways at Kouroussa, to assist the geological prospecting, in the improvement of navigation on the Niger River, in constructing a cement factory, a stadium and a national cadre training centre. Soviet agricultural machinery and equipment is to be supplied to an autonomous agency to administer cotton and rice production. About 700 Soviet technicians, including some teachers have been promised to assist in various fields in Mali. The Communist Chinese would provide technicians for rice cultivation and irrigation projects. This major agricultural complex, conceived by the French, is one of the principal development projects for Malian agriculture. Czechoslovakia will supply lorries, aircraft and pilot training and construct a textile factory, two peanut-processing factories and an assembly factory for bicycles and agricultural equipment. This will also supply equipment for hospitals and for press and information activities. Other bloc projects are still under survey, or have so far not been defined.

46. Mali has received some military equipment from the bloc through Guinea, and 15 Soviet military personnel were present in Mali at the end of 1961, most of them at the Malian Army Headquarters in Bamako.

47. Bloc participation in the sensitive and prestige-carrying military and civil transport fields is already well advanced, but more basic development projects of potential economic benefit to Mali are still in the planning stage.

48. As a result of the establishment of a currency no longer tied to the Franc zone by the end of June 1962, Malian imports may experience a substantial shift towards the bloc. Since the 1960/61 season, Mali has sold the bulk of her major export commodity - peanuts - to the USSR and Czechoslovakia, and there is little else she can sell. Mali's persistent trade deficit, with exports representing only 5% to 15% of imports over the last few years, will continue to compel the external financing of most imports, so that Mali will probably seek sizeable aid from both the bloc and the West to finance her imports. Previously, France had bought almost all Mali's peanuts at above world prices, and the Franc zone in 1961 supplied 60% of Malian imports and the rest of the European Economic Community about 15%, whereas the bloc supplied only about 13%.

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MOROCCO

49. The Moroccan Government maintained its policy of non-alignment, stressing its reliance on the West for trade and aid, while insisting on its right to deal with bloc countries for financial and technical aid in various fields. During the period under review, a military agreement was signed with the USSR in early 1962, and Morocco has received from Poland a \$4.8 million economic credit, and from Czechoslovakia a credit of \$0.4 million. The bloc has repeatedly shown willingness to grant the country sizeable economic development credits, but so far increased Western aid and Moroccan cautiousness have delayed acceptance of any large-scale bloc assistance. The number of bloc experts in Morocco is extremely small and consisted mainly of about 22 Soviet military technicians who were maintaining the jet aircraft received by Morocco as a grant from the USSR in February 1961. Morocco's foreign trade continued to be overwhelmingly directed towards the West, the share of the bloc representing about 15% of total Moroccan trade in 1961.

50. The credit extended by Poland in the first half of 1961 amounted to \$4.8 million at 3.5% interest, repayable over seven years, is supposed to cover delivery of machinery, equipment and technical assistance for the construction of a sugar beet refinery. The Czech credit is repayable over five years at 3% interest, and is to be used for the development of Morocco's copper resources. About five Soviet technicians had completed, by mid-1962, feasibility and site-location studies for a shipyard at Tangiers. So far the bloc has apparently not been called upon to build the shipyard, although the USSR repeatedly offered to finance it.

51. Moroccan imports from the bloc (primarily from the European satellite countries) have increased from \$22.7 million in 1960 to \$26.7 million in 1961, representing about 6% of total imports. Those imports include the traditional purchases of green tea from Communist China. Exports to the bloc increased from \$16 million in 1960 to \$17.6 million in 1961, representing about 5% of total Moroccan exports. Morocco's unfavourable trade balance with Communist China was further aggravated in 1961 by increased Moroccan purchases of Chinese green tea, whereas Communist Chinese purchases of Moroccan phosphates declined, leaving an unfavourable balance of about \$5 million for the year 1961, reflecting difficulties in trade between the two countries.

52. Although the bloc slightly expanded its influence in Morocco during the twelve-month period from mid-1961 to mid-1962, with small economic and military credits, the régime's leadership seems to have used bloc presence in the country as a means of countering the left-wing opposition. In fact, the opposition criticised the recent arms agreement with the USSR because it increased the régime's capacity for internal repression.

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SOMALI REPUBLIC

53. The régime in power somewhat strengthened its position in 1962 and reaffirmed its basic non-alignment policy, but in practice it continued to demonstrate more sympathy and preference for the West than for the bloc. Although the Somali Republic will soon experience a greatly enlarged bloc presence as a result of the Soviet economic aid programme, it seems unlikely that Somali's orientation will change significantly in the near future. After an original Soviet credit of \$52.2 million, an additional credit was accepted by the Somali Republic for a 50 KW short-wave radio station and two hospitals, for which the USSR will provide personnel and training facilities for Somalis. In December, the USSR, like many other countries, sent relief aid to flood victims, although this effort was small compared with those of the United Kingdom and United States. In addition, the Somali Republic has received a Czech credit of \$4.2 million. None of those credits has so far been drawn and during the first half of 1962 subsidiary agreements were signed for the use of the various credits extended.

54. The projects under the Soviet aid programme include three state farms, an agricultural training centre, several food processing factories and water resource development. Final contracts have so far not been signed for the construction of a deep water port at Berbera. A proposed Soviet geological project has been taken over by the United Nations, the USSR dropped a project for a hydro-electric dam on the Guiba river, reportedly because she felt the scheme was overambitious. No project has so far been completed for the utilisation of the Czech credit, but it is expected that under the Soviet grant programme the construction of two hospitals, a secondary school and a printing works will be undertaken in the second half of 1962. About 40 Soviet technicians and ten doctors were reported to be in the country during the first half of 1962. Some 175 Somali students were studying in the bloc, slightly more than half of them in the USSR, about 100 in the European satellites, and 30 in Communist China. Some of the students returned from the bloc disenchanted with their training.

55. Somali/bloc trade during 1961 was insignificant. Only a small quantity of Somali cotton, hides and skins have been exported to the USSR, but when the utilisation of bloc credits starts, the Somali Republic will direct more exports to the bloc in order to repay the credits provided.

56. In general, the USSR is building up a well-conceived aid programme, extending into key sectors and including both projects of immediate utility and major long-term development schemes. Implementation will involve a sizeable Soviet presence for at least three or four years, and a major expansion of the state sector of the economy.

57. Military aid may be considered by the USSR, but continuing and substantial United States, United Kingdom, Italian and Egyptian presence in the Somali Republic should limit the leverage available to the USSR resulting from her economic efforts.

SUDAN

58. The Government maintained good relations with the West while increasing its contacts with the bloc. The first economic and technical assistance agreement, signed with the USSR, was concluded in November 1961. Under this agreement, the Soviet Union is to assist financially and technically in the construction of three grain elevators, four canning factories, an asbestos cement factory and in the establishment of experimental veterinary and agricultural research laboratories and of an experimental cotton selection station. Sudan has long been fearful of concentrations of bloc technicians in the country, and her turning down of offers for Soviet medical and educational training centres reflects this concern.

59. During the second half of 1962, the Sudanese Government granted landing and overflight rights to the Soviet civil airline, thus facilitating the establishment of Aeroflot routes across middle Africa and down the East coast of the continent. By mid-1962, the agreement had been approved but not yet implemented.

60. About 25 Soviet technicians started the construction of grain storage facilities and of a dairy farm. Most of the projects proposed are still in the technical study phase, and none of the bloc credits so far extended has been drawn.

61. Sudan's imports from the bloc increased from \$16.7 million in 1960 to \$22 million in 1961, representing in each year about 9% of total imports. Exports to the bloc in 1961 amounted to \$24 million, slightly more than in 1960 and equivalent to just over 13% of total exports.

TUNISIA

62. Since the extension, by the end of 1960, of a Polish \$8 million line of credit, the Soviet bloc has steadily tried to increase its influence. In August, 1961, Tunisia accepted a credit of \$28 million from the USSR and thereafter a \$10 million long-term credit from Czechoslovakia. At the same time, the bloc showed increased interest in trade with Tunisia although by the end of 1961 the share of Tunisian trade with the bloc did not exceed 6% of her total trade. The number of bloc technicians employed in Tunisia reached about 170 during the first half of 1962, of which about 110 were Czechoslovakian

and some 40 Bulgarians. Tunisian receptivity to bloc economic overtures is still tempered with caution and scepticism, and the acceptance of Soviet aid as a demonstration for neutralism has not altered her fundamental sympathy for the West.

63. The Polish credit of 1960 has been earmarked for projects including a sugar beet processing plant, a fishing boat shipyard, a concrete block factory and a phosphate plant. The USSR credit is to be used for building six irrigation dams and establishing a national Technical Institute at the University of Tunis. The terms of the Soviet loan were criticised in the Tunisian press (3% interest with repayment over twelve years in Tunisian products chosen by the USSR, or in convertible currency). As the USSR has not specified the nationality of the staff for the National Technical Institute, Americans or Swedes have been reportedly considered for various teaching posts. During the first half of 1962, a contract was signed under the Soviet credit for a dam on the Oued Kasseb. No details on the use of the \$10 million Czechoslovakian credit were available by mid-1962.

64. Earlier Czechoslovakian efforts connected with trade and technical assistance seem to have met with some difficulties during the second half of 1961, when the Tunisian Government requested the replacement of all the Czech technicians (who partly filled the gap left by the departure of the French attached to the Secretariat of Public Works) under the accusation of political activities. Nevertheless during the first half of 1962, the number of Czech technicians in the country increased to about 110, including some 70 nurses and doctors. About 40 Bulgarian technicians, primarily architects for low cost housing projects and city planning engineers, were reportedly at work in Tunisia under the scientific and technical co-operation agreement concluded in 1961.

65. Tunisian imports from the bloc have steadily risen since 1959 from \$4.2 million to \$6.7 million in 1960 and \$10.1 million in 1961, more than half of this trade being directed towards the European satellite countries. Tunisian exports to the bloc, which reached \$4.7 million in 1959 and only \$3.9 million in 1960, rose to \$7.7 million during 1961. Total Tunisian exports have been declining steadily since 1958 to about \$110 million in 1961 of which the bloc share represents 7%. Total Tunisian imports have, however, steadily increased over the same period, reaching about \$210 million in 1961, of which the share of bloc countries represents less than 5%. Tunisian trade with the bloc is almost balanced in contrast with a heavy Tunisian trade deficit with the free world. As a result of its dwindling foreign exchange reserves, Tunisia may well seek to expand further her bilateral trading arrangements with bloc.

66. So far, drawings on bloc credits have been negligible and there is no indication that the bloc has been concentrating its efforts on any particular sector of the Tunisian economy. The bloc has tended to diversify its aid while utilising long-term credits tied in with technical assistance and the sale of capital goods, but although the bloc may have established a first foot-hold, Tunisia still looks mainly to the West for both aid and trade.

OTHER AFRICAN COUNTRIES

UNION OF AFRICAN AND MALAGASI STATES

(Cameroon, Central African Republic, Chad, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Malagasy Republic, Mauritania, Niger, Senegal and Upper Volta)

67. Ever since the establishment of the above-mentioned union, providing for mutual consultation among members on foreign policy matters, the bloc has tried to expand trade and initiate aid programmes without much success. Nevertheless, during the first half of 1962, Niger, Dahomey and Senegal concluded trade and technical assistance agreements with the bloc. The first bloc overtures to meet with any success came from Czechoslovakia, Poland and the USSR, all of whom concluded trade agreements with Niger. None of those countries has so far accepted financial assistance from Communist countries.

68. With the exception of the Ivory Coast, Gabon and Malagasy, the economies of the Afro-Malagasy Union states are weak, since most of their basic exports are tropical agricultural products, which are difficult to export profitably, except to the protected French market. The Communist bloc appears to these countries as a potential and important new outlet for such products as peanuts, coffee, palm oil and bananas. The case of Cameroon has, however, shown that the Soviet bloc does not provide a stable market for African exports. The European satellites had increased their trade with Cameroon, taking up 8% of the country's total exports in 1958 and 1959. Bloc imports of Cameroonian goods dropped to less than 3% in 1960 and was further reduced in 1961. Similar trends have been discernible in some other states of the Union.

69. It is still too early to assess the degree of vulnerability of the countries belonging to this group to relations with the bloc. Most of them are already committed to neutralism in foreign policy and have learnt that a way to get more attention and assistance from the West is to develop relations with the East. The increased rôle played by the Common Market, the possibility of United States' interest in the field of aid and trade, are important elements that will play a part in the future economic orientation of the above-mentioned countries.

ASIAAFGHANISTAN

70. During the period under review, Afghanistan is the free world country where the USSR made her most impressive gains, Cuba apart. New Soviet credits extended during the twelve-month period ended 30th June, 1962, have more than doubled the total financial assistance extended since early 1954. More than \$0.5 billion of Soviet economic aid has been committed since 1954. The Soviet military programme in Afghanistan continued to expand, and the country is now completely dependent on the USSR for military equipment and training; over 2,300 Soviet experts were reported to be at work in the country during the first half of 1962, the largest amount of Soviet experts in any single country, while more than half of Afghanistan's total trade is directed towards the USSR.

71. The Afghanistan/Pakistan crisis and the stoppage of trade across the border has affected progress in United States and West German aid projects in Afghanistan, and disrupted Afghanistan's important bilateral trade with India. The dramatic saving of a part of Afghanistan's vital fruit crop through a Soviet-organized emergency airlift considerably enhanced Afghan esteem for Soviet economic reliability.

72. In October 1961, Afghanistan accepted two Soviet credits totalling \$196 million, and, during the first half of 1962, another \$100 million credit. This assistance has been provided on extremely generous terms, with lengthy amortisation periods of thirty to fifty years for major Soviet credits, at an interest rate of either 2% or, in some cases, with no interest at all. Repayment of the larger credit will not start until 25 years after the aid has been used, thus enabling Afghanistan to discharge the earlier Soviet debts before repayment of the new credits begins. Approximately \$360 million, including the carry-over of \$58 million from the first five-year plan is available for the second five-year plan, drawn up with the assistance of twenty-five Soviet economists, which began in March 1962.

73. Projects under the second plan earmarked for Soviet assistance are mainly in such fields as hydro-electric power, roads, irrigation and petroleum development, as had been the case under the first five-year plan. In addition, Soviet assistance is now allocated to education, technical training, agriculture, housing, city planning and geological survey. It seems that the USSR has insisted particularly on the acceptance of the establishment of a polytechnic institute that could eventually graduate 300 engineers each year.

DECLASSIFIED - PUBLIC DISCLOSURE / DECLASSIFIE - MISE EN LECTURE PUBLIQUE

74. Afghan leaders have been favourably impressed with the speed and efficiency with which the bloc instituted and conducted most of its projects. In May, the second Czech cement factory was completed in the North-eastern part of the country. Together with a fruit-tinning factory in South-central Afghanistan, all the projects under the Czech credit of \$5 million extended in August 1954 have now been completed. Further progress was made on all bloc projects except petroleum exploration and the Salang pass tunnel and road, on which work had to be suspended for the winter. No commercially exploitable oil has been found, and the future prospects are not very promising. The drilling teams did discover a natural gas field which may have commercial possibilities. The Russians are working on the road linking Kandahar, in South-central Afghanistan, with the USSR town of Kushka. The Afghan Government has continued to resist Soviet efforts to establish several mechanised state farms that would require about 2,000 additional Soviet technicians to enter the country.

75. The Afghan armed forces, consisting of over 100,000 men, are equipped with Soviet material. Since mid-1961 deliveries of some ground equipment, including T.54 tanks, have been continued, and the military airfield near Shindand in Western Afghanistan which will be able to accommodate the largest military planes is almost completed. More top-level Soviet military advisers began to arrive after Marshal Sokolovski's visit to Afghanistan in October 1961.

76. The closing of the Afghan/Pakistan border gave additional trade advantages to the bloc. The Soviet airlift operation rescued part of Afghanistan's fruit crop that would normally be consumed in India and Pakistan. Although data on Afghan foreign trade are scarce, total Afghan trade with the USSR in 1961 reached about the same level as in 1960 (\$49 million), estimated, according to some sources, to represent as much as one-half of Afghanistan's total foreign trade. In early 1962, the basic trade and payments agreement between Afghanistan and the USSR was renewed for the eleventh time, providing for some increase in their trade and the import of \$12 million worth of Soviet consumer goods to generate local currency needed for Soviet economic aid projects. New trade protocols with Czechoslovakia and Poland were also signed, although trade with these countries will continue to be small. Low Soviet prices are stimulating sales.

77. Although the Afghan Government seems determined not to allow its dispute with Pakistan to affect adversely its relations with the West, Soviet influence has expanded considerably, and Afghan dependence on the USSR in the military and foreign trade spheres, in addition to the considerable strain resulting from the size of the public debt incurred by the country as a

consequence of the bloc economic aid so far drawn, totalling about \$155 million by mid-1962, have further weakened Afghanistan's ability to maintain her policy of non-alignment. The USSR has continued her efforts to expand her penetration by favouring the teaching of the Russian language, both at Kabul University and by providing courses available to Afghan military officers and Afghan Press Department personnel. As long as the difficulties resulting from the strained relations between Afghanistan and Pakistan remain unsolved, it seems unlikely that the USSR's influence in the country will grow still further.

BURMA

78. During the opening months of 1962, Burma again experienced a military coup, and the first events following the change of government tended to be to the disadvantage of the free world, whose assistance programmes were curtailed. No new credits were extended by the bloc to Burma, but the implementation of the Communist Chinese economic credit of \$84 million, extended in 1961, maintained Communist China in her leading rôle as the major supplier of economic aid to Burma. Burma's trade with the bloc, although substantially increased in 1961, ran into difficulties resulting from the imbalance between its large exports of rice to the bloc and its imports from them.

79. About one-half of the Communist Chinese credit has been allocated to such projects as a plywood factory, a sugar mill, several cement factories, a textile mill, a bicycle tyre factory, a bridge over the Salween River, two small hydro-electric power stations and a 265-mile road. In March 1962, a Sino-Burmese board for the implementation of economic and technical co-operation agreements was established. The Burmese apparently had hoped that part of the Chinese credit could be devoted to the agricultural sector, but they were informed in September 1961 that such items as fertilisers, agricultural machinery and irrigation pumps were not available. Burma is also encountering some difficulties in the purchase of tractors in the Soviet Union, and had been trying to obtain authorisation from the USSR to purchase Czech tractors, possibly with a Soviet credit.

80. The three Soviet "gift" projects (a technical institute, a hospital and a hotel) were formally turned over to Burma in July 1961, but by mid-1962 the hotel was still not in operation. An Israeli firm has undertaken the management of the hotel, but insisted on alterations costing an additional \$200,000 before opening the doors.

81. During the first half of 1962, about 60 bloc economic technicians were reported to be at work in the country, two-thirds of which were Communist Chinese, and the rest Russians. In addition to preliminary surveys for the establishment of various factories scheduled for implementation under the Communist Chinese credit, they were also studying possibilities for the expansion of the steel mill at Insein. The twenty Soviet technicians consisted half of doctors at the USSR gift hospital, and the other half were at the technical institute. About seventy Burmese students were studying in the bloc (half in the USSR and half in European satellite countries). The USSR has made available an additional ten scholarships to the Patrice Lumumba Friendship University in Moscow, and some Burmese students may start technical training in Communist China when the economic agreement is implemented.

82. Burma's trade with the bloc rose substantially in 1961 over the 1960 level, owing to the considerable exports of rice to Communist China. Burmese imports of bloc supplies amounted to \$26 million in 1961 as compared with \$35 million in 1960, representing about 12% of total Burmese imports. Burma's fear of not being able to dispose of her rice surpluses has led the country into trade arrangements with bloc countries that have not always been to Burma's advantage. During 1961, Burma exported a total value of \$54 million (representing about 25% of total Burmese exports) consisting mainly of rice to Communist China, as against only \$13.4 million in 1960, and hardly more than \$3 million in 1959. Shipments of Burmese rice to bloc countries have built up balances which may prove difficult to liquidate, and therefore amount to extending interest-free credits to the bloc. The Soviet debit was levelled considerably by oil deliveries, but the Communist Chinese debit aggregated over \$14 million as at 30th April, 1962. As a result, the Burmese allocation of rice exports to Communist China for 1962 was reduced to 200,000 tons, as against 350,000 tons in 1961. The Burmese have apparently insisted that the rice sold to Communist China would be for their own use, rather than for export to other countries such as Cuba and Ceylon, since in the past rice exports to the bloc have often been shipped to other destinations. The Communist Chinese have in the past generally used Burmese rice for payment of imports of Ceylonese rubber, and there are no indications that Communist China intends to end what has become a usual practice.

83. Although the position of the West may have been weakened by the coming into power of General Ne Win, it cannot be said that the bloc has made much headway in Burma during the period under review. The projects extended as a gift by the Soviet Union have created more embarrassment than goodwill,

while the implementation of the interest-free Communist Chinese loans are still in the stage of preliminary surveys. Burma has discovered that even if the Sino-Soviet bloc can be a worthwhile market for her agricultural produce, it does not provide an easy source of supply for the type of equipment and machinery most needed by the country.

CAMBODIA

84. No new bloc aid has been extended to Cambodia since the last report, although the Cambodian Government appears to have no objection to the expansion of bloc trade and aid programmes. So far, about \$70 million worth of credits and grants have been extended by the bloc. Communist China is the main source of bloc financial assistance, with grants amounting to about \$60 million, the remainder consisting of credits and grants extended by the USSR and credits from Czechoslovakia. Of this total, more than \$30 million had been utilised by mid-1962.

85. Of the projects already completed, the two most successful were the Soviet hospital in Pnompenh and the textile factory at Kompongcham, built by Communist China. The geological survey started in 1957 and the Pnompenh - Sihanoukville railway undertaken by Chinese teams were completed and the technicians left Cambodia. The construction of a radio station was completed in September 1961, and preliminary work on the iron and steel mill to be built with Chinese assistance was also finished. The cement factory under construction was delayed owing to antagonism between the Communist Chinese technicians and the first Cambodian director, who was replaced before the end of 1961. On the 2nd May, 1962, the Soviet Ambassador presented models and plans for the technological institute to be built at Pnompenh, on which rapid progress has been reported. After prolonged negotiations, agreement was reached by the end of 1961 with Czechoslovakia for the construction of three small factories that had been offered in November 1960. Machinery and equipment valued at \$4.6 million will be supplied under credit by Czechoslovakia for a sugar refinery, a tyre factory and a tractor-assembly factory. In December 1961, Czechoslovakia agreed to provide Cambodia with three 6,000 kW generators under a fifteen-year credit valued at \$3.4 million. At the end of 1961 Czechoslovakia was awarded a contract to provide on a credit basis a cartridge factory for the production of small arms ammunition. With the completion of several projects in Cambodia, over 140 technicians from the bloc had left the country, leaving about 170 behind. Over 100 of them are Chinese, and 50 Russians. The USSR agreed to extend for two years the tours of duty of the 25 Soviet specialists assigned to the hospital and to continue to provide without charge the required drugs and chemicals.

86. Cambodia's trade with the bloc declined sharply from \$21 million in 1960 to \$16 million in 1961. Imports declined from \$14.4 million to \$12.3 million, while exports to the bloc were halved, from \$7 million to \$3.5 million, thus continuing the large trade deficit that Cambodia has accumulated with the bloc. The share of the Communist countries in Cambodia's total trade remained about the same in 1961, accounting for approximately 12%. During the period under review, Czechoslovakia presented a large trade exhibition in Pnompenh in February 1962, and the industrial and agricultural equipment, as well as a wide range of consumer goods, were sold on the local market after the exhibition closed. Czechoslovakia seems to be determined to maintain her presence and was reportedly planning to send ships on a regular basis to the port of Sihanoukville. One-third of the total amount of rice released for export in 1962 was bought by Czechoslovakia and the USSR, at prices reported to be about 20% above the local export price.

87. In spite of some difficulties encountered in the implementation of bloc assistance, it would seem that this aid has received wider and more favourable publicity in official statements and in the Cambodian Press than Western aid. Sino-Soviet aid has been considered to be more "disinterested" than Western aid, and there seems to be a reluctance to connect bloc initiatives with Communist political objectives in Cambodia. Nevertheless, Cambodia has not accepted military aid from the bloc, and there are no indications that the government would be ready to accept anti-aircraft guns and jet fighters offered by Czechoslovakia and the USSR.

CEYLON

88. The Sino-Soviet bloc has made strenuous efforts to capitalise on the internal political and economic difficulties which Ceylon is now experiencing. The attempts to utilise close economic relations to promote political objectives culminated in the Soviet Ambassador's public statement in November 1961 in which he linked Soviet aid to Ceylon with the foreign policies of the two countries. The Cingalese Government, in an effort to stem criticism from the Opposition, has made efforts to accelerate the implementation of the bloc economic aid programme, which has been dragging on since the extension of a line of credit by the USSR of \$30 million in February 1958. The Government has established a state corporation to manage the imports and distribution of petroleum products that entered into agreements with the USSR and Roumania

for the purchase of petroleum products, a corporation to implement and operate the steel rolling mill scheduled to be built with Soviet aid, and a governmental engineering corporation to design and implement projects in the public sector, some of which will be partially financed by Soviet credits.

89. No new bloc credits were extended during the twelve-month period under review, but out of a total amount of \$58 million put at Ceylon's disposal, and consisting mainly of a \$30 million Soviet credit and a \$26 million Communist Chinese aid programme, several contracts for further implementation were signed. Progress up to mid-1962 had been slow, as only \$6.1 million has so far actually been utilised. Under the Soviet programme, two projects are to be mentioned. \$6.8 million has been set aside for the construction of a steel rolling mill, and \$5.9 million for a state-owned tyre and tube factory to be completed by 1965. The USSR abandoned six of the sixteen projects originally included in the 1958 economic aid agreement, and any balance of the \$30 million credit that is not utilised before the expiration of the agreement in 1963 might be made available in goods, the proceeds of which could be used by Ceylon to finance the local costs of Soviet projects under construction.

90. In May 1962, Communist China renewed for another five years the aid agreement comprising the \$15.8 million grant extended in September 1957 and the \$10.5 million line of credit extended in September 1958. It is understood that Communist China will provide a textile mill and supply a large amount of rolling stock for Ceylon's state-owned railways. The failure of the Kantali sugar plantation scheme to reach its production target has caused some criticism regarding bloc aid, and concern has been expressed over Ceylon's ability to service the debts she is incurring with the bloc, but these considerations have not affected the government's willingness to expand economic ties with the bloc.

91. About thirty-five civilian technicians from the bloc were reported to be at work in the country, twenty of whom were Russians, which reflects the fact that implementation of bloc economic aid programmes has so far been negligible.

92. Ceylon's total trade with the bloc in 1961 was about \$52 million. Exports to the bloc declined by 10% from the level reached in 1960 and imports from the bloc dropped by 44% from the 1960 level. As a result of new trade agreements signed with several bloc countries, trade with the bloc is expected to increase significantly in 1962. They provided for bloc purchases of about half of Ceylon's production of raw rubber and almost all sheet rubber, while the bloc is expected to supply approximately one-quarter of Ceylon's requirement of petroleum products for the

next few years. The first shipment of Soviet petroleum to enter Ceylon was delivered in March 1962. In late April 1962, the Government expropriated more than one hundred Western-owned petrol stations to be operated by its new Cingalese petroleum corporation.

93. The most remarkable recent development in the Sino-Soviet economic offensive has thus been in the field of trade, where the bloc has gained a position of considerable importance in such key industries as petroleum, rubber and steel. Notwithstanding the lack of tangible progress on economic aid projects that led to a certain amount of disappointment among the Cingalese, the Government is continuing to reinforce its economic links with the bloc.

INDIA

94. India's relations with the Communist countries continue along the previous lines of both cautious expansion of economic relations with the Soviet bloc and a sharp decline in those with Communist China. Among the more important developments are to be mentioned the purchases of helicopters and transport planes from the USSR, the Soviet contract to supply India with jet aircraft engines and the Soviet offer to supply India with two squadrons of MiG-21 jet fighters, together with the manufacturing facilities to produce more of these aircraft. India's trade continued to increase with the bloc as a whole, although trade with Communist China dropped sharply in 1961 and is expected to disappear altogether in 1962.

95. Although Czechoslovakia was the only bloc country to extend an additional credit of about \$6 million during the second half of 1961, approximately \$750 million is still available for assistance of the implementation of the third five-year plan. So far, out of a total of \$950 million extended by the bloc (of which at least \$810 came from the USSR), less than \$200 million has actually been drawn (of which \$175 million on the Russian credits). Among the projects so far completed, the Bhilai steel mill, handed over in early 1961, is by far the most important, and in February 1962 India signed a contract under which the USSR will undertake to raise the capacity at Bhilai from the present 1 million tons to 2.5 million tons of steel ingots per year. Production delays and management and labour problems have plagued the steel mills constructed by the United Kingdom (Durgapur) and West Germany (Rourkela), reinforcing the favourable impression that the Bhilai performance created in public opinion.

96. The petroleum refinery constructed at Gauhati in Assam with Roumanian assistance was inaugurated in January 1962, but it was soon discovered that the quality of the crude oil produced in nearby oil wells did not allow processing with the type of

equipment provided in the refinery. The Roumanians had apparently designed the refinery to process the type of oil on the basis of a test which did not correspond to the real type of oil generally available in the area.

97. Other important projects so far completed in India are two cement factories (one in Assam and the other in Madras State), three sugar refineries, one in Assam, one in Madras and one in the Punjab, and an experimental mechanised farm in Northern India. Among the other principal projects which are currently under way, only the Bauroni oil refinery and the Ranchi foundry-forge have made any appreciable progress. Several new contracts for projects in the steel, petroleum, metallurgical, electric power and pharmaceutical industries were signed with the USSR, Poland and Czechoslovakia.

98. In spite of the progress made, there has been some concern within the Indian Government, and even in the Indian Parliament, over the considerable time-lag between the Soviet public announcements of credits extended and the actual utilisation of such credits; delays in the delivery of power equipment from the USSR even necessitated a cut in the power production target of the third five-year plan.

99. The number of bloc technicians employed in India during the first half of 1962 has declined since the end of 1959, when they reached about 1,170, to approximately 665. About 500 Soviet technicians were still at the Bhilai steel mill and at various oil exploration sites; the remainder were Czechs at the foundry-forge project and Roumanians on petroleum projects. The conduct and performance of the technicians have continued to impress the Indians favourably. Approximately 200 Indian technicians were receiving training in Petroleum and heavy machine operation in Communist countries during the first half of 1962 and a recent Soviet contract provides for instruction in the USSR of a further 176 Indian specialists in pharmaceuticals. In addition, the Soviets have now started a new scheme under which they will train Indian engineers in India before sending them to the USSR under the terms of an electric power project signed in June 1962. Roumania is training some Indians to work in the oil refinery, and Czechoslovakia those who will be in charge of the foundry-forge project.

100. India's trade with the bloc in 1961 represented approximately 7% of the country's total foreign trade. Imports from the bloc increased from \$74.4 million in 1960 to \$124.6 million in 1961, in part as the result of deliveries under the Soviet economic aid programme, while Indian exports to the bloc rose from \$108.3 million in 1960 to \$115.3 million in 1961. The USSR remains the main bloc training partner, although the European satellites as a whole have increased their exports to India and their imports from India at a much faster rate than the USSR.

101. Trade with Communist China dropped from \$6.8 million in 1960 to \$3.7 million in 1961 on India's import side; and from \$11.8 million to \$0.4 million on the export side. The 1954 treaty of trade relations with Communist China was allowed to lapse, and additional measures were taken to curtail sharply Communist Chinese trade activities in India.

INDONESIA

102. Indonesia has received more assistance (both economic and military) than any other free world country. She is the major recipient of bloc military aid, accounting for about \$1 billion, while total economic credits and grants amounting to \$640 million bring her into third position after India and Egypt. The bloc has been using the tension between Indonesia and the Netherlands over West New Guinea to increase its influence in the country. A massive inflow of Soviet military equipment continued throughout the entire period, and a new agreement was concluded with the USSR in 1962 valued at about \$70 million for additional support of the Indonesian military build-up, providing for the purchase of planes, submarines, naval support, craft and anti-aircraft weapons.

103. On the economic side, \$36.5 million new credits were extended by Poland (to be repaid in eight annual instalments at 2.5% interest), \$24 million by Hungary (repayable in eight years at 2.5% interest), and a credit from Czechoslovakia of an unspecified value for mining development (repayable in ten years at 2.5% interest, with the possibility of repayment in raw materials produced by the facilities contracted, with an option of further purchases after the credit has been repaid).

104. The USSR signed contracts for five projects under earlier credits; they include a \$1.1 million nuclear reactor in the Djakarta area; a \$25 million steel rolling mill in West Java; a \$7.5 million superphosphate factory in Central Java; the Asshan multipurpose hydro-electric project in Sumatra and the Kalimantan (Borneo) steel project. Progress was continued on the other Soviet projects already under way, among which the stadium was completed in time for the Asian Games. The USSR reportedly completed 45 km. of jeep track in Kalimantan (Borneo) out of a total of 600 km. to be finished by 1965. Equipment for the mechanised agricultural project in Kalimantan has reportedly arrived.

105. Utilisation of Polish credits has so far been confined to surveys of future projects. These include a passenger car assembly factory. Poland was active in surveying coal mines for rehabilitation in Sulawesy and Sumatra, and in October 1961 contracted to deliver a 10,500 dwt freighter in 1963, costing \$4 million, to be paid over seven years beginning after the delivery of the vessel.

106. In September 1961 Hungary agreed to provide 200 buses for the 1962 Asian games under the credits extended, and to build an electric light bulb factory in Semarang, valued at \$1.4 million.

107. In February 1962 Indonesia and Czechoslovakia signed agreements for the implementation of mineral development projects under the \$30 million economic co-operation agreement of July 1960. Prospecting will be carried out in two stages: first, investigation of nickel and copper ore deposits in the Sulawesi area; secondly, prospecting for copper, lead, zinc, gold and manganese in Western Sumatra and Java. Czech expenses for prospecting and eventual mining will be paid by shipments of the ore produced. This also applies to the agreement for the investigation of coal resources in Sulawesi, if exploitable coal deposits are found. The balance of the Czech credit, about \$19 million, was allocated for the purchase of 2,000 railway freight cars, hydro-electric equipment, machinery for a bicycle tyre factory, a sugar mill, a diesel engine assembly factory, facilities for producing tractor tyres, and a technical training centre. These allocations come in addition to the contracts signed in 1961 for the provision of a \$4.2 million cement factory.

108. In January 1962, Indonesia and Roumania signed agreements allocating part of the \$42.5 million Roumanian credit extended in June 1961 primarily for the development of the industrial petroleum industry. This credit is to be repaid in ten years at 2.5% interest; in addition to equipment for the petroleum industry, Roumania will provide a wide variety of machinery and equipment for other industries under this credit.

109. Two-thirds of the \$30 million Communist Chinese credit first offered in 1959 and reinstated in June 1961 is to be utilised to construct six spinning and seven weaving mills; repayment of the credit is to be effected over a period of twelve years at 2% interest, starting two years after the mills have been completed. So far, only six Communist Chinese textile exports have arrived, in June 1962, to study the projects to be constructed under the credit.

110. Reflecting the large-scale implementation of military agreements, the number of military technicians in Indonesia increased considerably during the first half of 1962, exceeding the number of civilian technicians. The number of civilian technicians in the country also increased markedly, from about 180 by mid-1961 to 410 by mid-1962. 400 of them are Soviet technicians, of which about 170 were working at the Asian Games Stadium, and connected facilities, 100 on the Kalimantan road project, and 20 on the survey of phosphate and sulphur resources.

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The rest were engaged in project reports and surveys related to other projects. During the first half of 1962, the presence of ten technicians from European satellite countries was reported. The number of technicians is expected to increase in the coming months, as the implementation of the economic aid programme gathers speed.

111. Trade between Indonesia and the bloc in 1961 consisted of \$68.8 million worth of exports to the bloc and \$69.2 million imports from the bloc, representing a slight decline from the levels reached in 1960. There have been reports that a significant amount of tin and rubber exports during 1962 will be for the repayment of debt obligations. Repayment in the form of tin shipments to the USSR started in November 1961. During 1961, the share of the Sino-Soviet bloc in Indonesia's total trade amounted to about 13%.

NEPAL

112. Major rôle in bloc economic penetration has been increasingly played by Communist China who, according to Nepalese officials, was "embarrassingly generous" in the implementation of her programme. Communist China extended an additional grant of \$9.8 million for the survey, machinery and technicians for the construction of a road from Katmandu to Tibet, to be completed by 1966. In contrast, the Soviet attitude since the beginning of 1962 showed a marked hardening: the Soviet Union announced that work on all Soviet projects would be suspended unless funds were provided by the Nepalese Government to meet local currency costs. The USSR completed the survey of the part of the East-West road for which she was responsible, but refused to undertake a survey of the rest of the road. Contrary to previous practice whereby all bloc aid to Nepal was in the form of grants, the USSR extended the first loan made to Nepal of about \$3 million to finance imports of Soviet commodities to be used for raising local currency requirements.

113. The only noticeable progress on the five projects to be covered by the USSR grant of \$7.5 million was the fifty-bed hospital at Katmandu, which is now nearing completion. The other Soviet projects were far behind schedule, mainly because equipment had been held up at Calcutta by customs difficulties. Communist China succeeded for the first time in bringing into the country a sufficient number of technicians to undertake work on all of their projects. Preliminary surveys of the road from Katmandu to the Tibetan border and of the cement factory to be established at Hitaura were completed. The leather tanning and shoe factory is under survey and the first of the three gift planes arrived in May 1962.

114. The number of civilian technicians in the country has increased from 55 (mid-1961) to about 130 (mid-1962), 115 of them being Chinese. 100 Nepalese were studying academic subjects in Communist countries (65 in the USSR); about 35 were following technical training programmes (25 in the USSR).

PAKISTAN

115. The Government has continued to maintain its basically pro-Western attitude, although the agreement concluded with Communist China to demarcate provisionally the border between the two countries was indicative of the Pakistani tendency to exploit Indo-Chinese tensions. The only significant bloc activity in the economic field consisted of the arrival of Soviet technicians (now numbering about 80) and equipment and the beginning of drilling operations under the \$30 million oil exploration agreement. The Soviets continued to show interest in rendering advice on West Pakistan's salinity and water-logging problems which constitute one of Pakistan's main preoccupations in the agricultural field.

116. Both exports to and imports from Communist countries declined in 1961, as compared to 1960. The bloc share of total foreign trade in 1961 did not exceed 7% of total Pakistani exports and 2% of total Pakistani imports.

LATIN AMERICA

BOLIVIA

117. The issue on the acceptance or refusal of offers made by various European satellites and by the USSR of economic assistance has been in the centre of debate ever since the middle of 1961. The Government has tried to gain time in the hope that the Alliance for Progress would provide an answer to the needs for Bolivian economic development, without having to rely on assistance from the Communist world; the Government, however, has not been able to avoid signing a contract for Bolivia's first bloc aid project.

118. The agreement concluded with Czechoslovakia by mid-1962 provides for the construction of an antimony smelter in the city of Oruro, with an annual production capacity of 3,600 fine tons of antimony, and employing about 220 persons. The credit extended by Czechoslovakia amounts to \$1.9 million, to be repaid over eight years beginning in 1968 at 5% interest, in antimony produced by the smelter. Fifty Czech technicians will assist in the construction and operation and the project is scheduled to enter into production by the end of 1964.

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119. Czechoslovakia has repeatedly offered to construct a copper smelter which could be paid through Czechoslovakia's purchases of the smelter's total production at world prices, to construct a \$3 million sugar mill in South-eastern Bolivia under a ten-year credit at 4% interest, and, in general, to sign barter deals exchanging Bolivian minerals for Czech machinery, and corn for agricultural equipment. All those offers provide for technical assistance for planning and executing the agreements and for training in operating and servicing the machinery and equipment.

120. During 1962, this was supplemented by a proposal to assist in constructing a railway between Cochabamba and Santa Cruz, as well as modernising existing lines, while allowing a number of Bolivian trainees to go to Czechoslovakia for specialised instruction in railway operation.

121. On the USSR side, the offer to extend \$150 million in development credits has been kept alive, while at the same time offers were made to supply Soviet turbo-prop aircraft to the Bolivian airlines under a twelve-year credit at 4% interest, repayable in local currency without down payment.

122. Both Czechoslovakia and the USSR have made efforts to expand trade relations with Bolivia, Czechoslovakia and the USSR. Czechoslovakia sold Skoda motor vehicles and agricultural equipment, while the USSR sought permission to bring to La Paz a selection of industrial exhibits originally destined for Rio de Janeiro, and proposed to establish a resident commercial mission in La Paz. Both Soviet proposals were rejected by the Bolivian Government. Notwithstanding all these efforts, trade with the bloc remained negligible.

BRAZIL

123. Since the resignation of President Quadros in August 1961, the tendency to increase economic relations with the bloc has slowed down considerably. In November 1961, diplomatic relations with the USSR were renewed, and the Foreign Minister defended the resumption of relations on the basis of the needs of Brazil's economic development and on the importance of widening markets and increasing exports. It also appears that an exchange of diplomatic missions had been the sine qua non condition for Soviet assistance in Brazil's industrialisation programme.

124. Up to mid-1962, however, the expectations arising from renewed diplomatic relations had not been realised, although rumours continued concerning the possibility of Soviet aid

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ranging from \$100 million to \$1 billion. It would seem that the Brazilian Government prefers to wait for the time being to see what results can be achieved through the Alliance for Progress.

125. Among the various offers made by the bloc to assist in the industrialisation of Brazil's underdeveloped North-east region, there is only one that seems to have received special attention: the USSR has indicated her readiness to send equipment and technical assistance for the construction of a factory to extract gas from domestic shale deposits. This particular project would consist of an agreement between the USSR and a private Brazilian oil firm. The insistence on this relatively small project by the USSR is apparently based on the fact that she wants to demonstrate the economic feasibility of the project that had already been surveyed by the Soviets in 1960.

126. So far, no major programme of technical assistance has been in operation in Brazil; only about ten technicians from European satellite countries were reported to be working in the country.

127. Trade between Brazil and the bloc has shown a 10% decline in Brazilian imports from the bloc between 1960 and 1961 that could not be compensated by a 5% increase in Brazilian exports to the bloc. Brazil's trade with the Sino-Soviet bloc during 1961 amounted to \$145 million, or approximately 5% of Brazil's total trade, as against 5.5% in 1960. Trade relations between the two areas have been highlighted by the opening of a large Soviet industrial exhibition in Rio de Janeiro, inaugurated by the Soviet Minister of Foreign Trade on the 3rd May, 1962. On the same occasion, a protocol for an expansion of trade during 1962, doubling the 1961 level, was signed. The USSR agreed to purchase about \$30 million worth of coffee and various quantities of cocoa, rice, cotton and tobacco. The Brazilians in turn agreed to purchase 300,000 tons of Soviet wheat, nearly 400,000 tons of petroleum products and \$10 million worth of machinery and equipment. It was also decided that a new long-term trade and payments agreement should be concluded to replace the one that expires at the end of 1962.

128. The Soviet industrial exhibition, said to be the largest scheduled for showing abroad during 1962, was reported to have resulted in sales of Soviet goods amounting to \$25 million. Visitors to the fair are estimated to have numbered half a million during its thirty days' period of opening. Visitors appeared to be impressed by the technical equipment and heavy machinery, but not by Soviet-made consumer items.

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129. Early in the year, a Czech commercial attaché was assigned to Recife. Efforts were mainly directed to the promotion of the sale of replacement machinery for the area's many textile mills and on Skoda cars, trucks and buses. After a visit to Poland by the Brazilian Foreign Minister, the two countries initiated discussions on the new trade protocol aimed at doubling the 1961 level of trade. East Germany seems to have been less successful in her efforts to sell telephone equipment. Commercial contracts with Communist China were negligible, in spite of the approval in December 1961 of a new and highly optimistic payments agreement with that country.

CUBA

130. The economic situation of the country has been deteriorating continuously since mid-1961. The disappointingly low sugar harvest, and the inexperience of planners and managers have led to a general decline in industrial production and the disruption of previous trade and distribution patterns are clearly shown by the fact that per capita food consumption in Cuba is estimated to have dropped by more than 15% over the past two years. The country's dependence on imports of basic commodities has increased, and the régime had to appeal to the Soviet bloc for additional assistance to meet her most urgent economic needs.

131. Bloc military aid has made the Cuban armed forces among the most formidable in Latin America. By the end of 1961 bloc deliveries added at least \$100 million worth of war material to the Cuban military potential, and this strength was continued at an even faster rate during the first half of 1962.

132. Efforts to diversify Cuban agriculture have not yet yielded results and the economy remains significantly tied to sugar exports. Production of sugar for the season ended mid-June 1962 amounted to approximately 4.8 million tons, as against the 5.4 million planned target, and the previous year's harvest of 6.7 million tons. The negative effect of the sugar harvest on foreign trade will be mitigated, however, by the availability of a reserve stock of sugar carried over from former years. The reserve stock amounted to 1.2 million tons at the beginning of 1962. Cuba is increasingly faced with the necessity of cutting sales of sugar to the free world, depriving herself of badly needed convertible currencies, or, alternatively, reducing sales to bloc countries at premium prices.

133. Bloc efforts to shore up the sagging Cuban economy emphasise emergency measures to check the deterioration in industry, and to meet the shortages in consumer goods, which have proved more serious than had been expected. Investments in new

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industries continued at a very slow pace; of the large number of factories scheduled, not more than three or four small ones constructed with bloc assistance had entered into production by mid-1962. A number of others were, however, under construction and work appeared to be proceeding on the preliminary stages of several major projects requiring extended preparation. Sites for the establishment of two inckle plants were surveyed and plans completed for the construction of a large petroleum refinery by Soviet experts. Equipment for three thermo-electric power stations was in the process of being manufactured in Czechoslovakia. Three 10,000 ton ships for the Cuban merchant navy were under construction in Poland, and Polish technicians were working on blueprints for two shipyards. The Hungarian engineers launched a floating crane for the Havana harbour that was to be delivered before the end of 1962.

134. In spite of delays in the implementation of bloc projects in Cuba's industrialisation programme, the USSR reaffirmed in April her determination to assist in the economic development programme by announcing an additional \$100 million extension of credits. It was stated that the total of all Soviet credits (\$300 million) will be used for twenty new industrial installations, including a petroleum refinery, a large steel mill, several tool factories, two thermo-electric power stations and two fertilizer factories. In view of Cuba's urgent consumer goods need, part of the additional credit might well be used to finance current imports. On the whole, it remains fairly certain that Cuba will receive only a limited amount of Soviet capital goods in the coming months.

135. The European satellites, who had extended by the end of 1960 about \$97 million credits, continued to obligate portions of their credits to Cuba for specific projects. Czechoslovakia signed a \$7.6 million contract to construct a cement factory (annual capacity 500,000 tons) by the end of 1963. An agreement signed with Bulgaria provides for machinery, equipment and technical assistance to construct five industrial projects, including a calcium carbide factory.

136. Although the rate of implementation of the bloc assistance programme in Cuba had been rather slow, the number of civilian technicians continued to increase rapidly. By mid-1961 their number was estimated at 500, it reached 750 by the end of the year, and 950 by the middle of 1962. Most of them were engaged in geological exploration, the nickel industry, improvement of agricultural techniques and a number of them were employed as advisers in economic planning. 600 of the bloc civilian technicians were from the Soviet Union, 300 from the European satellites and about 50 from Communist China.

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137. The training of Cubans in Communist countries continued to increase rapidly. By the middle of 1962 about 1,700 had started academic training programmes in the bloc and some 2,900 had received technical training. Additional training programmes in the bloc are planned and an agreement with the USSR provides for the acceptance of 800 Cubans annually in Soviet academic and vocational institutions. Bloc military technicians in Cuba by mid-1962 have been estimated to be approximately 400.

138. Total trade with the bloc during 1962 had been optimistically anticipated to reach well over \$1 billion, as compared with about \$875 million during 1961, \$250 million in 1960 and \$18 million in 1959, but in view of her poor sugar harvest Cuba found it necessary to revise her export possibilities, and it was unofficially announced in February that Cuba might cut sales of sugar to Eastern Europe. In an effort to compensate for the loss of purchasing power from free world markets, the Cubans sought to renegotiate the 1962 trade protocols in order to obtain more supplies (particularly consumer goods) from the bloc on credit. In May 1962 the revised protocol signed in Moscow increased the original target for 1962 by \$50 million. This increase is supposed to cover considerable amounts of foodstuffs, as well as additional motor vehicles, fertilizers and an oil tanker, which will have to be shipped at least on credit, if not as a grant, in view of Cuba's reduced purchasing power, thus increasing the cost of the "model of Socialist development" to which the Soviet Union has committed her prestige in the Caribbean.

OTHER LATIN AMERICAN COUNTRIES

ARGENTINA

139. Argentina's trade agreement with the USSR, the last remaining of her bilateral agreements with bloc countries, was terminated in 1962 with Argentina still in a credit position. Although there were at least two substantial sales of wheat to Communist China during the first half of 1962, trade with the Sino-Soviet bloc continued at the low level prevailing in recent years. Some construction equipment and machinery were delivered under the 1958 Soviet line of credit. New arrangements agreed by the end of 1961 permit Argentina to use this offer, of which \$68 million is still available, to buy equipment and machinery for road construction, mining and agriculture. So far, the shipments have consisted primarily of road construction equipment, and it has been reported that the USSR has insisted on sending technicians to accompany any machinery sold.

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BRITISH GUIANA

140. The Soviet bloc made a number of offers to assist the development of the country's economy since the coming into power of Dr. Jagan. By the middle of 1962, only a commercial agreement with Czechoslovakia calling for the export to that country of 3,000 tons of rice (valued at about \$1 million) had been concluded. The Czechs have apparently offered to establish a tannery, an assembly plant for motor vehicles and various other factories, to produce, inter alia, shoes and cement. East Germany reportedly offered to construct about 20 other factories with the necessary technical assistance to operate them until the Guianese can take over. East Germany is also envisaging the purchase of bauxite, coffee, rice, bran, and wood. Since March 1962, there have been some indications of Polish and Hungarian offers of trade and aid, but by the middle of 1962 none of these offers had been accepted. Soviet assistance is being rendered to British Guiana through the United Nations Technical Assistance Programme. In the spring of 1962 two Soviet geologists undertook a study of petroleum resources in the country.

URUGUAY

141. Uruguay's meat industry has been suffering from reduced sales to Western Europe. The USSR and Czechoslovakia tried during the first half of 1962 to re-enter Uruguay's foreign trade by purchasing Uruguayan beef, taking advantage of the Uruguayan meat industry's difficulties. Bloc trade with Uruguay has, however, fallen off considerably in recent years since her refusal to accept Soviet oil in payment for her wool, for which outlets have been found in the West. Uruguayan imports from the bloc dropped from \$15 million in 1960 to \$4.1 million in 1961, while her exports increased slightly to about \$15 million in 1961. Total trade with the bloc did not exceed 5% of Uruguay's total trade.

CHILE

142. In February 1962, Soviet interest in the purchase of 60,000 tons of copper and semi-finished copper products from Chile was revived, but no agreement was reached on the list of goods which Chile could buy from the USSR, nor on the type of copper products acceptable to the USSR. The offer of Soviet assistance for the construction of a copper smelter and a petroleum refinery in Chile had been introduced into the negotiations, but this offer did not allow for the signature of an agreement. Poland signed a barter agreement with Chile for the exchange of 2 million litres of Chilean wine for 1,500 tons of butter and 5,000 tons of fishmeal.

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