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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

NINTH REPORT ON THE SINO-SOVIET ECONOMIC OFFENSIVE
IN THE LESS-DEVELOPED COUNTRIES OF THE FREE WORLD

Note by the Secretary

Attached is a draft of the ninth report on the Sino-Soviet economic offensive covering the period mid-1962 to end-1963. This report, which has been prepared by the Economic Directorate on the basis of information received from member delegations, is presented in three parts:

- Part I: Summary and conclusions
- Part II: Main developments of the Sino-Soviet economic offensive during 1962 and 1963
- Part III: Statistical Annex

2. Part IV, giving a more detailed analysis by country of the Sino-Soviet economic offensive in the less-developed countries of the free world, will be subsequently circulated as an Addendum.

(Signed) A. TANSEVER

OTAN/NATO,
Paris, XVIIe.

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

Ninth report covering the period mid-1962 to end-1963

(Draft)

PART I: SUMMARY AND CONCLUSIONS

(a) The new pattern of Sino-Soviet foreign aid and trade

1. The trends that became apparent a year ago(1) have since been confirmed; they may be summarised as follows:

- a sharp reduction of the new commitments for economic aid;
- a steady increase of actual expenditures under existing programmes;
- a further growth of military assistance programmes;
- a rapid expansion of technical assistance, extended to developing countries and training facilities in Sino-Soviet countries;
- a slackening rate of trade expansion with the developing countries.

2. Since the end of 1961, the flow of new Sino-Soviet economic aid commitments has been reduced to about \$350 million per year. This represents less than half the amount extended during each of the three preceding years 1959/61, when an average of \$900 million per year of new economic aid commitments had been announced by the Sino-Soviet countries. In total, since the beginning of the foreign aid policy introduced by the Soviets in 1954 and up to the end of 1963, about \$5 billion has thus been promised by the Communist countries(2).

(1) See Eighth Report (C-M(63)39).

(2) In this report, all data exclude Cuba, which can no longer be regarded as a less-developed country of the free world, and Yugoslavia, unless stated otherwise, and are, therefore, not globally comparable to total figures used in the previous reports.

3. Concomitant with the reduction of new extensions, the implementation of aid programmes initiated earlier has required larger deliveries and annual drawings on Sino-Soviet credits have steadily increased to reach over \$400 million during 1963. By the 1st January, 1964, a total of \$1.7 billion economic aid had thus been drawn, while some \$3.3 billion was still outstanding at the disposal of the developing countries.

4. In addition, the Soviet military assistance programmes have continued unabated, making use of all occurring opportunities: the military build-up of Indonesia at the time of the Dutch New Guinea question, the strengthening of the Iraqi Army under the Kassim... régime, further arms deliveries to Egypt, military equipment for Algeria, for India, even during and after the Chinese aggression, and, more recently, for Somali. By the end of 1963, roughly \$2.5 billion had been drawn by the developing countries, representing some 85% of the military assistance extended.

5. Technical assistance has rapidly grown in importance in the overall foreign aid efforts of the Sino-Soviet countries. By mid-1963, some 16,000 bloc technicians (including 4,600 military advisers) were at work in the developing countries; i.e. more than twice the number of those reported at the end of 1960 (7,800, including 1,360 military advisers).

6. Simultaneously, the number of nationals from developing countries receiving some kind of training in the Sino-Soviet countries has risen steadily from 1956, the year of the beginning of this kind of activity, to 1960, when it reached 11,700, out of which 4,600 were military personnel. By mid-1963, the corresponding figures were 31,300 students from 68 developing countries, including 13,000 military personnel. The size of the military training schemes has thus grown more rapidly than that of technical and academic training. By mid-1963, some 14,000 students (including 2,000 military trainees) were currently studying in the Sino-Soviet countries.

7. After a steep rise from a very low starting point during the second half of the 1950s, trade between the less-developed countries and the Sino-Soviet bloc has been growing since 1960 at almost the same rate as the former's trade with the free world. At the end of 1962, the annual trade turnover (imports plus exports) between the developing countries and the Sino-Soviet countries rose to \$2.3 billion(1), representing an increase over the two years of about 15% over the 1960 figures. The share of the Sino-Soviet countries in the total trade of the developing countries has remained almost constant since 1960, at about 5%, while the industrialised free world (including Japan) absorbed roughly 70% of the foreign trade of the developing countries.

(1) Foreign trade of Cuba excluded.

(b) The burden of foreign aid on the economies of the Communist countries

8. Although the actual cost to the Sino-Soviet countries of their economic aid programmes has steadily risen, in 1963, drawings by the recipient countries on such aid represented hardly more than 0.1% of the combined GNP of the Sino-Soviet countries. Even in the case of Czechoslovakia, where economic aid is relatively larger, and where it has been mentioned among the official reasons for the failure to fulfil their economic plan in 1962/63, such aid does not amount to more than 0.2% of GNP.

9. Economic aid provided by the Communist world compares poorly, both in absolute value and as related to GNP, with the aid efforts of the industrialised free world, which amounted in recent years (1960/62) to an annual average of \$5.6 billion governmental assistance, of which nearly half consisted of grants(1). If, in addition, the flow of net private capital favouring the economic development of the more backward countries is considered(2), the free world effort in recent years is currently twenty times greater in absolute value than the economic aid provided by the Sino-Soviet countries.

10. The general slackening of the rate of growth discernable during the last two or three years in all the Sino-Soviet economies and the problem of reallocation of resources have, however, brought foreign aid policies to the limelight in the Sino-Soviet countries. Economic aid has been increasingly criticised within the Communist world and Communist China can be expected to continue to exploit the internal opposition against the Soviet assistance policy favouring nations where "consistently progressive forces are not in power"(3). It is hard to see how, at the time, when the Soviet countries are compelled to take measures to redress their own internal development plans, they could justify any substantial increase in aid extended to the developing countries.

(c) Results so far obtained by the Sino-Soviet bloc

11. To the extent that Sino-Soviet economic aid aims at reducing Western influence in the developing areas traditionally linked to the industrialised countries of the free world, and to building-up a Soviet presence in these areas, there is no doubt that some results have been obtained. The influence of the USSR

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- (1) \$5.4 billion of this total is provided by NATO countries.
- (2) The net capital flow from private sources averaged about \$2.6 billion in 1960/62, and is by itself 6½ times larger than the total economic aid provided by all the Sino-Soviet countries.
- (3) PRAVDA, on 7th August, 1963, published in reply to Chinese criticism a lengthy justification of the Soviet aid policy, charging the Chinese of sowing mistrust of the USSR among the peoples of Asia, Africa and Latin America.

in the Middle East has been considerably enhanced through the Soviet military assistance programmes in the Arab countries. The economic aid and trade offensive has intensified anti-Western sentiments and encouraged neutralist policies in many Afro-Asian countries. The Sino-Soviet aid experiment with Cuba may have added confidence to Communist subversion in Latin America: if the political preconditions for seizing power are favourable, and provided the political line dictated by Moscow and Peking is closely followed, this could rely on the bloc for economic and military emergency help.

12. On the other hand, as could be foreseen, the phase of actual implementation of economic aid programmes proved much less glamorous than the initial announcements of the extension of large-scale lines of credit and political yields of Sino-Soviet foreign aid policies have shown a tendency to diminish. A number of spectacular errors have had to be reported and both the Sino-Soviet donor countries and the recipient developing countries are becoming increasingly conscious of the limitations and the real cost of foreign aid programmes.

13. Economic and military aid has not led to the emergence of Communist régimes in any of the recipient countries. Countries like Iraq and Guinea, where bloc penetration had gone furthest, have recently redressed their balance of neutralism more in favour of the West. Even in the case of Afghanistan where a constant flow of Soviet aid has been maintained since the end of 1953, the more recent developments do not suggest any further progress of Soviet influence. The Communist countries still derive profits from the heavy concentration of foreign aid on a small number of countries and from their ability to take prompt action motivated by political considerations on whatever vulnerable spot they might think fit to select. The recent Soviet military aid agreement with Somali may be quoted as another example of how the West can be outbidden by the USSR.

14. It is difficult to assess the repercussions of the ideological rift between the USSR and Communist China and of the internal difficulties encountered by the Communist countries on their foreign aid and trade policies. On the one hand, the present situation in the Communist world may stimulate the efforts of the rivals. The developing countries might be tempted to play off the Communist powers against each other, ultimately at the expense of Western influence, without realising the dangers of the false impression of security they might derive from such an approach. On the other hand, the schism between the USSR and Communist China has complicated the task of the Communist foreign aid and trade planners, as it introduced a new dimension to the growing competition between both leading Communist nations. While Communist China relies on the racial bias it introduced in foreign aid competition, the USSR seeks to reinforce her position by stimulating the co-ordinating action of COMECON in this particular field. Domestic economic difficulties in the various satellite countries have drawn attention to their national needs and thus tend to hamper any progress by COMECON in the field of co-ordination of foreign aid policies.

15. The fact that the previously united front of the Communist bloc has now openly been broken has damaged the image of Communism in the developing countries. The effectiveness of the Sino-Soviet economic offensive may be further blunted as a consequence of the recent slackening in the rate of economic growth within the Communist countries, since in the past Communist propaganda had constantly stressed the superiority of the Communist economic system, presented as a model to be copied for a short cut to prosperity.

(d) Prospects

16. For the reasons explained above, and while Cuba may well continue to absorb a large portion of the Sino-Soviet foreign aid capabilities, it seems unlikely that the volume of Sino-Soviet economic aid expenditures in the developing countries will rise significantly above the level of \$400 to \$500 million annually during the coming years. The major expenditures will probably continue to be directed to the few countries where large-scale economic aid programmes are already in operation (India, Afghanistan, Egypt). There remain, however, some areas in Africa and Latin America which may be open to Sino-Soviet influence, especially those countries where the European satellites have already played the rôle of a spearhead. Economic and military aid will probably not produce reliably pro-Communist régimes unless political conditions result in a successful seizure of power by Communist partisans, alienating the country from the West, and leading it into a position where only bloc support could assure its survival.

17. Learning by experience, the Communist countries can be expected to seek to improve the political usefulness of their foreign aid policies by a higher degree of sophistication with the combination of a variety of aid and trade techniques and a closer scrutiny of the potential aid opportunities. They will try to maintain their positions where they have already gained a foothold (as in Asia and the Middle East), with possibly some additional loans, but no extension of new lines of credit on the scale that might have been anticipated earlier, while in Africa and Latin America the Sino-Soviet countries may try to expand their influence to new areas with important aid proposals, though the annual total of new aid commitments will probably remain well below the 1959/61 record during the coming years. New extensions will not be granted before a much more thorough examination than in the past of the advantages the Sino-Soviet countries may expect to derive from the deal, and Sino-Soviet economic aid may well be increasingly concentrated on countries who are most likely to take the side of the Communist camp in international matters.

18. While collaboration between Communist countries within COMECON may become less effective than in the past, the USSR will have to devote greater attention to Chinese competition, and may try to support its efforts to contain the latter with additional aid offers, particularly in Africa and in some Asian countries (Nepal, India). The new COMECON Bank, which came into being in January 1964, still has many intrabloc problems to tackle before it can play a major co-ordinating rôle in Communist aid policies. On the whole, it would seem that the European satellites are likely to discount aid for ideological reasons and rather consider it as an adjunct to their foreign trade expansion for such commodities as they are unable to sell to or to buy from more advanced Western countries.

19. The general trend to shift away from capital outlay towards more technical assistance may well be continued. Current bloc aid may increasingly attempt to influence future key political and technical leaders of the developing countries through training and scholarship programmes and to gain greater sympathy for Communist objectives among the military and other elite groups. Similarly the prestige of the Communist bloc now depends more on actual performance and achievement, and the type of projects to be assisted may be increasingly affected by these considerations. Pure impact projects aiming at spectacular showpieces of no economic interest may well become a thing of the past.

20. The future volume of Sino-Soviet military assistance is more difficult to forecast. Military aid has proved to be politically effective, and it can be expected that this form of foreign aid will be continued whenever the opportunity to exploit contentions between regional disputants presents itself. The future volume of military equipment sent to the developing countries would obviously be affected if an agreement was reached on disarmament and in particular if the USSR accepted the United States proposal not to pass on to the developing countries their surplus or outdated military items.

21. As compared with economic aid, the delivery of military items has generally been considered to be less costly than the implementation of economic aid. This was especially true in the past, when the USSR could dispose of technically obsolete equipment, but, with the increasing sophistication of the requirements of the developing countries, this advantage of military assistance over economic aid seems to be declining. The Sino-Soviet countries are, however, rarely faced with a choice between the two forms of aid, as military aid cannot be considered as a substitute for economic aid and the two forms of assistance are extended to meet quite different needs.

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PART II: MAIN DEVELOPMENTS OF THE SINO-SOVIET ECONOMIC
OFFENSIVE DURING 1962 AND 1963

I. ECONOMIC ASSISTANCE

(a) Credits extended

22. The value of new economic aid extensions to developing countries declined from a peak of over \$1 billion in 1961 to \$328 million in 1962 and to \$362.5 million in 1963(1). This reduction to less than half the annual average of the preceding three years would have been even more severe were it not for the important contribution that was provided in 1962 by the European satellite countries. Poland played a major rôle in this regard during the second half of 1962 by extending a \$70 million line of credit to Brazil and other important loans to India, the UAR and Syria. Czechoslovakia added some of the other significant new extensions. In 1963, however, the participation of the European satellites in the Soviet aid programme declined markedly, reflecting possibly growing opposition to foreign aid in the Eastern European countries.

23. Extensions of new economic aid by the USSR did not exceed \$150 million in 1962 and hardly more than \$200 million in 1963. The most spectacular of the Soviet Union's commitments were announced during the second half of 1963, when Iran accepted for the first time a large-scale Soviet offer of \$38.8 million loan, and when Algeria finally received, after prolonged consideration by the Soviet Union, a line of credit of \$100 million.

24. During 1962, Communist China practically stopped undertaking any new commitments for economic aid, but she resumed her efforts in 1963, apparently in an attempt to challenge the monopoly of Communist aid being extended by the USSR and her satellites. China extended her main credits generally under more favourable terms than the Soviet Union (interest free, longer periods of repayment, etc.) to Syria, Somali and, by the end of the year, following the USSR's move, an interest-free loan of \$50 million repayable by 1990 to Algeria.

(b) Drawings

25. The geographical distribution of drawings reflects the chronological development of the Sino-Soviet aid commitments since 1954. The main recipients of economic aid deliveries are still India, the UAR, Afghanistan and Indonesia, who among themselves absorb about 70% of all Sino-Soviet aid drawn so far. The other countries where Sino-Soviet contributions to economic development play an important rôle are: in the Middle East, Syria, Iraq and the Yemen; in Asia, Cambodia and Nepal; in Africa, Guinea, Ghana, Mali and Somali. The flow of Sino-Soviet economic aid actually delivered continued during 1962 and 1963 to follow the earlier pattern of distribution, with Africa receiving more active consideration.

(1) For summarised information on new economic credits and grants extended since mid-1962, see the chronological list at Annex.

26. Despite the attempts to accelerate the rate of implementation of credits previously extended, the drawings during 1963 did not increase considerably over the 1962 level and reports of dissatisfaction as to the slow rate of utilisation among many bloc aid recipients became more frequent. The available outstanding credits by the end of 1963 still amounted to roughly twice the total of aid utilised since 1954.

27. In a number of cases where forthcoming local currency had been inadequate to support the local costs of joint projects, the USSR provided commodity credits. Thus \$22 million of previously extended credits were obligated for commodity exports to Ghana to generate the funds for the local cost element in Soviet aid projects. In Guinea, the USSR established a special administration to assume full responsibility for the completion of Soviet aid projects.

28. In 1962, some \$395 million had been drawn, while in 1963 total drawings will probably be in the neighbourhood of \$425 million.

(c) Repayments

29. One of the advantages of the financial aid extended by the Sino-Soviet countries is the possibility of repayment in the form of local commodities. So far the repayments on Soviet economic credits have been relatively small and only reached any significance in the cases of India, Indonesia and Egypt. They may be estimated to represent annually a total of some \$60 million. The only country where annual repayment obligations have created a real economic problem is Indonesia, because in addition to her economic purchases, considerable indebtedness for military deliveries has been incurred. The attitude of the Communist countries to repayment has generally been tough, even at the risk of unpleasantness.

II. MILITARY ASSISTANCE

(a) Extensions

30. Although the volume of new military assistance extended, running at about \$600 to \$650 million a year during 1960 and 1961, was reduced in 1962 and 1963, the decline in this field was far from reaching the proportions it had in the extension of economic aid. New military aid commitments during 1962 and 1963 were probably of the order of \$350 to \$400 million a year. In 1962, the main recipients of military aid had been Indonesia, Iraq, the UAR and Ghana, while India and the Yemen were added to the list of recipients of Soviet military equipment. In 1963 new military assistance agreements were concluded with Algeria, the UAR, India, Cambodia and Somali.

31. It is generally agreed that military aid is politically more effective than economic aid of comparable size and tends to create stronger links between recipient and donor countries. In total, since 1955 the Soviet countries have extended about \$3 billion military aid, of which some 40% was in the form of discounts and grants and 60% in the form of credits.

32. Of total military aid extended from September 1955 to the end of 1963, Indonesia remains by far the most important recipient, followed by the Arab countries (Egypt, Syria, Iraq and the Yemen), while military aid provided to other countries (Afghanistan, Ghana, Algeria, Cambodia, India and Somali) may in some cases be considered important from the point of view of the recipient country, but remained relatively small in terms of absolute value.

(b) Drawings

33. Another advantage of military aid over economic assistance results from its easier implementation. During 1962/63, deliveries of military equipment to the above-mentioned countries continued at a rapid rate. Bloc military aid helped Indonesia to stage a military build-up on the occasion of the conflict with the Netherlands over Dutch New Guinea and helps her in her opposition to Malaysia.

34. In the Middle East, Soviet military aid to rival Arab countries now includes the supply of missiles and aircraft as advanced as those they supply to Eastern European countries and even if the USSR can produce these readily, the cost of supplying them has obviously been growing. Soviet military aid has provided Afghanistan with an increased capability to overcome internal dissension in the tribes. Iraq, after the February 1963 revolution, decided to cancel her surface-to-air missile programme and was reportedly seeking to substitute conventional weapons for these missiles if the Soviets would agree.

35. The Soviet countries have also undertaken negotiations to resolve the problems of spares, replacement parts and material maintenance with India, Iraq and the UAR.

(c) Repayments

36. As said earlier, Indonesia, who has to pay for more than \$1 billion worth of military equipment delivered by the USSR and some European satellites, has been able to obtain after prolonged negotiations a reduction in her annual repayment obligations. Conditions under which military credits are extended usually remain undisclosed, but it would seem that the period of reimbursement might be shorter than the generally agreed twelve years' duration of economic loans. Repayments are reflected in the export trade of the recipient country, although it is often difficult to indicate the portion of such trade devoted to reimbursement of military credits.

III. TECHNICAL ASSISTANCE(a) Technicians in developing countries

37. The rapidly gathering momentum of Sino-Soviet technical assistance and training programmes may well justify added attention from the NATO countries. Bloc civilian technicians and advisers in the developing countries rose from 8,650 by mid-1962 to 11,215 by mid-1963. To this must be added that during the period considered, the number of military technicians assigned to developing countries has more than doubled (2,140 by mid-1962, 4,600 by mid-1963). To some extent this increase reflects the accelerated implementation of the projects under the economic assistance programmes. Since 1962, however, the Soviets have started to conclude technical aid agreements, as distinct from any major economic credit arrangements and by mid-1963 some 15% of civilian technicians were engaged in medical, education, planning, advisory and managerial activities not related to economic assistance projects.

38. About 75% of Sino-Soviet civilian technicians currently at work in the developing nations are concentrated in seven countries: Afghanistan, Algeria, Guinea, India, Iraq, the UAR and the Yemen. The number of bloc military technicians has increased considerably in Indonesia, Syria, the UAR and the Yemen. The number of military advisers in Iraq began to decline after the fall of Kassim in February 1963.

39. The West obviously greatly outnumbers the 15,815 civilian and military personnel from the Sino-Soviet countries at work in 30 different developing countries of the free world. Although there is so far no evidence that the Sino-Soviet technicians have been engaged in political activities(1) to the extent that they occupy strategic positions, as for instance in the central planning administration of the recipient country, they may be able to influence the development of an economy in such a way as to extend or reinforce its connection with the Communist bloc and thus create links that may prove later extremely difficult to sever.

(b) Training of nationals of developing countries in the Sino-Soviet bloc

40. Approximately 12,000 academic and technical students are currently being trained in Sino-Soviet institutions. In addition by mid-1963, some 2,000 military trainees were reportedly enrolled in military training programmes in the bloc countries. The bulk of the academic trainees comes from various African countries, while the group of technical trainees consists mainly of Indian, Indonesian, Egyptian, Guinean, Malian and Algerian nationals. The major portion of the military trainees came from Indonesia, Algeria, Yemen and Syria.

(1) However, in Guinea, Sekou Touré has mentioned Soviet civilians among the elements which allegedly attempted to foment the over-throw of his government.

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41. The efforts of the bloc to enhance its prestige through the provisions of educational facilities for students of the developing countries received much unwelcome and adverse publicity during 1963. The substantial exodus of African students from Bulgaria after the February student demonstrations in Sofia, the serious incidents following the death of a Ghanaian student in Moscow in mid-December and the persistent dissatisfaction of students in other bloc countries since then has shown to the Communist leaders the difficulties involved in this kind of aid. The main grievances openly expressed by the students from developing countries include racial discrimination and segregation; excessive political indoctrination; exploitation for propaganda purposes; restrictions of personal movement; association and expression and dissatisfaction with academic curricula. There are many indications, however, that the Sino-Soviet countries intend to pursue their programme for training personnel from developing countries and that the developing countries will continue to accept scholarships in view of the lack of badly needed education facilities. Since the beginning of the Sino-Soviet academic, technical and military training programmes, the total number of such trainees who have received some kind of training has now reached 31,300 from 68 different developing countries, military training having advanced more rapidly than academic and technical training.

42. The significance of the 12,000 academic and technical students has to be seen in relation to the educational efforts of the West. In 1962, there were reportedly some 28,000 Afro-Asian students in universities of the United Kingdom, France and West Germany, another 32,000 in United Kingdom technical institutions and lesser numbers in Italy and Benelux countries. Over 43,000 students from developing countries were studying in the United States. In the field of academic and technical training facilities, the West obviously has more to offer than the Sino-Soviet countries and the number of nationals of developing countries in the West is probably 8 to 10 times greater than that of such trainees in the Sino-Soviet countries.

43. Western selection methods, by stressing academic achievement, often tend to recruit privileged pupils of missionary schools and scholarships do not always provide fully financed support. By waiving academic and language requirements, the Soviets encourage the poor, less-educated students; they generally offer stipends which include travel expenses, food and lodging, tuition fees and even clothing allowances. Such students are frequently selected from among the younger age groups; their courses cover a longer period of time than in the West and once selected they can expect to be supported until they receive their degrees. Although many complaints have been raised, it appears that the Soviet system still presents the advantage of extending educational facilities to bright students whose financial situation prevents them from considering alternatives in Western countries.

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IV. TRADE(a) Overall trade

44. According to the official trade statistics reported by the developing countries who entertain trade relations with the Sino-Soviet bloc, total imports and exports to and from the Sino-Soviet countries increased rapidly from 1954 to 1960. From 1960 onwards, the rate of increase slackened, 1961 indicating only a 4% increase over 1960. In 1962, a 12% increase was reported which showed an improvement but remained well below the percentage gains of earlier years. The share of the USSR in total Sino-Soviet bloc trade with the less-developed countries increased slightly at the expense of the European satellites.

45. The Sino-Soviet share of total trade of under-developed countries remained at about 5% but the Communist countries continue to occupy a predominant share of a limited number of selected developing countries. They are, for instance, supplying more than half the imports of Afghanistan and about a quarter of the imports of Mali and the UAR. They provide between 15 and 20% of all Indonesian, Burmese and Cambodian imports. The bloc is also providing a significant market for some developing countries, absorbing about 45% of the exports of Afghanistan and the UAR, about 40% of the exports of Mali, between 20 and 25% of Syrian and Guinean exports and more than 10% of Uruguayan, Sudanese, Gurmese, Cambodian, Ceylanese, Indian and Indonesian exports.

46. Sino-Soviet exports to the developing countries of the free world have in recent years increased more than imports from these countries. While total trade rose from \$707.7 million in 1954 to \$2,289.5 million (1954 = 100, 1962 = 322), Sino-Soviet imports from developing countries have remained almost at the same level since 1959 (1954 = 100, 1962 Sino-Soviet imports = 292). The recent growth of total trade is thus mainly the consequence of increased deliveries of capital goods from Sino-Soviet countries to developing ones. In 1954, total Sino-Soviet exports to the developing countries amounted to \$330 million and have since increased fairly steadily to \$1,188 million in 1962 (index 1954 = 100, 1962 Sino-Soviet exports = 360).

(b) Main developments

47. Out of the information available for 1963, it appears that the Sino-Soviet countries continue to expand their trade with the developing ones. The importance of credit extensions has been increasingly stressed as a basis for a substantial expansion of Sino-Soviet trade with the developing countries. In view of the balance of payments problems of some of the developing countries receiving Sino-Soviet aid, there has been on the Communist side an increasing tendency to link future aid more closely with bilateral trade. In 1963, India and the USSR had been negotiating an agreement according to which the USSR would undertake to construct

consumer goods factories on credit, with repayment to be made eventually by exports of the goods produced therein. Such agreements had been devised earlier and proposed by Czechoslovakia. The trade agreement between the USSR and Indonesia provides for an annual Indonesian trade surplus of \$20 million, which will be used to repay part of the Indonesian debt obligations.

48. The Soviet Union has for many years owned and controlled in London a bank, the Moscow Narodny Bank, which specialises in financing the convertible currency trade of the USSR. After visits by officials of the bank to the Lebanon and elsewhere in the Middle East, Africa, Mexico and Cuba, a new branch has been opened in Beirut in the hope of deriving greater advantages from convertible currency trade transactions in developing countries, without abandoning the bilateral arrangement system.

49. Some developing countries have been expressing dissatisfaction with their bilateral trade arrangements with the Sino-Soviet countries. Ghana has proposed that trade and payments agreements should be renegotiated in order to ensure periodic settlements of the bilateral accounts in hard currencies or otherwise to provide for the payment of interest on the outstanding trade balances. Indonesia is attempting to liquidate its clearing agreements with the European satellites with payments to be effected in freely convertible currency, while at the same time trying to guarantee a trade surplus by binding agreements with respect to the total value of trade. Brazil, after running a favourable trade balance with the bloc for two years, has managed to include in its new five-year trade agreement with the USSR a provision by which Brazil can use the surplus on its trade with the USSR to finance imports from the European satellite countries, provided the latter agree. Such polygonal trade, though a far cry from multilateralism, might facilitate Brazil's trade with the Soviet countries.

(c) Recent trends

50. Price movements during the 1960s have resulted in a 15% decline in primary product prices, accompanied by an 11% increase in the average unit value of manufactures. The deterioration in the terms of trade was more or less continuous from 1954 to 1961; in 1962, commodity prices were firmer, and in 1963 have on the whole remained stable, with the exception of a considerable increase in the price of sugar and a steady decline in that of natural rubber. The long-term outlook for the further evolution of primary product prices is not encouraging for the developing countries in the light of further technological advances and shifts in consumers' preferences.

51. Against this background the Communist countries generally portray themselves as having economies whose demand for a wide range of foodstuffs and consumer goods enables them to absorb the agricultural surpluses of primary producing countries. In addition, they claim that their planning system allows for the provision of stable markets in terms of both prices and quantities for products from developing countries. Trade statistics have often contradicted these claims and Sino-Soviet trade has shown wide fluctuations in the volume of purchases from year to year, quotas included in bilateral agreements have frequently not been met, developing countries have occasionally found it difficult to obtain from the bloc the kind of goods and equipment they wanted most and the prices paid for the primary commodities exported, although kept stable, have not always been favourable to the developing countries. However, to the extent that the depressed prices for primary commodities in the West have encouraged developing countries to seek markets elsewhere, the unfavourable long-term trends for such price movements will continue to make trade with the Communist countries attractive.

52. The recent firmer trend in primary product prices is mainly due to increased economic activity in the United States, and the maintenance of a high level of demand in Western Europe. The increasing volume of credits for investment goods extended by the West, the negotiation of international commodity agreements, protective measures favouring selected producing countries, have all helped to alleviate the adverse movement in the terms of trade. Most important of all is the growing awareness of the free world of the importance of this problem, which presents a major challenge to economies of the free world. In view of the small share of Sino-Soviet as compared to Western imports from developing countries and the possibility that for several years at least the Communist leaders may be increasingly preoccupied with their own internal economic difficulties, the future of the developing countries must continue to be intimately linked to the answer that the West will give to this problem.

PART III: STATISTICAL ANNEX

Chart I: Economic aid extended by Sino-Soviet countries

- recapitulative totals 1954/63.
- credits and grants extended to and drawn by less-developed countries of the free world from 1954 to 1963 inclusive.

Chart II: Military aid extended by the Sino-Soviet countries

- recapitulative totals 1955/63.
- aid in the form of discounts, grants and credits extended to and drawn by less-developed countries of the free world from 1954 to 1963 inclusive.

Chart III: Technical assistance provided by the Sino-Soviet countries

- bloc civilian and military personnel (technicians, experts and labourers) in less-developed countries of the free world (half-yearly situation from mid-1956 to mid-1963).

Chart IV: Sino-Soviet trade with the less-developed countries of the free world outside Europe

- annual total turnover at the end of each year 1954/62 inclusive.

Table I: Chronological list of new economic assistance commitments (credits and grants) undertaken by the Sino-Soviet countries and accepted by the developing countries of the free world during the period from 1st July, 1962 till 31st December, 1963

Table II: Sino-Soviet economic credits and grants extended to and drawn by the developing countries of the free world outside Europe

(Recapitulative totals January 1954 to December 1963) (country breakdown).

Table III: Sino-Soviet civilian technicians in the developing countries

Situation as at mid-1963.

Table IV: Trade of developing countries with the Soviet countries, Communist China and its Asian satellites

- A. Imports
- B. Exports.

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CHART I

ECONOMIC AID EXTENDED BY SINO-SOVIET COUNTRIES

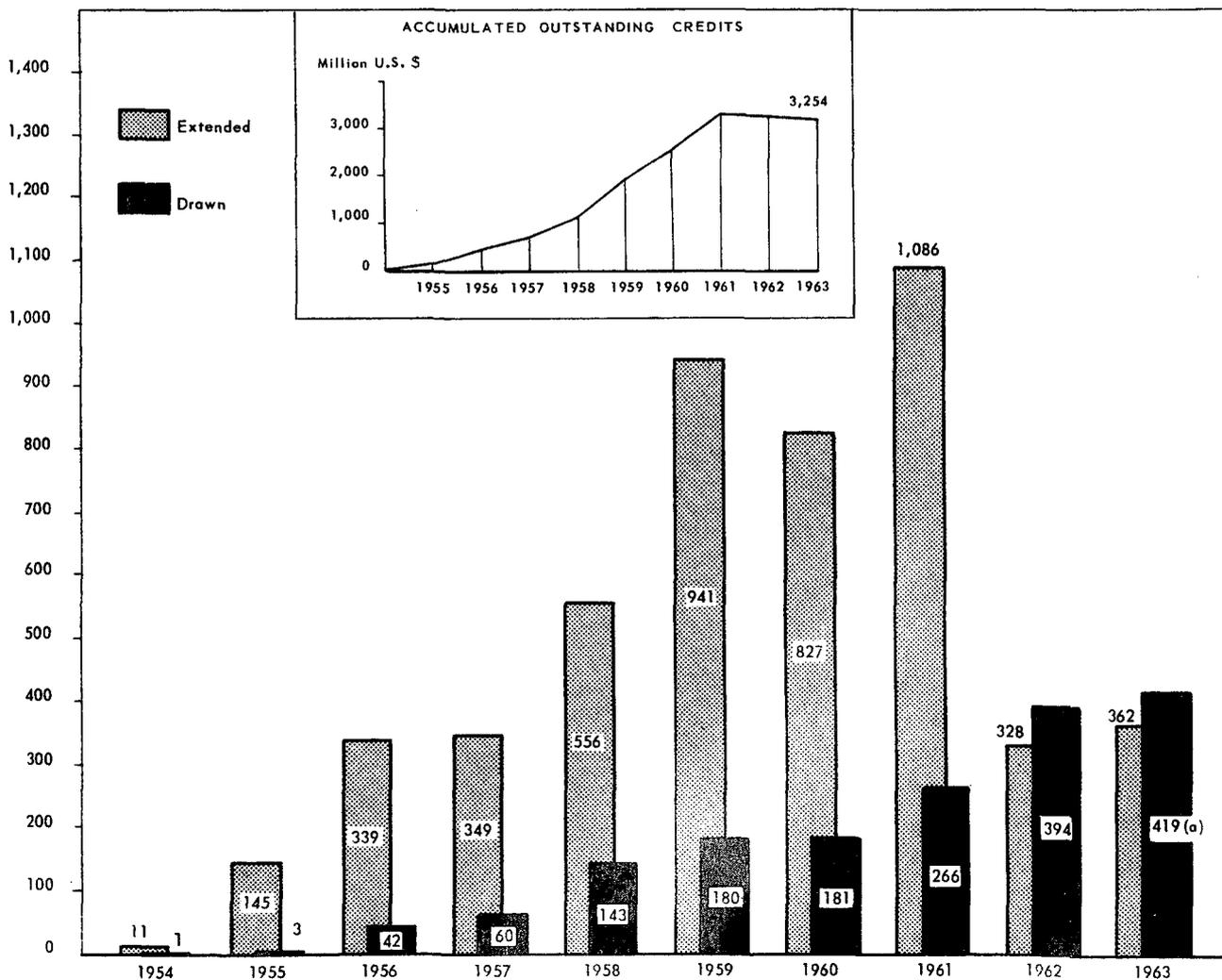
RECAPITULATIVE TOTALS 1954/63

(Million US \$)

1. Amount of aid extended	4,943
of which :	
in the form of grants	319
in the form of credits	4,624
2. Drawn	1,689 or 34.2 % of extensions
3. Outstanding on 1st January, 1964	3,254

CREDITS AND GRANTS EXTENDED TO AND DRAWN BY LESS-DEVELOPED COUNTRIES OF THE FREE WORLD FROM 1954 TO 1963 INCLUSIVE (1)

Million U.S. \$



(a) Estimate : annual rate based on January/June 1963.

(1) If compared to the chart under the same heading in previous reports, it should be borne in mind that :

- Cuba, which accepted aid from 1960 onwards, has now been deleted from the list of less-developed countries belonging to the free world ;
- figures have been revised on the basis of most recent information.

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CHART II

MILITARY AID EXTENDED BY SINO-SOVIET COUNTRIES

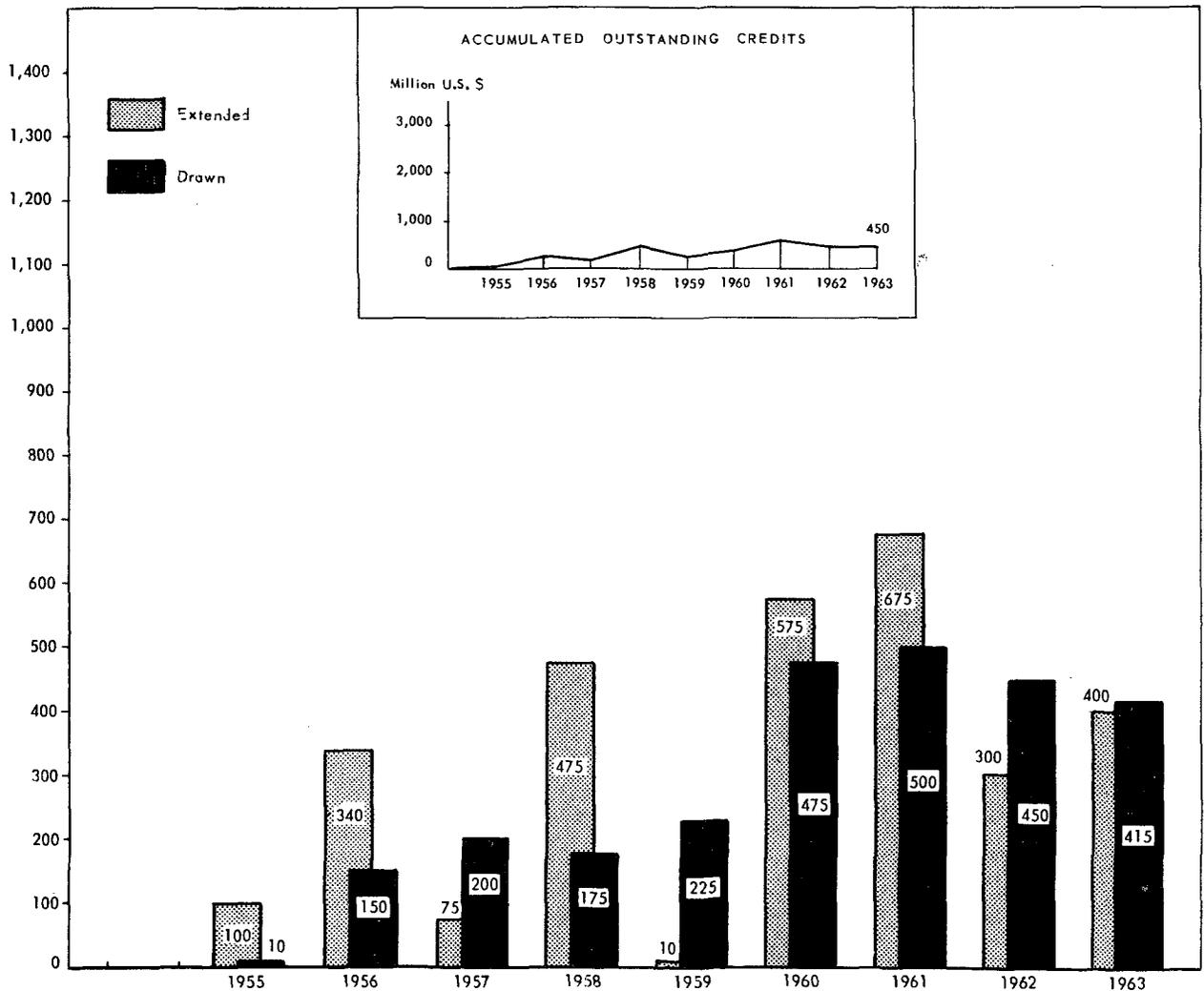
RECAPITULATIVE TOTALS 1955/63

(Million US \$)

1. Amount of aid extended	3,000
of which :	
in the form of discounts and grants	1,200
in the form of credits	1,800
2. Drawn	2,550 or 85 % of extensions
3. Outstanding on 1st January, 1964	450

AID IN THE FORM OF DISCOUNTS, GRANTS AND CREDITS EXTENDED TO AND DRAWN BY LESS-DEVELOPED COUNTRIES OF THE FREE WORLD FROM 1955 TO 1963 INCLUSIVE (1)

Million U.S. \$



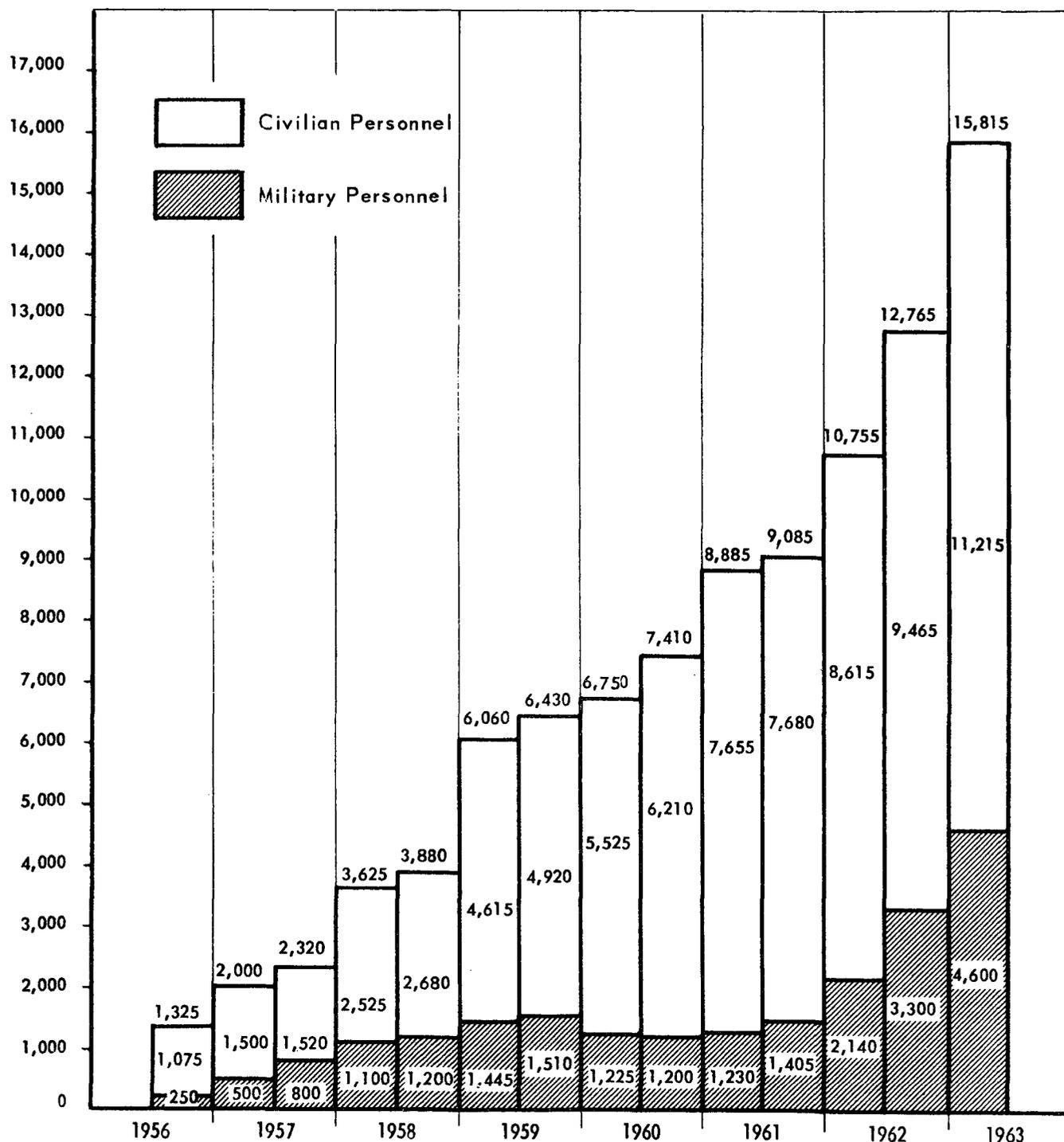
(1) Since military assistance for a number of countries cannot be distributed by year, annual figures are only estimates.

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CHART III

TECHNICAL ASSISTANCE PROVIDED BY THE SINO-SOVIET COUNTRIES

BLOC PERSONNEL (TECHNICIANS, EXPERTS AND LABOURERS) IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD OUTSIDE EUROPE (1)



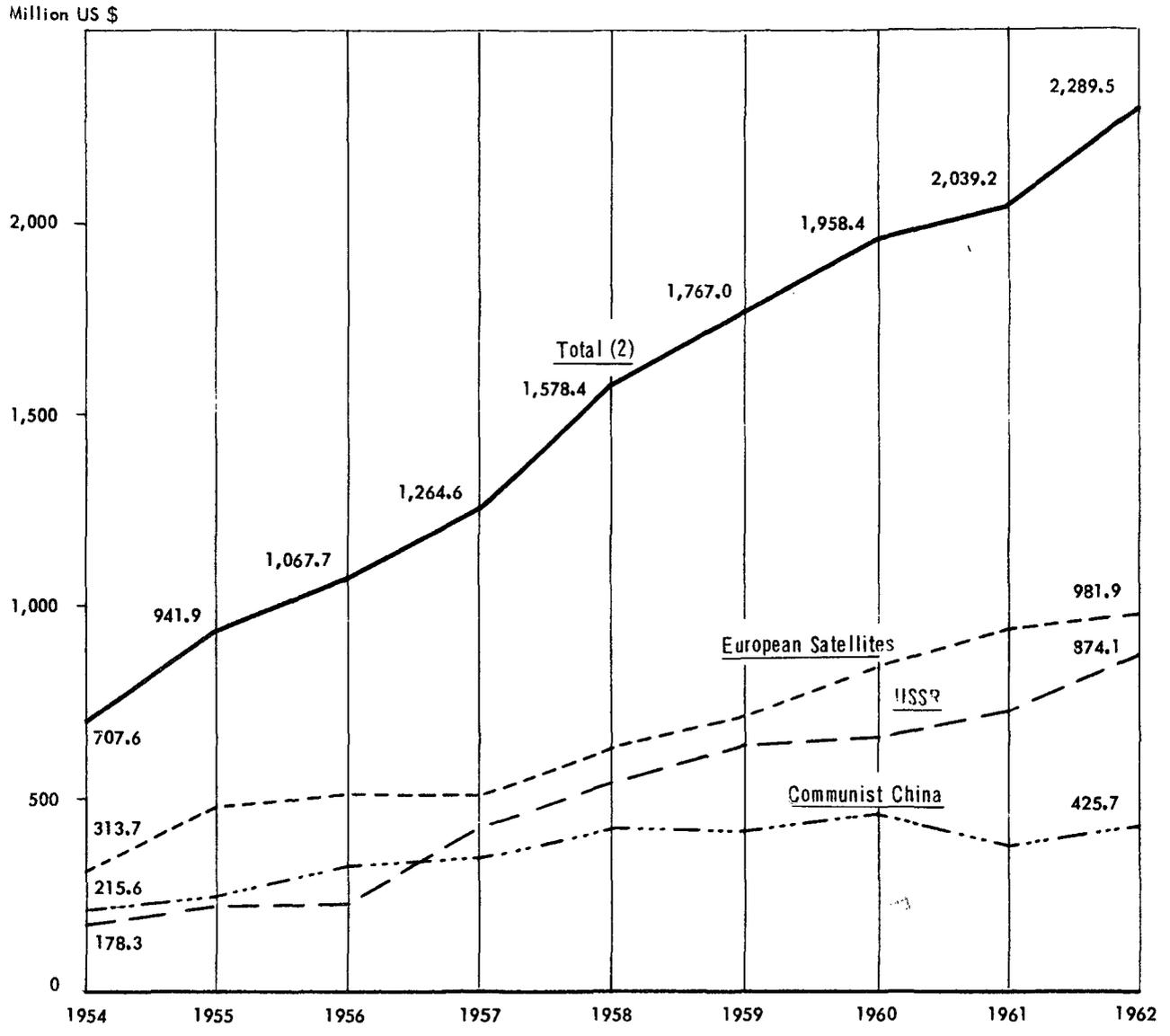
(1) Minimum estimates on a 6 monthly basis of Communist personnel in less developed countries of the Free World for a period of at least one month excluding personnel solely engaged in trade promotion. The present chart is not comparable to the one included in previous reports under the same heading in that Cuba has been excluded from the list of Free World less developed countries.

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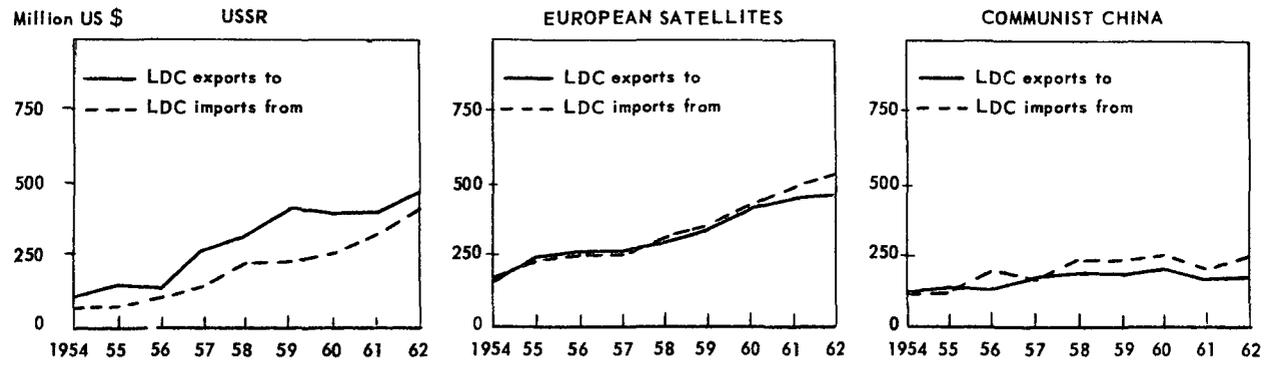
CHART IV

SINO-SOVIET TRADE WITH THE LESS DEVELOPED COUNTRIES OF THE FREE WORLD OUTSIDE EUROPE (1)

ANNUAL TOTALS (IMPORTS & EXPORTS) AT THE END OF EACH YEAR



LESS DEVELOPED COUNTRIES EXPORTS TO AND IMPORTS FROM THE SINO-SOVIET COUNTRIES



(1) Based on official trade statistics of the non-European free world countries. From 1960 onwards Cuba has been deleted from the list of the reporting countries of the free world.
 (2) Totals do not correspond to the addition of USSR plus European satellites plus Communist China owing to the inclusion in the total of the trade of Asian satellites.

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TABLE I

CHRONOLOGICAL LIST OF NEW ECONOMIC ASSISTANCE COMMITMENTS
(CREDITS AND GRANTS) UNDERTAKEN BY THE SINO-SOVIET COUNTRIES
AND ACCEPTED BY THE DEVELOPING COUNTRIES OF THE FREE WORLD
DURING THE PERIOD FROM 1st JULY, 1962
TILL 31st DECEMBER, 1963

- July 1962:
- (1) Poland - UAR (Egypt): \$20.0 million (credit)
 - Purchase of industrial equipment and technical assistance
 - Repayment in commodities
 - (2) Czechoslovakia - Burma: \$2.2 million (credit)
 - Agricultural equipment (1,000 tractors, lorries, ploughs and a tractor assembly plant)
 - 2.5% interest, repayable over 12 years
 - (3) USSR - Iraq: \$1.4 million (credit)
 - Addition to the line of credit for economic development extended in March 1959
 - 2.5% interest, repayable over 12 years
-
- August 1962:
- (4) USSR - Burma: \$3.8 million (credit)
 - Irrigation dam in Central Burma
 - 2.5% interest, repayable over 12 years with deliveries of rice
-
- September 1962:
- (5) Bulgaria - Algeria: \$0.5 million (relief grant)
 - Medical mission, medicines, 50 beds
 - (6) Czechoslovakia - Algeria: \$1.0 million (relief grant)
 - Medical mission, clothing, medicines
 - (7) Soviet Zone of Germany - Algeria: \$0.5 million (relief grant)
 - Medical supplies, clothing
 - (8) Hungary - Algeria: \$1.0 million (relief grant)
 - Equipment for a 100-bed hospital

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- (9) Poland - Algeria: \$1.0 million (relief grant)
 - Sugar, wheat, fruit juices, soap, 10 ambulances, dental equipment, a medical mission, various commodities
- (10) Communist China - Algeria: \$0.5 million (relief grant)
 - Wheat, construction steel, medicines
- (11) USSR - Algeria: \$1.5 million (relief grant)
 - Wheat, sugar, rice, oil, fish, condensed milk

October 1962:

- (12) Poland - Morocco: \$12.0 million (credit)
 - Imports of capital goods and equipment
 - 3% interest, repayable over 8 years, 20% in cash and 80% in Moroccan goods
- (13) Hungary - UAR (Egypt): \$23.0 million (credit)
 - Capital goods and equipment, including \$12.0 million for railway rolling stock
 - 2.5% interest, repayable over 8 years

November 1962:

- (14) Poland - Syria: \$15.0 million (credit)
 - Purchase of industrial goods and services for development projects
 - 3% interest, repayable over 8 years
- (15) Poland - India: \$32.5 million (credit)
 - Development of coal mines and equipment for coal industry
 - 2.5% interest, repayable with Indian commodities
- (16) USSR/Czechoslovakia - Yemen: :
 - No details available

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- December 1962:
- (17) Poland - Brazil: \$70.0 million (line of credit)
 - Various economic development projects including \$26 million for a 200,000 kw thermal electrical station, the largest of the kind in South America; and \$7.5 million for steel rails for the railway system
 - 3% interest - repayable over 7 years
 - (18) USSR - Laos: \$2.6 million (grant)
 - 4 transport aircraft and 1 helicopter, a 200-bed hospital, and a 50 kw radio station
 - (19) USSR - Laos: \$5.0 million (credit)
 - Construction of a hydro-electric station on the Nam Nhiep River and several small installations
 - 2.5% interest, repayable in local currency over 12 years starting 1 year after the station is put into operation
 - (20) Soviet Zone of Germany - Laos: \$0.1 million (grant)
 - Various gifts (photographic equipment, sports goods, etc.)
 - (21) Communist China - Laos: \$4 million (credit)
 - Long-term loan for economic development including construction of a road to Phong Saly
 - (22) Czechoslovakia - Brazil: amount not available (credit)
 - Loan to a private Brazilian firm for the establishment of a shoe factory

-
- February 1963:
- (23) Communist China - Syria: \$16.3 million (credit)
 - Industrial equipment and machinery, technical assistance for implementation
 - Interest free - repayable over 10 years starting 1st January, 1976
 - (24) Bulgaria - Tunisia: \$1.5 million (credit)
 - Construction of a "Sports' City" near Tunis
 - 3% interest, repayable over 5 years

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- March 1963:
- (25) USSR - Afghanistan: \$5.5 million (credit)
 - Addition to earlier line of credits including \$1.5 million to generate local currency for Soviet aid projects
 - (26) USSR - Burma: \$2.6 million (credit)
 - Purchase of 1,000 tractors, spare parts, accessories, and other agricultural implements. Technical assistance in tractor assembly and maintenance. Training in the USSR for Burmese tractor technicians
-
- April 1963:
- (27) Poland - Ceylon: \$6.4 million (credit)
 - Complete industrial plants, machinery and equipment including \$1.2 million for a hardware factory
 - 5% interest - repayable over 8 years
 - (28) USSR - Cambodia: \$12.2 million (credit)
 - Hydro-electric power station on the Kamchay River
 - 2.5% interest repayable over 12 years starting 2 years after completion of the work
-
- May 1963:
- (29) Bulgaria - Algeria: \$6.0 million (credit)
 - Construction of a textile mill, a tannery and an electric motor factory
 - (30) Czechoslovakia - Indonesia: \$5.6 million (credit)
 - Purchase of trucks and lorries
 - 5% interest, repayable over 6 years
 - (31) Communist China - Yemen: \$0.2 million (grant)
 - Wheat, proceeds of the sales to be used for governmental operations
-

June 1963: (32) USSR - UAR (Egypt): \$44.4 million (credit)
- Unspecified industrial projects

July 1963: (33) USSR - Iran: \$38.8 million (credit)
- Construction of a jointly financed dam on the Soviet-Iranian border; eleven grain silos; sturgeon hatchery, dredging
- 3.6% interest, repayable over 12 years starting after completion with Iranian exports

August 1963: (34) Communist China - Somalia:
\$20.0 million (credit) \$3.0 million (grant)
- Credit for economic development
- Grant for budgetary support

September 1963: (35) USSR - Algeria: \$100.0 million (line of credit)
- For economic development (primarily in the field of agriculture) and technical assistance, including delivery of 500 tractors, construction of tractor stations, development of cotton and sugar beet cultivation; land reclamation; plants for processing agricultural products; technical assistance for development of Saharian oil and gas resources
- 2.5% interest - repayable over 12 years

November 1963: (36) Communist China - Algeria: \$50.0 million (line of credit)
- Economic development projects and budgetary assistance
- Interest free, repayable by 1990

(37) Czechoslovakia - India: \$50 million (credit)
- Czechoslovakian participation in Indian economic development plan

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TABLE II

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

Recapitulative Totals
(January 1954 - December 1963)

	(In million US \$)	
	Extended	Drawn
T O T A L	4,943.3	1,689.1
<u>MIDDLE EAST</u>	1,257.6	545.1
Cyprus	1.3	0.9
Iran	45.2	6.6
Iraq	217.5	65.0
Syria	209.4	77.6
UAR (Egypt)	740.3	365.6
Yemen	43.9	29.4
<u>AFRICA</u>	864.5	171.5
Algeria	159.8	4.8
Ethiopia	113.6	8.7
Ghana	193.3	32.1
Guinea	126.8	68.4
Mali	97.7	29.5
Morocco	17.2	7.0
Somali	85.8	12.7
Sudan	23.0	4.0
Tunisia	47.3	4.3
<u>ASIA</u>	2,532.0	930.8
Afghanistan	500.6	239.3
Burma	99.2	12.6
Cambodia	73.2	39.3
Ceylon	77.2	14.3
India	1,032.3	416.5
Indonnesia	650.9	183.0
Laos	11.7	1.6
Nepal	53.7	13.0
Pakistan	33.2	11.2

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	(In million US \$)	
	Extended	Drawn
TOTAL	4,943.3	1,689.1
<u>LATIN AMERICA</u>	289.2	41.7
Argentina	103.7	37.7
Bolivia	2.0	-
Brazil	183.5	4.0

<u>Pro memoria</u>		
Cuba	494.0	50.0

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TABLE III

SINO-SOVIET CIVILIAN TECHNICIANS IN
THE DEVELOPING COUNTRIES(a)

January-June 1963

Area and Country	Total Bloc	USSR	European Satellites	Communist China
T O T A L	11,215	8,210	2,555	450
<u>MIDDLE EAST</u>	4,370	3,595	755	20
Cyprus	60	-	60	-
Iran	60	5	55	-
Iraq	1,175	1,000	175	-
Syria	350	160	190	-
UAR (Egypt)	2,025	1,755	270	-
Yemen	700	675	5	20
<u>AFRICA</u>	3,025	1,460	1,375	190
Algeria	535	15	475	45
Ethiopia	105	95	10	-
Ghana	330	235	95	n.a.
Guinea	1,020	500	400	120(b)
Mali	370	245	100	25(b)
Morocco	35	-	35	-
Somali Republic	300	285	15	-
Sudan	50	45	5	-
Tunisia	280	40	240	-
<u>ASIA</u>	3,795	3,145	410	240
Afghanistan	1,930	1,825	105	-
Burma	75	30	5	40
Cambodia	130	25	10	95
Ceylon	75	35	35	5
India	835	620	215	-
Indonesia	420	380	40	-
Laos	85	85	-	-
Nepal	165	65	-	100
Pakistan	80	80	-	-

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

(b) Including a few technicians from North Vietnam.

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Area and Country	Total Bloc	USSR	European Satellites	Communist China
T O T A L	11,215	8,210	2,555	450
<u>L A T I N A M E R I C A</u>	25	10	15	-
Bolivia	5	-	5	-
Brazil	15	5	10	-
Chile	5	5	-	-

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TABLE IV-A

TABLE IV-B

TRADE OF SELECTED DEVELOPING COUNTRIES WITH THE SOVIET COUNTRIES, COMMUNIST CHINA AND ITS SATELLITES

TRADE OF SELECTED DEVELOPING COUNTRIES WITH THE SOVIET COUNTRIES, COMMUNIST CHINA AND ITS SATELLITES

A. Imports from Communist Countries

B. Exports to Communist Countries

	1960		1961		1962			1960		1961		1962	
	million US \$	% of total imports	million US \$	% of total imports	million US \$	% of total imports		million US \$	% of total exports	million US \$	% of total exports	million US \$	% of total exports
MIDDLE EAST													
1. Cyprus	2.7	3	3.2	5	6.2	5	1. Cyprus	1.4	3	2.4	5	3.1	5
2. Iran	50.3	5	33.6	5	34.0(a)	6	2. Iran	28.0	3	33.3	4	34.4	4
3. Iraq	58.0	10	50.3	15	58.8(c)	14	3. Iraq	4.1	1	4.8	1	10.0	1
4. Israel	3.9	1	6.8	1	8.6	1	4. Israel	3.8	2	6.5	3	8.4	3
5. Jordan	7.2	5	7.4	6	8.6	7	5. Jordan	1.1	10	0.9	6	1.1	8
6. Lebanon	17.1	4	20.1	4	20.1	4	6. Lebanon	3.2	5	3.6	6	4.0	3
7. Syria	19.3	9	19.2	10	31.0	13	7. Syria	22.3	22	27.6	25	40.5	24
8. UAR (Egypt)	161.2	25	166.2	24	191.7	25	8. UAR (Egypt)	244.2	45	211.0	45	178.2	44
AFRICA													
9. Algeria	11.4	1	7.7	1	7.0	2	9. Algeria	2.2	(0)	2.0	(0)	2.0	(0)
10. Ethiopia	4.6	6	4.0	4	6.2(b)	6	10. Ethiopia	0.6	1	1.3	2	1.8(b)	2
11. Ghana	15.0	4	21.1	5	22.1	7	11. Ghana	22.5	7	10.5	3	25.1	9
12. Guinea	22.0	35	29.8	40	23.8	41	12. Guinea	12.6	23	16.4	22	12.3	27
13. Mali	n.a.	n.a.	n.a.	n.a.	n.a.	27	13. Mali	n.a.	n.a.	3.2	n.a.	3.9	38
14. Morocco	22.7	6	26.9	7	18.0	4	14. Morocco	16.0	4	17.2	5	20.4	6
15. Nigeria	16.7	3	20.8	3	19.4(e)	4	15. Nigeria	9.6	2	6.9	1	4.6(e)	1
16. Sudan	16.7	9	24.5	10	22.2(c)	9	16. Sudan	23.6	13	21.2	12	28.6(c)	13
17. Tunisia	6.7	4	10.1	5	6.7	3	17. Tunisia	3.9	3	7.7	7	6.2	5
18. Uganda							18. Uganda	6.1	5	10.0	9	1.9(e)	2
ASIA													
18. Afghanistan	32.0	38	39.4	40	45.0	39	19. Afghanistan	16.8	33	19.7	37	20.0	34
19. Burma	35.4	14	29.7	15	38.9(b)	15	20. Burma	13.4	6	41.3	16	41.8	13
20. Cambodia	14.4	14	12.3	12	17.0(e)	17	21. Cambodia	7.0	13	3.5	5	6.9(e)	13
21. Ceylon	32.4	10	18.2	7	27.6	8	22. Ceylon	37.5	10	33.9	10	47.9	13
22. India	75.6	3	135.8	6	215.3	10	23. India	107.8	8	113.3	3	163.9	12
23. Indonesia	72.4	13	78.8	14	112.7(c)	17	24. Indonesia	70.3	8	77.4	10	73.7(a)	13
24. Malaya	64.0	3	67.9	5	75.2(c)	5	25. Malaya	143.9	7	129.2	6	126.6(c)	9
25. Pakistan	14.9	3	10.6	2	16.9	2	26. Pakistan	30.7	8	27.0	7	13.4	3
26. Thailand	5.5	1	6.3	1	5.2(b)	1	27. Thailand	8.8	2	7.8	2	9.8(d)	2
LATIN AMERICA													
27. Argentina	47.9	4	47.8	5	23.2(e)	2	28. Argentina	61.1	6	57.0	6	82.8(e)	7
28. Brazil	79.6	5	70.3	5	65.2	4	29. Brazil	71.5	6	74.8	5	73.2(e)	6
29. Chile	1.1	(0)	1.4	(0)	2.8(e)	1	30. Chile	0.6	(0)	1.2	(0)	1.6	(0)
30. Mexico	2.8	(0)	2.3	(0)	1.2	(0)	31. Mexico	1.0	(0)	1.0	(0)	6.3	1
31. Uruguay	15.0	7	4.1	2	3.0	1	32. Uruguay	13.4	10	14.9	9	24.2	16
Pro Memoria													
32. Cuba	105.0	19	535.0(f)	85(f)	630.0(f)	85(f)	33. Cuba	143.0	22	478.9	75(-)	405.0(f)	80(f)

TABLE IV

TRADE OF DEVELOPING COUNTRIES WITH THE SOVIET COUNTRIES,
COMMUNIST CHINA AND ITS ASIAN SATELLITES

Notes referring to Tables IV.A and IV.B

All data are based on official trade statistics of the developing countries unless otherwise indicated as estimates (see (f))

- (a) Annual rate based on January/March figures
- (b) Annual rate based on January/June figures
- (c) Annual rate based on January/September figures
- (d) Annual rate based on January/October figures
- (e) Annual rate based on January/November figures
- (f) Estimate

- (0) in the column of % of total trade represents less than 1%

n.a.= not available.

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