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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

ECONOMIC ACTIVITIES OF COMMUNIST COUNTRIES IN LESS-DEVELOPED
COUNTRIES OF THE FREE WORLD OUTSIDE EUROPE

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covering the period 1st January -
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A. SUMMARY AND CONCLUSIONS

The economic activities of the Communist countries in the developing areas of the Free World take various forms, and tend to proceed by fits and starts, so that it is often difficult to discern the underlying trends. Nevertheless, it appears that in 1965 the Communist aid and trade drive in these areas did little more than mark time. The volume of trade continued to increase briskly, but extensions of new credits, both economic and military, fell off sharply.

2. The volume of newly extended economic aid, which in 1964 had reached the exceptionally high level of \$1,680 million, declined in 1965 to \$925 million. The main source of Communist economic aid is the Soviet Union, which up till now has provided 64% of the aid extended. The decline in total new aid extensions from the Communist World in 1965 was due mainly to a very sharp reduction in Soviet aid. Since the fall of Khrushchev in the autumn of 1964, there has been some evidence that the Soviet government has adopted a rather more cautious attitude to the question of economic aid to the developing countries. There is, however, no likelihood that the flow of Soviet economic aid to these areas will dry up in the foreseeable future; this would deal a very heavy blow to Soviet prestige throughout the world, and would play into the hands of the Chinese.

3. In recent years, China has made strenuous efforts to challenge the Soviets in the field of economic assistance to the developing nations. Although the amount of economic aid so far extended by China is small in comparison with Soviet aid (only 18%), there is no doubt that Chinese rivalry has acted as a spur to the Soviets, who have thus found themselves battling on two fronts - on the one against the West, and on the other against the Chinese - in their campaign for influence among the uncommitted nations. To supplement their own efforts, they have enlisted the support of the Eastern European

(1) For the 10th Report in this series, see AC/127-D/198 and, for an abridged version, C-M(65)72.

Communist countries. In 1965, new extensions of economic aid from these countries, in contrast to those from the Soviet Union and China, increased and for the first time, the Soviet-occupied Zone of Germany participated on a significant scale in the Communist aid programme.

4. So far only a fairly small proportion of the economic aid extended has actually been drawn. In 1965, drawings fell somewhat below the level of the previous year, (i.e. from \$528 million to \$454 million), and in the years to come will probably continue to run at a rate of about \$500 million a year. This is only a small fraction (8%) of disbursements of official western aid to the developing nations, which in recent years have exceeded \$6,000 million annually.

5. The Communist aid programme does not appear to lay a heavy burden upon the economies of the donor countries. Even in Czechoslovakia, the proportion of aid actually drawn to GNP in 1964 was only 0.3%, and in all the other Communist countries it was lower than this. Almost all Communist aid is in the form of tied loans, so that no significant outlay of scarce foreign currency is involved. Nevertheless, given the preoccupation of the Communist leaders, particularly in the main donor countries, with their internal economic problems and the somewhat disappointing political returns from their aid programmes so far, it seems unlikely that the average annual volume of new extensions of economic aid will greatly exceed the 1965 level, although, as in the past, there may well be large fluctuations from year to year.

6. Communist propagandists have frequently praised the generous terms upon which their economic aid is provided, and it is true that most credits from the Communist World have carried low interest rates (generally 2.5%) and relatively long repayment periods (generally 12 years). In spite of this, the recipient countries are now beginning to feel the pinch of debt repayment. Some have had to seek an extension of the repayment period for existing loans, and easier terms for new ones. Even where such requests have been met, they do not provide the Communists with the same scope for propaganda as would the announcement of a new credit.

7. The Communist aid programme has continued to be concentrated on a limited number of countries. During 1965, aid to the main previous recipient countries - India, UAR, Afghanistan, Indonesia and Syria - was continued. At the same time, however, the Communist leaders' political calculations led them to pay less attention to Africa, where they had suffered a number of discouraging set-backs, and to concentrate on certain Asian countries such as Iran and Pakistan, which are members of Western alliances, and where the opportunities for acquiring influence may now appear to them to be more promising. New extensions of aid to Africa were therefore cut back sharply from \$388 million in 1964 to \$98 million in 1965. On the other hand, aid to Iran totalled \$315 million - i.e. over one third of all new aid extended by the Communist World in 1965.

8. The volume of new military credits extended by the Communist countries to the developing nations declined sharply from about \$800 million in 1964 to some \$200 million in 1965. The overwhelming predominance of the Soviet Union is even more evident here than in the sphere of economic aid. Over 85% of all Communist military credits so far extended are of Soviet origin. Communist China, which has provided less than 5% of such credits, cannot yet hope to mount an effective challenge to Soviet supremacy in this field.

9. The provision of economic and military credits has necessarily led to the presence, in the recipient countries, of large numbers of technical and military advisers. In 1965, despite the decline in the volume of new aid extended, there was a sharp increase in the number of such advisers, both civilian (+27%) and military (+50%). It may be that the Communists find that technical assistance programmes cost them less than the provision of long-term credits, while offering equal opportunities for extending their influence. However, while the number of Communist technicians and advisers at work in the developing countries has increased, there has been a decline in the number of nationals from the developing countries undergoing technical and academic training in the Communist World.

10. Trade between the Communist World and the developing nations increased by 13% in 1964, and on the basis of preliminary information it appears that it may have risen by about 15% in 1965. This is faster than the rate of growth of the developing nations' trade with the Free World, which averaged about 8% annually during these two years.

11. Despite the relatively rapid growth of trade between the Communist World and the developing nations, such trade still accounts for only a small proportion (about 6%) of the latter's total trade. However, the Communists, by deliberately concentrating their economic activities on a limited number of countries, have now come to account for a significant proportion of the total foreign trade of some of these. Thus the UAR, Afghanistan, Syria, Guinea and Mali all conduct over a quarter of their total foreign trade with the Communist World.

12. The commodity structure of trade between the Communist World (particularly the Soviet Union and the Eastern European nations) and the developing countries is basically similar to that between the latter and the industrialised Free World nations. The Communist countries supply mainly manufactured goods, although with greater emphasis on the supply of capital goods, and import mostly foodstuffs and raw materials. World demand for these traditional exports of the developing nations is not expected to increase very rapidly in the foreseeable future. Nevertheless, because their trade with the developing countries is in many cases of comparatively recent origin, and their imports of these countries' traditional products are still small in relation to the size of their domestic markets, there still seems to be scope for a considerable increase in the Communist countries' imports, and hence for a continued expansion of their trade with the developing areas.

B. ECONOMIC ASSISTANCE

(i) Credits and Grants

13. During 1965, Communist governments undertook to provide new economic assistance to nineteen less-developed countries of the Free World outside Europe to a total estimated value of \$925 million(1), of which \$902.5 million consisted of credits, and \$22.9 million were in the form of grants. The volume of commitments undertaken in 1965 was thus roughly equivalent to annual extensions of economic aid during the years 1959 to 1961. It is well above the volume extended during 1962 and 1963, when the annual average dropped to about \$325 million, but considerably below the record level of \$1,680 million reached in 1964.

14. By the end of 1965, total credits and grants extended by the Communist governments since the launching of their economic aid programmes in 1954 had reached some \$7,560 million to 33 different less-developed countries of the Free World outside Europe. These figures concern only the volume of aid promised by Communist governments, and not the amount actually drawn, about which Communist spokesmen are extremely reticent. The figures should not therefore be compared with official disbursements of economic aid by Western governments. These have totalled \$66,000 million during 1954-65, and at present are running at an annual rate of over \$6,000 million. Communist aid actually drawn during 1954-65 totalled only \$2,250 million (3.4% of official Western aid over the same period), and is at present running at an annual rate of about \$500 million (8% of the current level of Western aid). In 1965, Communist economic aid actually drawn totalled \$454 million, compared with \$528 million in 1964.

15. The development of the Communist aid programme can be divided into two main periods: - during the initial drive, i.e., from 1954 to 1959, the annual volume of aid extended grew rapidly from nil to reach a level of \$900 to \$950 million a year; since then, and in spite of wide fluctuations between 1961 and 1964, the annual average over the last 7 years (1959-1964) has remained at the 1959 level. The number of recipient countries which stood at 17 in 1959 nevertheless rose to 33 in 1965 mainly as a result of the interest shown by Communist governments in African countries, as the latter gained independence. On the basis of what is known of the intentions

(1) Special agreements with European countries such as that between the USSR and Turkey (involving credits of about \$200 million) and that between the USSR and a private Greek firm (\$84 million) are not included in this total nor further considered in this report.

of Communist governments(1), it seems unlikely that during the coming years the average annual volume of new aid extensions will greatly exceed the level reached in recent years, although large fluctuations from year to year cannot be excluded.

16. Grants play a negligible rôle in the Communist aid programme (less than 5% of total extensions since 1954 and less than 15% of total aid delivered), so that with the rise in total drawings the accumulated outstanding debt of the developing countries vis-à-vis the Communist governments has been growing rapidly to at least \$2,000 million by the end of 1965. The period of reimbursement for Soviet loans has generally been about 12 years starting after a period of grace, while the interest rate in most cases is 2.5%, although credits extended by Eastern European countries have generally been for shorter periods (5-8 years) and at higher rates of interest (3-4%). Thus, while the net amount of new drawings on Communist credits has been stabilised at some \$500 million, the scheduled repayments of principal and interest have risen steeply from 1962 onwards, reaching over \$200 million for the year 1965 (of which about \$50 million for interest and \$150 million for capital repayments). Even if deliveries under Communist aid programmes were to continue at the present level, annual repayments due by developing countries would further increase at a rate of 25% to 30% a year, thus reducing proportionately the net amount of new financial means put at the disposal of developing countries from Communist sources.

17. The main recipient countries have already met increasing difficulties in servicing their debts to the Communist World. A number of the former have requested concessions on the amortisation period of old credits and softer terms on new loans. Some of them have managed to defer current debt payments and to extend the originally agreed repayment period. In addition, recent Communist loans carry longer repayment periods and lower interest rates. Total repayments actually made by developing countries from 1954 till the end of 1965 on account of Communist loans have been valued at about \$560 million, so that the net amount of Communist aid since 1954 amounts to about \$2,000 million.

(1) Communist Chinese Authorities have repeatedly insisted on the fact that just as they have "freed" themselves from external aid (even from the USSR), so developing countries should prove their independence by relying more on "self help". Economic aid to developing countries, including Cuba, has been subject to open criticism in some Eastern European countries (Czechoslovakia) on the grounds that such aid was hampering economic growth at home. Pravda in its editorial of 27th October, 1965, explained that the best way for the peoples of the Socialist countries to serve the "liberation struggle" of developing countries was to concentrate their main efforts on the building of socialism and communism in their own countries.

18. The rapidly growing indebtedness of less-developed countries is a problem with which the Western donor countries are already familiar, as their aid programmes started much earlier than the Communist ones. But up till 1957, loans, although extended at relatively high interest rates, did not account for more than 15 to 20% of Western bilateral aid. The soft Soviet loans were then said to be politically more effective than Western grants since they gave the impression of a more businesslike and less condescending approach, while gifts were held to be humiliating for the recipient(1). The relative share of loans in the flow of Western official assistance increased gradually from 30 to 35% in 1964 and to 50% in total recent Western commitments while the average length of the repayment period was extended (to over 25 years) and the average interest rate lowered to about 3.1%. Public indebtedness of the less-developed countries vis-à-vis the Western donor countries rose from about \$9,000 million in 1955 to \$31,000 million in 1964 and the burden of the debt service (annual repayments of principal and interest) from \$500 million in 1955 to \$2,700 million in 1964.

19. The political effectiveness of the soft Communist loans seems to have diminished with the passing of time, whilst the West has improved the variety and the flexibility of the forms of its financial assistance. The granting of longer repayment periods or deferment of payments due at the urgent request of the recipient countries do not offer the Communist governments the same opportunity for propaganda as did the announcement of large new loans in the past.

20. The actual burden of economic aid on the economies of the Communist countries remains extremely small if compared to their Gross National Product. Thus, the net amount of new economic credits actually delivered by Communist governments during 1965 hardly exceeded some \$280 million after deduction of repayments of principal and interest. If the United Nations target of 1% of GNP to be devoted to economic aid had been matched by the Communist industrialised countries (USSR, Soviet-occupied Zone of Germany, Czechoslovakia and Poland) they would have made available to the developing countries during 1965 at least \$3,500 million, that is: sixteen times more than the actual deliveries.

21. The evidence of primarily political motivation of Communist aid is confirmed by its geographical distribution. During 1965, 19 countries accepted such aid. However, apart from such traditional recipients of Communist credits as the UAR, India, Afghanistan, Indonesia and Syria, which have received a steady flow of loans ever since 1955, the main efforts of the Communist governments were directed at countries which are members of Western

(1) Another very important advantage of Soviet aid in the eyes of the recipient countries was the fact that it was repayable in their own currency.

defensive alliances: Iran (CENTO), which accepted \$315 million worth of Communist loans and Pakistan (CENTO and SEATO) which received \$50 million, figure among the main recipients of new credits. The share of the African nations in the 1965 total new aid commitments (9 countries were promised \$98.4 million or 10.5% of new extensions) dropped to its lowest level since 1959. In 1964 these countries had accounted for \$388.2 million or 26% of the Communist economic aid promised. This reflects the lack of Communist political success in that area and demonstrates that Communist aid depends upon the political attitudes of the recipient countries.

22. Total Communist economic aid since 1954 has been distributed as follows:

| | | | | | |
|---------------|---|-----|---------------------|-----|-------------------|
| Asia | : | 44% | of total extensions | 60% | of total drawings |
| Middle East | : | 35% | " " " | 27% | " " " |
| Africa | : | 18% | " " " | 11% | " " " |
| Latin America | : | 3% | " " " | 2% | " " " |

Western governmental aid to these regions had been spread according to the following pattern:

| | | | |
|---------------|---|-----|----------|
| Asia | : | 47% | of total |
| Middle East | : | 8% | " " |
| Africa | : | 28% | " " |
| Latin America | : | 17% | " " |

40% of the grants and 22% of the official bilateral net lending has been extended in recent years by Western donor countries to their former or present colonies. Independent countries have obtained 26% of the grants and 50% of these loans. Most of the remainder (26% of grants and 24% of loans) has been extended to former colonies of countries other than the donor.

23. Communist economic aid has been concentrated on a few selected countries. By the end of 1965, 8 countries had actually received 82% of the aid delivered:

| | | | |
|---------------------|-------------|---|--------------------------------------------|
| In Asia: | India | : | (\$723 million or \$1.5 per inhabitant) |
| | Afghanistan | : | (\$395 million or \$26.0 per inhabitant) |
| | Indonesia | : | (\$241 million or \$2.3 per inhabitant) |
| | Cambodia | : | (\$50 million or \$8.0 per inhabitant). |
| In the Middle East: | The UAR | : | (\$457 million or \$15.3 per inhabitant) |
| | Iraq | : | (\$102 million or \$14.6 per inhabitant) |
| | Syria | : | (\$ 69 million or \$12.5 per inhabitant) |
| In Africa | : Guinea | : | (\$ 75.5 million or \$22.0 per inhabitant) |

24. Among the other countries which have been promised sizeable amounts of aid but have not yet received much of it, are to be mentioned:

In Asia: Pakistan, Ceylon, Burma, Nepal
In the Middle East: Iran, Yemen
In Africa: Algeria, Ghana, Ethiopia, Mali, Somalia
In Latin America: Brazil, Argentina.

25. While in the early years of the Communist aid programme some prestige projects of little or no economic value, such as sports stadiums, official administrative buildings and conference halls or theatres, were occasionally mentioned, their importance, which had never been very great, has been reduced. Only in Communist Chinese aid programmes can a few such projects still be traced. An increasing proportion of economic assistance is being allocated to the industrial sector (58% at the end of 1965 as against 54% at the end of 1961) in which heavy industry plays by far the largest rôle(1). Assistance to agriculture and multipurpose projects (including dams, which contribute to both the agricultural and the industrial sectors) accounts for 14% of total aid, and a similar share is devoted to transport and communication projects. The share of aid allocated to commodity exports by Communist countries has also increased in recent years from 3% in 1961 to 6% at the end of 1965. Of the remaining 8% technical assistance not linked to specific projects absorbs a major share, and 1% of total Communist economic aid is extended in cash.

26. The breakdown of Western governmental aid according to utilisation has been estimated in 1962-63 as follows(2):

42% for the financing of development projects of which:

5% for agriculture
11% for transport and communications
10% for industry
10% for the development of energy
6% for social infrastructure

39% allocated to non-project aid including
34% to assist current imports (among which US food deliveries)
2.5% as contributions to current governmental expenditures
4.5% miscellaneous.

The share of US food deliveries in this total has increased during 1964 and 1965, but the overall pattern has not been fundamentally altered.

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- (1) The USSR has agreed to assist in the construction of steel plants with a total annual capacity of 8 million tons.
- (2) See OECD. The Flow of Financial Resources to countries in the Course of Economic Development 1956-63.

27. Although the primary aim pursued by all Communist governments in the development of their economic relations with the developing countries of the Free World remains the elimination, or at least the reduction of Western influence in those areas, the disintegration of what had been originally considered as the "Sino-Soviet bloc" has affected adversely the attempts at co-ordinating the economic aid programmes of the Communist countries. During 1964 and 1965, the competition, mainly between Communist China and the USSR, already stressed in the two previous reports(1), has been further intensified and has probably contributed to both the increase in the total amount of Communist economic aid extended during these two years as well as to the easing of the terms (reduction of interest rates and lengthening of the duration for which loans are extended) under which the Soviet loans and those of the Eastern European countries have more recently been offered.

28. Since 1961, the fluctuations in the amounts of newly extended economic aid by Communist China, on the one hand, and by the Soviet Union on the other, show striking similarities. Although Chinese aid announcements represent less than one third of the Soviet commitments, in both cases extensions during 1962 fell drastically from the high level reached in 1961; during 1963, extensions resumed their upward trend which accelerated rapidly during 1964 when they reached both for the Soviet Union and China, their all time record; in 1965, the amounts extended by both these countries declined sharply from their 1964 levels. Economic aid extensions by all Eastern European countries taken together showed a different trend. Such aid totalled \$490 million, a higher figure than in any previous year, and higher than the figure for Soviet aid commitments in 1965 to Free World developing countries outside Europe.

The Soviet Union

29. The main source of Communist aid remains nevertheless the Soviet Union, which has so far undertaken to provide \$4,740 million (or 64% of the total extended by all Communist countries) to 27 countries (12 African, 9 Asian, 5 Middle East and 1 Latin American countries) and actually delivered aid amounting to \$1,883 million (or 74% of the total Communist credits and grants thus far drawn by developing countries). It may also be noted that among all Communist countries which have undertaken to provide aid, the USSR is the country which has so far actually delivered the largest share of the aid which it has promised (about 40% of extensions). Although in 1965, the share of the Soviet Union in total new Communist aid commitments to Free World developing areas outside Europe has fallen to some 40%(1) and the actual disbursements have for the first time declined slightly to \$330 million (as against \$375 million in 1964 and 1963), the Soviet Union still provided in 1965 73% of the total

(1) See 9th and 10th Reports.

(2) This percentage excludes, as mentioned above, special economic credit arrangements with Greece and Turkey undertaken during 1965.

aid effectively utilised by developing countries from all Communist sources. This is all the more remarkable as the total volume of trade between the Soviet Union and the developing countries is only slightly higher than the volume of trade between Eastern Europe and these countries. In other words, actual deliveries under economic aid commitments represented during recent years, in value, some 40 to 50% of total Soviet exports to the developing countries, while in the case of Communist China or of the Eastern European countries, aid actually delivered did not amount to more than 10 to 15% of the value of their total exports to these countries. However, Soviet aid amounts to only 0.11% of the Soviet GNP (as estimated by Western specialists), a much lower proportion than in the case of some Eastern European countries, such as Czechoslovakia for instance.

30. The Soviet Union has nevertheless been in a position to offer large scale "lines of credit" (\$100 million and above) outmatching the smaller amounts extended by the Eastern European countries which occasionally acted as complementary donor countries, and outbidding, at least in volume, Communist China's attempts at competition. In the past, Soviet credits were extended under standard terms of 2.5% interest charges and a repayment period of 12 years. More recently, challenged by the interest-free credits extended for longer periods (20 years) by Communist China, the Soviet Union has occasionally softened its credit terms (2% or interest-free loans or even grants) and lengthened the duration of the repayment period. Simultaneously much less publicity has been given to the extension of large scale loans than was the case during the Khrushchev period, although the new leaders have realised that the influence of the USSR in the developing areas of the Free World would suffer a serious setback if the flow of Soviet aid deliveries to those areas were to be substantially reduced. This restraint in publicity may, in part, be explained by the tendency to play down economic aid to Free World developing areas, while domestic shortages still persist in the USSR, in order to avoid internal criticism. The new leadership has adopted a more cautious approach and preferred apparently not to undertake definitive commitments before detailed studies and negotiations have been successfully completed. At the XXIII Congress of the Soviet Communist Party, no specific indications were given as to the future volume of economic aid but more generally the stress was put on the fact that the economic growth of the USSR itself was the safest way to assist developing countries in their attempts to "free" themselves from "imperialism and neocolonialism".

31. Contrary to the practice followed by Eastern European countries, Soviet large-scale economic aid has been heavily concentrated on a few selected countries. Although up till the end of 1965, 27 less-developed countries of the Free World outside Europe had accepted Soviet aid, if actual drawings are considered, four countries alone (India, Afghanistan, the UAR and Indonesia) have absorbed 91% of the total economic aid actually delivered by the Soviet Union. New Soviet extensions during 1965 were concentrated on Iran and Pakistan with some small amounts extended to a few Asian countries. Not a single new Soviet economic loan went to the African countries which had previously received constant attention.

Deliveries under earlier loans continued at a snail's pace, while the main Soviet effort was apparently directed to the supply of arms to some African countries and the provision of technical assistance.

The Eastern European Countries(1)

32. The economic aid extended by the Eastern European countries can be considered primarily as an adjunct to Soviet aid. These countries provide additional assistance, both technical and financial, for certain selected projects in countries where Communist influence has already gained a foothold. Countries like Czechoslovakia and Poland have occasionally acted as spearheads of Communist economic penetration in Latin American and African countries where Soviet offers of large-scale loans had been rejected, whereas economic aid from smaller Eastern European countries appeared relatively innocuous. In addition, foreign trade plays a much more important rôle in Eastern European economies than in that of the Soviet Union. Contrary to the latter country, the Eastern European countries have a long-standing tradition of foreign economic relations. Although the estimated total GNP of these countries, taken together, represents hardly more than one third of Soviet GNP, their total trade with the Free World developing areas is roughly of the same order of magnitude as Soviet trade with these countries.

33. The total amount of Eastern European credits hardly represents a quarter of total Communist commitments (\$1,830 million up till the end of 1965) and less than one fifth of total aid actually delivered (\$475 million) but it is nevertheless spread over 25 countries (11 African, 7 Asian, 5 Middle-Eastern and 2 Latin American countries) and Eastern European countries are the sole providers of Communist economic aid to Morocco, Nigeria and Brazil. In Ghana, total Eastern European commitments exceed the volume of aid promised by the Soviet Union. In all the other countries the contrary remains true.

34. Among the Eastern European countries the most active in the field of assistance to developing countries is undoubtedly Czechoslovakia, which was the first Communist country to join the USSR in 1954 in its new economic ventures and is the only one to have provided military aid on any significant scale. By the end of 1960, Czechoslovakia had extended \$225 million worth of economic credits to 14 countries and this total rose to \$669 million extended to 25 countries at the end of 1965. In the years 1960-61, Czechoslovakia participated actively in the Communist aid drive in Africa and during 1965, the first Communist aid ever accepted by Nigeria was of Czech origin. So far, 37% of the total amount of Czech aid promised has been delivered (\$245 million) which puts Czechoslovakia well ahead of the other Eastern European countries, not only as far as aid promised but even more as far as aid delivered is concerned, although in terms of GNP, Czechoslovakia ranks only third after Poland and the

(1) This term does not include Yugoslavia, whose economic relations with the developing countries are not considered in this paper.

Soviet-occupied Zone of Germany. During 1964, Czechoslovakia delivered a record of \$70 million worth of equipment goods under long-term economic development credit terms as well as other financial and technical assistance to developing countries. In 1965, this amount dropped to about \$36 million, i.e. the level reached during the years 1962-63, although new extensions were kept at a high level (\$117.6 million in 1965 as against \$119.7 million in 1964).

35. Czechoslovakia has occasionally complained about the burden which this assistance programme represents for its economy, hinting indirectly at the unfair distribution of the economic aid effort between Communist countries. Indeed, if compared to other Eastern European countries and to the Soviet Union, the share of the Czech GNP actually disbursed in the form of economic aid (0.3% in 1964) is much larger than that of the other Communist countries. By the end of 1965, Czechoslovakia had provided 36% of the aid promised and more than half (52%) of that actually delivered by the Eastern European countries. Although the amount of aid delivered by Czechoslovakia in 1965 was only half the aid provided during the previous year, it still represented 54% of all aid actually delivered by the Eastern European countries during 1965. Until recently the loans extended by Czechoslovakia had generally carried higher interest rates (3% and occasionally up from 4 to 5%) and were repayable over shorter periods (5 to 8 years) than those provided by the Soviet Union. Lately, however, there has been a tendency to soften these terms somewhat as a result of the Communist Chinese challenge (and possibly also on account of Soviet pressure within COMECON). Czech terms for economic development now tend to align themselves on Soviet practice.

36. The main recipients of Czech aid have generally been those countries where the Soviet Union already has or had a firm foothold, such as India, the UAR, Indonesia, Syria, Ghana, Guinea; as well as Brazil, and, recently, Nigeria, where the Soviet Union is absent, although in the last two cases the amounts effectively disbursed have so far been negligible. In 1965, Czech loans were extended to Pakistan (SEATO and CENTO) and to Iran (CENTO), both countries which received special attention from the Soviet Union. Czech aid has traditionally been linked to well-defined (mainly industrial) projects, a way of rendering assistance which now seems to have been adopted by the Soviet Union also.

37. The Soviet-occupied Zone of Germany has only recently begun to play a significant rôle in the Communist aid programme. By the end of 1960, only 6 countries had been promised a total of \$52 million of credits from the Zone. It seems that both the interests of the Soviet Union in spreading the Communist effort on a more equitable basis among the industrialised Eastern European countries and the eagerness of the Zone to enhance its prestige and ultimately to obtain some recognition as a state, coincided with favourable opportunities, which became apparent during 1964, for a rapid expansion of credits from the Soviet Zone, which up till then had

been negligible. In 1964, the UAR and Indonesia accepted relatively important loans while Tanzania offered an opportunity to the Zone to assert its presence in Africa, following a minor loan extended to Guinea in 1960. These loans have been followed in 1965 by a further \$100 million credit extended to the UAR; \$42 million to Ceylon; \$30 million to Syria; \$20 million to Ghana and \$8 million to Yemen. These loans made the Soviet Zone the most important source of economic credits among the Eastern European countries in 1965. By the end of the year the Soviet Zone had extended in total about \$325 million of credits (of which \$202 million during 1965 alone, i.e., more than one fifth of all Communist credits extended in that year) to 10 countries (4 in Africa, 3 in Asia and 3 in the Middle East). So far, actual drawings (\$55 million) on such credits represent less than 17% of the amounts extended, but this rate of implementation is merely indicative of the fact that the Soviet Zone's ventures in this field are recent. Nevertheless, up till the end of 1965, the share of the Soviet Zone in the total aid efforts of Communist countries was very low in relation to its capabilities, even according to Communist standards, since the Zone constitutes undoubtedly the wealthiest economic unit in Eastern Europe (economic aid delivered in 1964 equalled 0.01% of its GNP).

38. Poland, although economically less developed than the Soviet-occupied Zone of Germany, has nevertheless provided more economic aid. The Polish aid programme effectively started in 1958, although a small credit (\$2 million) was extended in 1956 to Brazil, and by the end of 1960, 8 countries had been promised a total of \$95 million. Poland became more active in this field during the years 1961-1962 and by the end of 1965, had extended \$485 million to 17 countries. Total drawings, however, represent only 23% (\$112 million) of the amounts so far extended, and did not exceed \$19 million during the year 1965 as against \$24 million in 1964. The actual annual cost of the Polish assistance programme does not exceed 0.1% of its GNP, but it must be recognised that the country has not yet reached the level of industrialisation attained by Czechoslovakia. The main recipients of Polish aid so far have been: Indonesia, Brazil, India, Morocco, the UAR and Syria.

39. The other Eastern European countries, Hungary, Rumania and Bulgaria, are all relatively under-developed, especially the latter two, and it is therefore not to be expected that these would play a prominent rôle as providers of economic aid. Hungary has actually delivered in total during the period 1954-1965 some \$29.6 million worth of aid (extensions: \$136 million), Rumania \$29.6 million (extensions: \$152 million), and Bulgaria \$5.8 million (extensions: \$65 million). These 3 countries together have accounted for about 14% of the total aid delivered from 1954 till end-1965 by Eastern European countries as against a Soviet Zonal share of only 12%. Their annual total disbursements have hardly exceeded \$10 to \$15 million during recent years (0.03% of their combined GNP) and

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their aid activities have been limited to the traditional Soviet recipients (the UAR, Indonesia, Guinea, Mali) with a special Rumanian effort in Brazil (during 1961) when \$50 million were extended (although none of it has been drawn so far). A Hungarian loan of \$10 million was added during 1965 to the Czech credit as subsidiary assistance from Eastern European countries to the main \$290 million credits extended by the USSR to Iran.

Communist China

40. The economic aid extended by Communist China to developing countries of the Free World presents an original feature in that this is the only case where a country which is still so underdeveloped has set out to extend large interest-free, long-term loans to other developing countries whose standard of living is generally comparable to that of the donor country. Such a development is obviously closely linked to the split within the Communist World and the attempt by China to present itself as the genuine model for the developing Third World, competing with the Soviet Union for the leadership of the World Communist Movement. Communist China started its own programme of economic aid in 1956, concentrating its first efforts on its Asian neighbours. By the end of 1960, it had thus extended a total of \$280 million in credits to 4 Asian countries (Cambodia, Ceylon, Indonesia, Nepal), 2 Middle Eastern countries (UAR and Yemen) and 1 African country (Guinea), all countries where a Soviet aid programme had already started. In 1961, China turned its attention to Africa (Ghana, Guinea, Mali) while increasing its efforts in Asia (Burma at that time received the largest single line of credit ever extended by China: \$84 million). Its African interests were further enlarged in 1963 (Algeria, Somalia) and again in 1964 (Tanzania, Congo (Brazzaville), Central African Republic, Kenya). By the end of 1965, Communist China had extended about \$850 million to 21 different countries (10 African, 8 Asian and 3 Middle Eastern countries) and actually delivered nearly a quarter of the aid it had promised (\$200 million).

41. If compared to Soviet aid, the Chinese efforts remain modest: total Chinese aid extensions amount to 18% of the Soviet commitments and Chinese aid actually delivered to only 11% of total Soviet deliveries. Since the estimated GNP of Communist China represents about 30% of the Soviet GNP, the cost burden of aid as related to the total economic potential is thus relatively smaller than the one supported by the Soviet Union, but if the stage of development reached by both countries is taken into account, the Chinese effort appears comparable to the Soviet one. Obviously, in view of its economic backwardness, Chinese aid cannot compete in volume with the aid offered by the Soviet Union, nor even, for that matter, with that extended by the Eastern European countries. Nevertheless, Chinese aid has presented from the outset, serious elements of competitive aggressiveness: aid has been offered under more generous terms; the Chinese agreed in a few cases to provide cash aid for budget support contrary to Soviet practice; they even agreed to finance some purely prestige projects (sport stadiums, official buildings).

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They provided large numbers of manual workers for specific projects (for instance, road building). Chinese technicians, sent abroad under technical assistance programmes, live under the same conditions as their local colleagues.

42. By concentrating its efforts on selected countries, Communist China can even claim to have extended more financial aid than the Soviet Union to the following countries: in Africa: Central African Republic, Tanzania (where no Soviet credits had been extended), Congo (Brazzaville); in Asia: Burma, Cambodia, Ceylon and Nepal. Significant amounts of Chinese aid have also been extended to a number of other African countries (Algeria, Ghana, Guinea, Kenya, Mali, Somalia, Uganda which also receive Soviet and East European aid, as well as to most of the Asian countries which receive Soviet aid, and to the Yemen.

43. As competition in the field of economic assistance to developing areas of the Free World has increased, Chinese and Soviet aid policies have developed striking similarities.

- In both cases political motivation plays a more important rôle than in the Eastern European aid programmes where commercial and economic considerations are, to a much larger extent, taken into account.
- The volume of aid commitments of both the Soviet Union and Communist China has fluctuated violently from year to year and with a remarkable synchronisation.

44. The main recipients of Chinese aid up till the end of 1965 have been:

| | | | | | | | | |
|------------|-----------|---------|----------|----|-------|---------|---------|-------|
| Indonesia: | \$123.4 | million | extended | of | which | \$49.4 | million | drawn |
| UAR | : \$ 84.7 | " | " | " | " | \$ 4.7 | " | " |
| Burma | : \$ 84.0 | " | " | " | " | \$19.5 | " | " |
| Pakistan | : \$ 60.0 | " | " | " | " | nothing | drawn | |
| Algeria | : \$ 52.0 | " | " | " | " | \$ 2.0 | million | drawn |
| Cambodia | : \$ 49.4 | " | " | " | " | \$35.4 | " | " |
| Tanzania | : \$ 47.9 | " | " | " | " | \$ 8.3 | " | " |
| Nepal | : \$ 43.4 | " | " | " | " | \$11.0 | " | " |
| Yemen | : \$ 42.1 | " | " | " | " | \$18.7 | " | " |
| Ghana | : \$ 42.0 | " | " | " | " | \$ 0.5 | " | " |
| Ceylon | : \$ 41.0 | " | " | " | " | \$23.2 | " | " |

These 11 countries account for 79% of total Chinese extensions and for 86% of total Chinese aid deliveries.

45. The year 1965 was one of serious frustrations for Communist China's policy toward the developing countries. In Indonesia, Algeria, the Central African Republic and Dahomey and Africa in general, Communist China suffered major setbacks. The most serious blow fell in Indonesia, the country where China had made its most vigorous economic aid effort. It is still too early to determine

what consequences these events will have on future Chinese policy towards developing countries. In strictly economic terms, the Chinese influence remains modest in Asia, very small in Africa and the Middle East and totally negligible in Latin America. Total Communist Chinese trade with the developing countries represents hardly 18% of the total trade of all Communist countries with developing countries. As a trading partner, Communist China so far is not of any real economic significance for the developing countries; indeed these countries direct less than 1% of their total trade towards her.

(ii) Technical Assistance

46. The number of civilian technicians and experts from Communist countries at work in developing areas for periods exceeding one month, has been rising steadily ever since this type of assistance was initiated in 1956. During 1965, some 17,810 technicians were employed in 34 developing countries, i.e. an increase of 27% over the 1964 total of 14,000 technicians in 28 countries. This increase, notwithstanding the reduction in the amounts drawn by developing countries on Communist credits, can in part be explained by the growing importance of technical assistance programmes which are not linked with specific economic development projects. This type of programme which is a rather recent development in Communist assistance policy, where previously technical assistance had been directly connected with Communist aided development projects, employed during 1965 about one fourth of the total number of Communist technicians. It has gained particular importance in Africa where these technicians serve as advisers, planners, administrators under specific agreements for scientific and technical co-operation.

47. In this field too, the Soviet Union continues to play a predominant rôle with 9,385 Soviet citizens (or 53% of all Communist technical assistance personnel) currently at work during 1965 in 30 different developing countries (of which about 2,500 in the UAR and 1,500 in Afghanistan). However, the share of Communist China in the total number of Communist personnel present in developing countries, has nearly doubled during 1965 reaching 4,265 labourers and technicians (or 24% of the total against only 12% in 1964) and overtaking the total number (4,060) of Eastern European technicians (23% of the total) at work in 29 different countries. The rapid rise in the number of Chinese results from an intensification of activity in Guinea, Mali and Yemen. Communist Chinese technical assistance includes large numbers of labourers whose technical skill is limited but who offer the necessary manpower for certain labour intensive projects - such as road building, plantation projects, etc.... Chinese personnel are heavily concentrated in a few out of the 15 countries where Chinese presence has been reported during 1965: 1,230 in Mali, 875 in Nepal, 770 in Guinea, 400 in the Yemen.

48. Another form of technical assistance which has been used mainly by the industrialised Communist countries, provides for the technical training of nationals of the developing countries inside Communist countries. The Chinese endeavours in this field remain, for obvious reasons, extremely modest. The number of technical trainees (including skilled labourers, professional engineers and managerial personnel mostly related to the labour requirements for Communist-aided projects in the homeland receiving training in Communist countries) declined even more rapidly than drawings by developing countries on Communist credits. At the end of 1965, the number of nationals from developing countries being trained in Communist countries, dropped to 2,000 as against 3,900 a year earlier. Similarly, the number of new trainees departing for such training courses in 1965, reached only 1,400 as against nearly 2,500 during the preceding year.

49. During the early 1960s, the Soviet Union and the Eastern European Communist countries made a special effort to attract students from less-developed countries for enrolment in Communist academic institutions. After the peak year of 1962, when about 5,600 students started academic programmes, the annual number of newly accepted applicants has been steadily decreasing, to 3,670 in 1963, to 2,375 in 1964, and to 1,690 in 1965. This decline might be attributed to the students continuing dissatisfaction with conditions in Communist countries and the repeated incidents of racial discrimination and clashes with the Communist local authorities, who denied to the students the right to set up political associations on a national basis. However, in contrast to the practice in earlier years, both donor and recipient governments are insisting increasingly on more serious academic standards for allocating the scholarships and this has undoubtedly also reduced the number of students eligible for scholarships.

50. The Communist countries have therefore expanded their technical assistance programmes abroad through the establishment of schools, vocational training centres and on-the-job training in Communist economic aid projects. Special efforts have been made to increase the distribution of books and technical aids, the provision of teachers and technical assistance to ministries of education. The total number of students from developing countries who have undertaken academic training in Communist countries since 1956, has reached 21,200 (of which 700 in Communist China) while that of technical trainees has increased to almost 11,000 (of which about 625 in Communist China). These figures illustrate the special efforts made by the European Communist countries to gain influence with the younger generations which may later on play a leading rôle in the life of the newly independent nations, but they represent only a small fraction of the number of students of developing countries educated in Western institutions, which is at least ten times as great.

C. MILITARY ASSISTANCE

(i) Credits and Grants

51. In the light of additional information received after the publication of the previous report, it appears that during 1964, Communist countries had extended about \$800 million of military aid to developing countries (that is, almost \$500 million more than previously reported). In 1965, the volume of military aid extended amounted to \$200 million. Since 1955, the total of such aid has thus reached \$4,350 million of which \$2,640 million were in the form of credits and the rest in the form of discounts and grants. During 1965, arms deliveries under earlier agreements continued on schedule notwithstanding the internal political upheavals in some of the recipient countries. The total of military aid actually delivered to developing countries up till the end of December 1965, has thus probably reached about \$3,700. No information is available on the precise financial conditions under which Communist military aid is extended, but as only about a dozen countries receive such aid(1), the weight of repayments for arms deliveries must bear rather heavily on the already strained resources of the recipients.

52. It is estimated that more than 85% of this military aid has been provided by the Soviet Union, over 10% by the Eastern European countries (mainly Czechoslovakia, with Poland providing some additional aid) and the remaining 3 to 5% by Communist China. In 1965, the USSR and Czechoslovakia concluded important new agreements with India (representing an estimated value of \$120 million). Agreements were also signed between the USSR and Algeria, Congo (Brazzaville), Indonesia and Uganda, and between Communist China and Algeria, Cambodia and Uganda.

(ii) Military Technical Assistance

53. Following the increased deliveries of military equipment, the number of Communist military technicians in the developing countries rose to 3,870 representing an increase of over 50% above the level reached in 1964. Besides assisting in the assembly of equipment and instructing in its use, a number of technicians have been sent to help establish military production and repair facilities. In view of the continued proliferation of modern weapons systems delivered to developing countries, the number of Communist military technicians in these countries is expected to rise further.

54. Similarly, the number of nationals from developing countries that departed for military training programmes in Communist countries increased as compared to previous years, to reach a total of 2,720.

(1) The bulk of military aid is directed towards Indonesia, UAR, Algeria, India, Afghanistan, Cyprus, Iraq, Somalia, Ghana and Congo (Brazzaville).

By the end of the year, nearly 21,000 military trainees had been following courses in Communist countries and 4,355 were still under training in these countries. Indonesia alone accounts for more than 40% of the total number trained and five other countries, Afghanistan, Algeria, Iraq, Syria and the UAR account for another 45%. During 1965, the most marked increase of military trainees came from Algeria.

55. The distribution of the military technical assistance programmes among the Communist countries is similar to the relative percentages indicated for the military credits and grants. In the entire field of military assistance, the position of the Soviet Union, assisted by Czechoslovakia and Poland, remains heavily dominant and cannot be seriously challenged by Communist China.

D. TRADE

56. In 1964, trade between the Communist countries and the less-developed nations of the Free World outside Europe rose to \$3.3 billion representing an increase of 13% over the previous year, which was slightly more rapid than the increase in the overall trade of the underdeveloped countries of the Free World (9 to 10%). This increase bears, however, upon a minute fraction of the total trade of the less-developed countries. After increasing rapidly during the years 1955-60, the share of total trade of the developing countries directed towards the Communist countries remained practically unchanged at about 5 to 6%.

57. If the total trade of the developing areas of the Free World outside Europe is considered, it appears that Latin America plays the leading rôle accounting for 33% of the overall total of all developing areas, followed by Asia 29%, Africa 20% and the Middle East 18%. Communist trade follows a different pattern being primarily concentrated in Asia and in the Middle East. Indeed, trade between Communist countries and developing areas is distributed as follows: 42% of it is conducted with Asian countries, 32% with the Middle East, 14% with Africa and only 12% with Latin America. If the total volume of trade is considered, the main less-developed trading partners of the Communist countries are India, whose trade has steadily increased during the last few years, and the UAR. These two countries taken together account for roughly one third of the total trade of all less-developed countries with the Communist World. The next most important trading partners of Communist countries are Malaysia, Indonesia and, since 1964, Argentina which has sold large quantities of grain to Communist countries.

58. By concentrating their trade on a small number of trading partners, the Communist countries have been able to account for the major share of the trade of a few selected less-developed nations (such as Mali, Afghanistan, the UAR, Syria, Guinea) where the share of Communist trade represents more than 25% of their respective total trade. Communist countries also continue to purchase sizeable portions of products that are major earners of convertible currencies for some less-developed countries. In 1964, they bought 15% of Ghana's total exports of cocoa beans, 59% of UAR's total exports of cotton and 65% of Syria's cotton exports.

59. Food products and raw materials continued to account for roughly 85% of total Communist imports, but the share of the food products rose while that of raw materials declined. Although in absolute terms the total value of Communist imports of manufactured goods from less-developed countries increased, they still do not account for more than 10% of total imports. This share of manufactured goods in total Communist imports is not larger than that in Free World imports from developing countries. On the export side, Communist deliveries of machinery and equipment (transport equipment, metal-working machinery and electrical machinery) increased more rapidly than their total exports (on account of the decline in Communist exports of food products to developing countries). Among the other products exported by the Communist countries, petroleum is the most important one. On the basis of partial information so far available for 1965, it would seem that total foreign trade turnover might increase by about 15% above the corresponding period of 1964. The total trade turnover of the developing countries with the Free World in 1965 apparently increased by about 6 to 7%. Nevertheless, the share of Communist countries in the total foreign trade of the developing countries probably did not exceed 6%.

Soviet Union

60. The USSR did not contribute to the increase in the overall trade of Communist countries with developing areas of the Free World during 1964. Indeed, while its exports increased by 5.5%, its imports from these areas decreased by 3.5%. As during previous years, the USSR maintained a considerable surplus in its trade balance with the developing countries by extending credits to importing countries.

61. The geographical distribution of Soviet trade with the developing areas showed no significant changes in comparison with 1963. As regards exports, any overall appreciation is complicated by the fact that the destination of a large part of them is not indicated in the official Soviet statistics. Nevertheless from what is known, the geographical distribution of Soviet trade was as follows:

| | Soviet exports to | | Soviet imports from | |
|---------------|-------------------|---------------|---------------------|---------------|
| | in million US \$ | as % of total | in million US \$ | as % of total |
| Asia | 376.3 | 52 | 322.1 | 53 |
| Africa | 89.5 | 12 | 57.9 | 9 |
| Latin America | 29.1 | 4 | 63.0 | 10 |
| Middle East | 234.3 | 32 | 172.1 | 28 |
| TOTAL | 729.2 | 100 | 615.1 | 100 |

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62. The 10 principal trading partners of the Soviet Union among the developing countries in 1964 were:

(million US \$)

| | Soviet exports to | Soviet imports from | Total trade |
|-------------|-------------------|---------------------|-------------|
| India | 231.8 | 155.9 | 387.7 |
| UAR | 155.7 | 123.5 | 279.2 |
| Malaysia | 3.3 | 70.8 | 74.1 |
| Indonesia | 46.2 | 25.8 | 72.0 |
| Afghanistan | 47.4 | 22.6 | 70.0 |
| Brazil | 24.0 | 37.1 | 61.1 |
| Ceylon | 24.6 | 22.9 | 47.5 |
| Iran | 21.8 | 21.0 | 42.8 |
| Ghana | 19.5 | 20.8 | 40.3 |
| Iraq | 31.3 | 2.4 | 33.7 |

63. The commodity composition of Soviet trade with the developing areas underwent more important changes, reflecting the difficult food situation during 1963/64 in the USSR. Soviet exports of foodstuffs were substantially curtailed, while exports of capital goods, fuels, minerals and metals increased considerably. As during previous years, 95% of Soviet imports from developing areas of the Free World consisted of agricultural raw materials and foodstuffs. During 1964, however, the share of the latter increased at the expense of the former.

64. As a result of the stagnation of Soviet trade, its share in the total Communist trade with the less-developed countries declined from about 45% in 1963 to some 40% in 1964. Trade with the Soviet Union accounted for only about 2% of the total foreign trade of the developing countries.

Eastern European countries

65. Trade between Eastern Europe and the developing nations of the Free World outside Europe increased from \$1,090 million in 1963 to \$1,265 million in 1964 (12%), reaching an overall level only slightly below that attained by the Soviet Union. In contrast to this latter country, the foreign trade of the Eastern European countries is more evenly spread among the various developing countries. The Latin American and African countries conduct their trade with the Communist World mainly through Eastern European countries.

66. The geographical distribution of Eastern European trade with the developing areas of the Free World in 1964, was as follows:

| | Eastern European exports to | | Eastern European imports from | |
|---------------|-----------------------------|---------------|-------------------------------|---------------|
| | in million US \$ | as % of total | in million US \$ | as % of total |
| Asia | 193.8 | 31 | 205.8 | 32 |
| Africa | 132.3 | 21 | 94.0 | 15 |
| Latin America | 89.1 | 14 | 150.7 | 24 |
| Middle East | 216.3 | 34 | 183.1 | 29 |
| TOTAL | 631.5 | 100 | 633.6 | 100 |

67. The 10 most important trading partners of Eastern European countries were:

(million US \$)

| | Eastern European exports to | Eastern European imports from | Total trade |
|-----------|-----------------------------|-------------------------------|-------------|
| India | 115.0 | 118.5 | 233.5 |
| UAR | 75.4 | 119.2 | 194.6 |
| Brazil | 40.8 | 51.2 | 92.0 |
| Argentina | 13.4 | 45.9 | 58.3 |
| Indonesia | 20.0 | 30.9 | 50.9 |
| Syria | 23.1 | 26.1 | 49.2 |
| Morocco | 18.1 | 23.7 | 41.8 |
| Ghana | 30.9 | 10.4 | 41.3 |
| Iran | 21.6 | 18.7 | 40.3 |
| Iraq | 32.2 | 1.4 | 33.6 |

From the available information for 1965, it would seem that trade between the Eastern European countries and the developing nations further increased at least as fast as in 1964.

Communist China

68. Among all the Communist countries, Communist China is the one whose trade with the developing areas of the Free World expanded the most rapidly in 1964 reaching in total (exports plus imports) \$692 million, or over 40% more than in 1963. This increase resulted mainly from a spectacular increase of its imports (particularly rubber imports from Indonesia and grain imports from Argentina) and to a lesser extent, from its increased exports to neighbouring Asian countries (Burma, Nepal, Ceylon, Pakistan).

69. The geographical distribution of Communist Chinese trade with developing countries of the Free World in 1964 was as follows:

| | Chinese exports to | | Chinese imports from | |
|---------------|--------------------|---------------|----------------------|---------------|
| | in million US \$ | as % of total | in million US \$ | as % of total |
| Asia | 273.2 | 72 | 129.1 | 41 |
| Africa | 55.9 | 15 | 42.6 | 14 |
| Middle East | 47.9 | 12 | 49.9 | 16 |
| Latin America | 1.9 | 1 | 91.9 | 29 |
| TOTAL | 378.9 | 100 | 313.5 | 100 |

The main trading partners of Communist China were:

(million US \$)

| | Chinese exports to | Chinese imports from | Total trade |
|-----------|--------------------|----------------------|-------------|
| Malaysia | 115.0 | 0.8 | 115.8 |
| Indonesia | 50.0 | 65.0 | 115.0 |
| Argentina | 0.2 | 91.7 | 91.9 |
| Ceylon | 42.9 | 25.6 | 68.5 |
| Burma | 37.6 | 16.7 | 54.3 |
| UAR | 17.8 | 16.7 | 34.5 |
| Syria | 5.4 | 28.3 | 33.7 |
| Pakistan | 16.3 | 14.8 | 31.1 |
| Morocco | 11.8 | 12.3 | 24.1 |
| Iraq | 14.7 | 4.9 | 19.6 |

From the available information for 1965, it would seem that Communist Chinese trade with the developing countries remained at approximately its 1964 level.

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CHART I
ECONOMIC AID EXTENDED BY COMMUNIST COUNTRIES

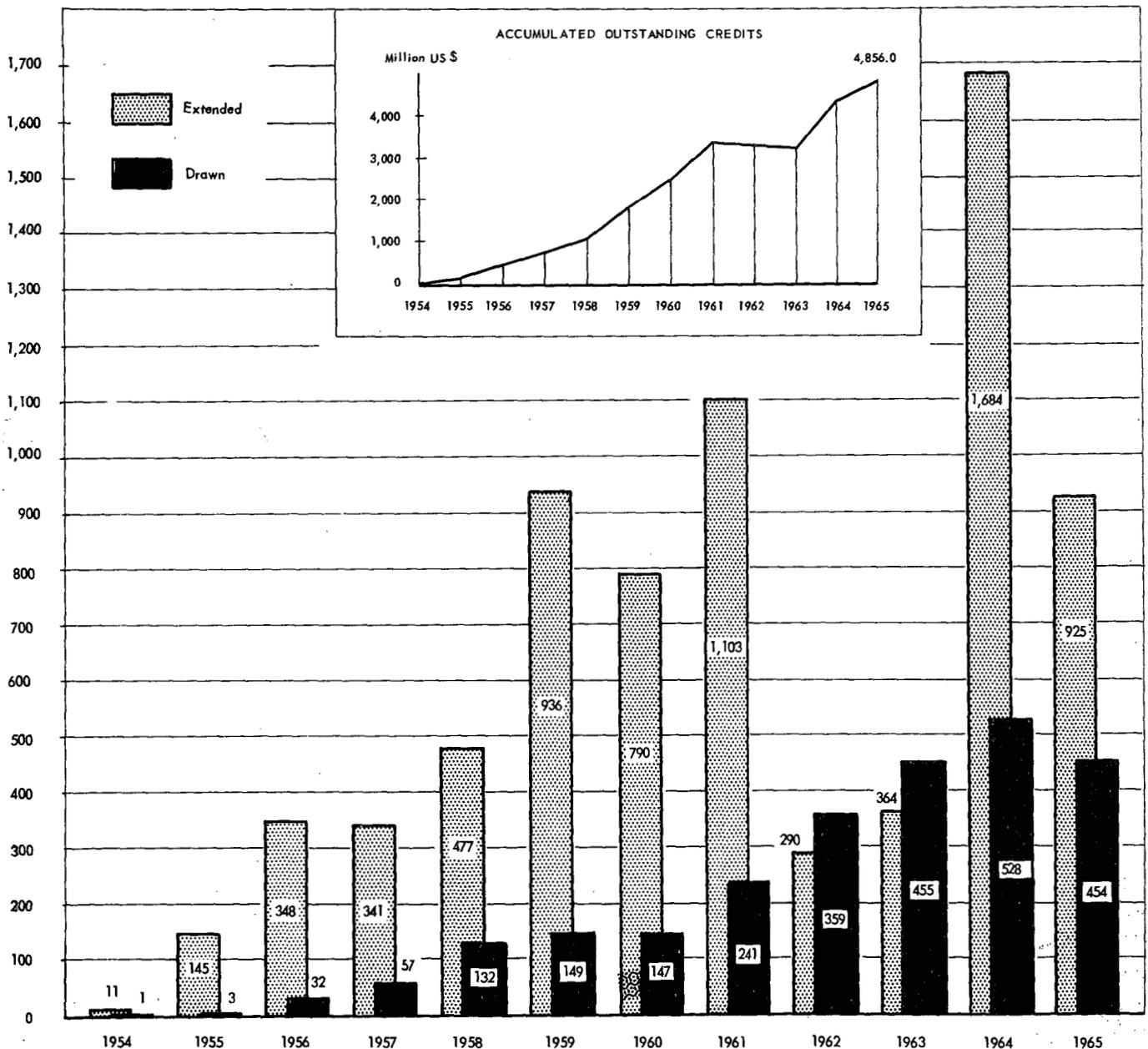
RECAPITULATIVE TOTALS 1954-1965

(Million US \$)

| | |
|--------------------------------------------------------|------------------------------------------------|
| 1. TOTAL AMOUNT EXTENDED | 7,414.1 |
| OF WHICH : | |
| GRANTS | 368.8 |
| CREDITS | 7,045.3 |
| 2. TOTAL AMOUNT DRAWN | 2,558.1 or 35% of the total amount extended |
| 3. OUTSTANDING CREDITS NOT YET UTILISED AS ON 1.1.1966 | 4,856.0 |

CREDITS AND GRANTS EXTENDED TO AND DRAWN BY THE FREE WORLD DEVELOPING COUNTRIES
OUTSIDE EUROPE YEAR BY YEAR FROM 1954 TILL END 1965 (1)

Million US \$

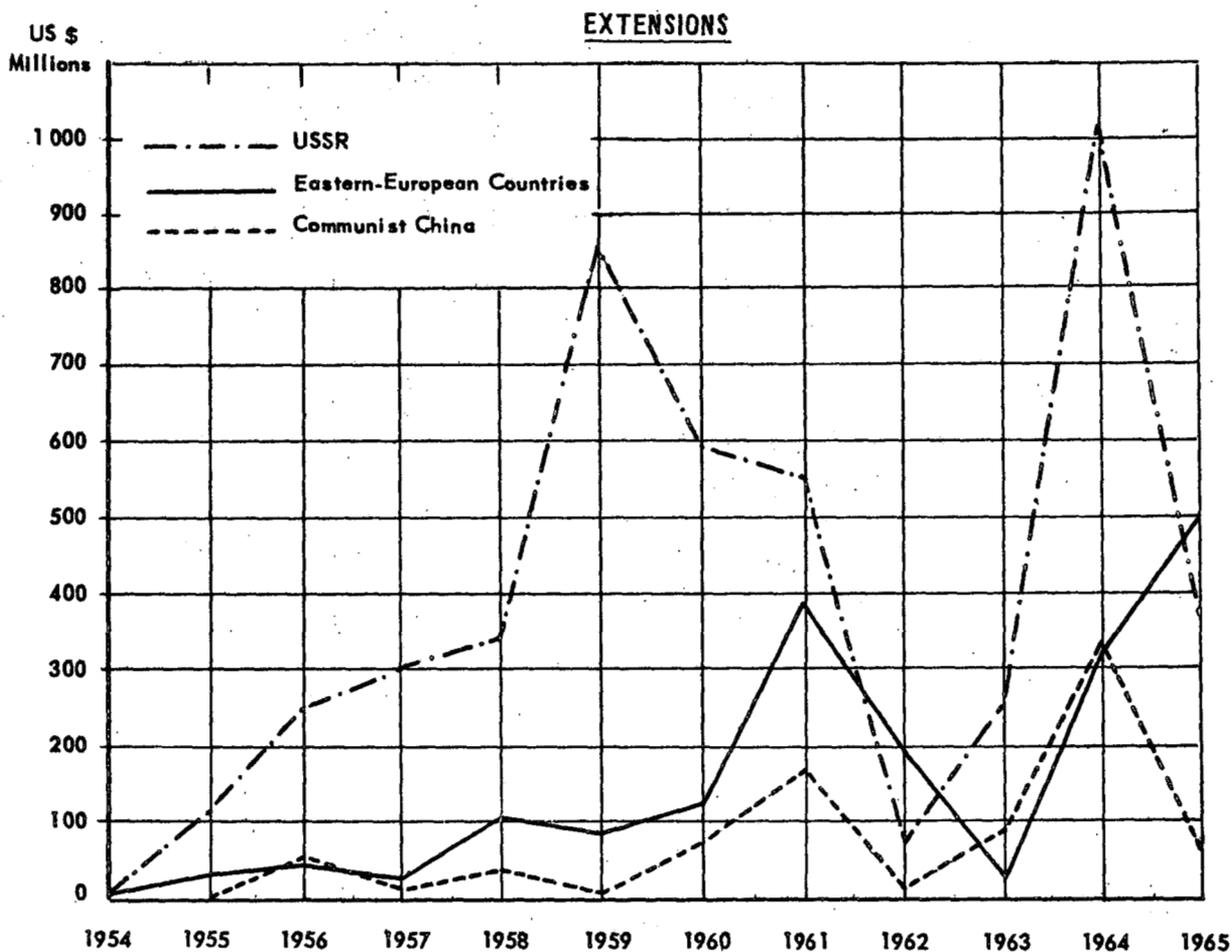


(1) Revised according to the most recent information

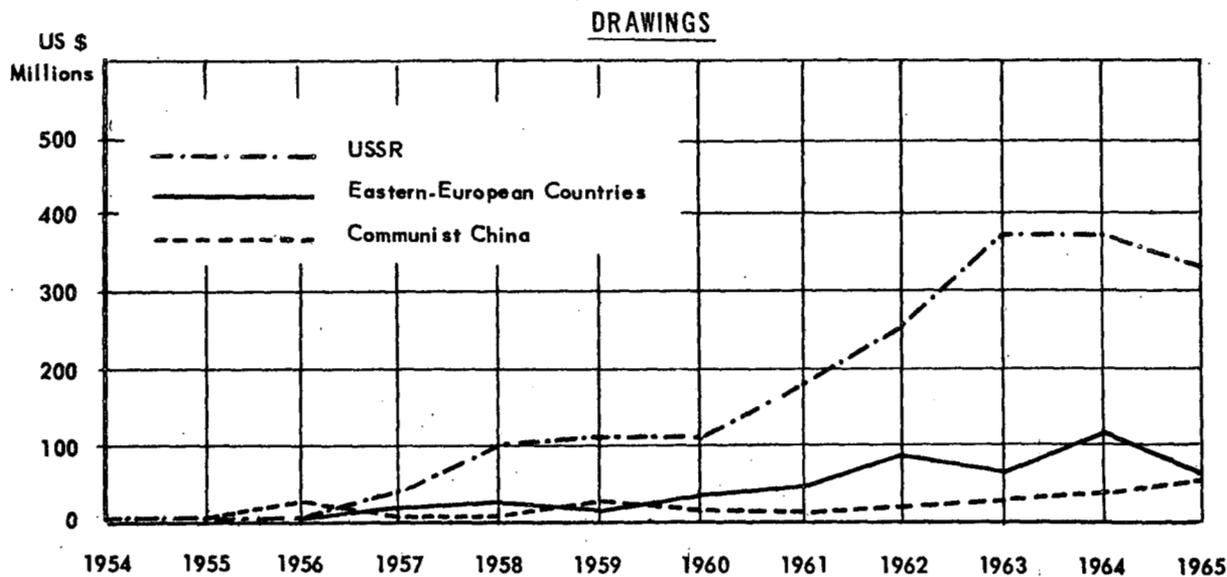
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CHART II

ECONOMIC AID EXTENDED BY COMMUNIST COUNTRIES



ECONOMIC AID FROM COMMUNIST COUNTRIES UTILISED BY DEVELOPING COUNTRIES



NOTE : Total annual amount ; end of year figures

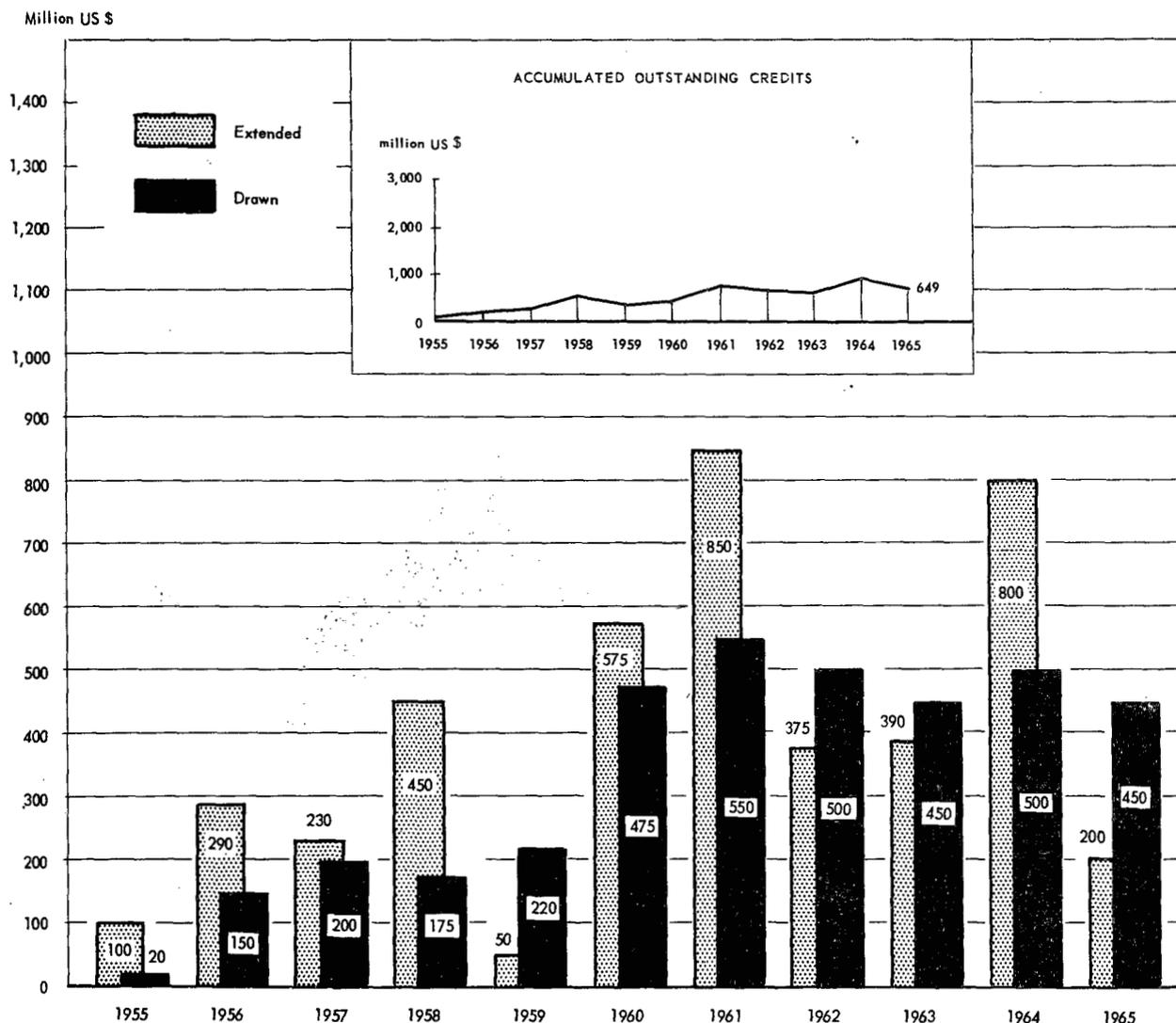
CHART III
MILITARY AID EXTENDED BY COMMUNIST COUNTRIES

RECAPITULATIVE TOTALS 1954-1965

(Million US \$)

| | |
|-------------------------------------------------------------|------------------------------------------|
| 1. AMOUNT OF AID EXTENDED | 4,349 |
| OF WHICH : | |
| DISCOUNTS AND GRANTS | 1,712 |
| CREDITS | 2,637 |
| 2. TOTAL AMOUNT DRAWN | 3,700 or 85% of total amount extended |
| 3. OUTSTANDING MILITARY AID NOT YET UTILISED AS ON 1.1.1966 | 649 |

MILITARY AID (DISCOUNTS, GRANTS AND CREDITS) EXTENDED TO AND DRAWN BY FREE WORLD DEVELOPING COUNTRIES OUTSIDE EUROPE YEAR BY YEAR FROM 1954 TILL 1965 (1)



(1) Since in a number of cases the breakdown per annum of military aid extended is not available, annual figures are approximate estimates.

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TABLE I

ECONOMIC AID EXTENDED BY COMMUNIST COUNTRIES

RECAPITULATION OF TOTALS JANUARY 1954 - DECEMBER 1965
(by recipient country)

(in million US \$)

| Recipient country | Credits & grants extended by | | | Total extended | Total drawn |
|------------------------|------------------------------|----------------|-----------------|----------------|----------------|
| | USSR | Eastern Europe | Communist China | | |
| AFRICA | <u>749.6</u> | <u>291.9</u> | <u>272.0</u> | <u>1,313.5</u> | <u>269.8</u> |
| Algeria | 230.1 | 22.4 | 52.0 | 304.5 | 12.7 |
| Gen.African Rep. | 0 | 0 | 4.0 | 4.0 | 2.0 |
| Congo(Brazzaville) | 8.9 | 0 | 25.2 | 34.1 | 4.1 |
| Ethiopia | 101.8 | 17.0 | 0 | 118.8 | 16.6 |
| Ghana | 93.0 | 104.1 | 42.0 | 239.1 | 46.2 |
| Guinea | 73.1 | 25.2 | 26.5 | 124.8 | 75.5 |
| Kenya | 48.7 | 0 | 18.0 | 66.7 | 2.8 |
| Mali | 58.0 | 22.6 | 19.6 | 100.2 | 45.2 |
| Morocco | 0 | 43.6 | 0 | 43.6 | 5.2 |
| Nigeria | 0 | 14.0 | 0 | 14.0 | 0 |
| Senegal | 6.7 | 0 | 0 | 6.7 | 0 |
| Somalia | 57.2 | 5.6 | 21.8 | 84.6 | 26.0 |
| Sudan | 23.0 | 10.0 | 0 | 33.0 | 10.6 |
| Tanzania | 0 | 7.9 | 47.9 | 55.8 | 10.7 |
| Tunisia | 33.5 | 19.5 | 0 | 53.0 | 12.2 |
| Uganda | 15.6 | 0 | 15.0 | 30.6 | 0 |
| ASIA | <u>2,176.2</u> | <u>663.8</u> | <u>433.2</u> | <u>3,273.2</u> | <u>1,538.6</u> |
| Afghanistan | 591.8 | 7.1 | 28.0 | 626.9 | 394.7 |
| Burma | 13.7 | 1.5 | 84.0 | 99.2 | 33.2 |
| Cambodia | 21.4 | 5.4 | 49.4 | 76.2 | 50.3 |
| Ceylon | 30.6 | 53.6 | 41.0 | 125.2 | 42.1 |
| India | 1,023.9 | 277.2 | 0 | 1,301.1 | 723.0 |
| Indonesia | 372.2 | 291.0 | 123.4 | 786.6 | 241.3 |
| Laos | 7.6 | 0 | 4.0 | 11.6 | 1.5 |
| Nepal | 20.8 | 0 | 43.4 | 64.2 | 21.8 |
| Pakistan | 94.2 | 28.0 | 60.0 | 182.2 | 30.7 |
| LATIN AMERICA | <u>44.0</u> | <u>187.2</u> | <u>0</u> | <u>231.2</u> | <u>63.0</u> |
| Argentina | 44.0 | 3.7 | 0 | 47.7 | 35.0 |
| Brazil | 0 | 183.5 | 0 | 183.5 | 28.0 |
| THE MIDDLE EAST | <u>1,767.9</u> | <u>685.2</u> | <u>143.1</u> | <u>2,596.2</u> | <u>686.7</u> |
| Cyprus | 0 | 1.3 | 0 | 1.3 | 1.3 |
| Iran | 329.4 | 46.1 | 0 | 375.5 | 7.6 |
| Iraq | 183.9 | 0 | 0 | 183.9 | 102.4 |
| Syria | 150.5 | 85.1 | 16.3 | 251.9 | 69.3 |
| United Arab. Rep. | 1,011.1 | 542.9 | 84.7 | 1,638.7 | 457.5 |
| Yemen | 93.0 | 9.8 | 42.1 | 144.9 | 48.6 |
| TOTAL: | 4,737.7 | 1,828.1 | 848.3 | 7,414.1 | 2,558.1 |

TABLE II
ECONOMIC AID EXTENDED DURING 1965 BY COMMUNIST COUNTRIES TO
DEVELOPING COUNTRIES OF THE FREE WORLD OUTSIDE EUROPE

(in million US \$)

| Recipient country | DONOR COUNTRY | | | | | | | Communist China | TOTAL |
|-------------------|---------------|-------------|---------------------|-------------|-------------|----------|-------------------------|--------------------|--------------|
| | USSR | Bulgaria | Czechos- lovakia | Hungary | Poland | Rumania | Sov. zone of Germany | | |
| AFRICA | <u>0</u> | <u>5.2</u> | <u>24.0</u> | <u>0</u> | <u>30.0</u> | <u>0</u> | <u>21.6</u> | <u>17.6</u> | <u>98.4</u> |
| Algeria | | | | | | | | 0.2 | 0.2 |
| Ethiopia | | 5.2 | | | | | | | 5.2 |
| Ghana | | | | | | | 20.2 | | 20.2 |
| Morocco | | | | | 30.0 | | | | 30.0 |
| Nigeria | | | 14.0 | | | | | | 14.0 |
| Somalia | | | | | | | | 0.2 | 0.2 |
| Sudan | | | 10.0 | | | | | | 10.0 |
| Tanzania | | | | | | | 1.4 | 2.2 | 3.6 |
| Uganda | | | | | | | | 15.0 | 15.0 |
| ASIA | <u>66.8</u> | <u>0</u> | <u>3.0</u> | <u>0</u> | <u>22.0</u> | <u>0</u> | <u>42.0</u> | <u>44.0</u> | <u>177.8</u> |
| Afghanistan | 11.1 | | | | | | | 28.0 | 39.1 |
| Ceylon | 0.6 | | | | | | 42.0 | | 42.6 |
| India | 1.8 | | | | 22.0 | | | | 23.8 |
| Indonesia | 3.3 | | 3.0 | | | | | 16.0 | 22.3 |
| Pakistan | 50.0 | | | | | | | | 50.0 |
| LATIN AMERICA | <u>15.0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>15.0</u> |
| Argentina | 15.0 | | | | | | | | 15.0 |
| MIDDLE EAST | <u>290.1</u> | <u>37.4</u> | <u>90.6</u> | <u>52.0</u> | <u>25.0</u> | <u>0</u> | <u>138.5</u> | <u>0</u> | <u>633.6</u> |
| Iran | 290.0 | | 15.0 | 10.0 | | | | | 315.0 |
| Syria | | | | | 25.0 | | 29.7 | | 54.7 |
| UAR | | 37.0 | 75.6 | 42.0 | | | 100.8 | | 255.4 |
| Yemen | 0.1 | 0.4 | | | | | 8.0 | | 8.5 |
| TOTAL | 371.9 | 42.6 | 117.6 | 52.0 | 77.0 | 0 | 202.1 | 61.6 | 924.8 |
| of which credits | 371.2 | 42.0 | 117.6 | 52.0 | 77.0 | 0 | 202.1 | 40.0 | 901.9 |
| grants | 0.7 | 0.6 | 0 | 0 | 0 | 0 | 0 | 21.6 | 22.9 |

TABLE III

COMMUNIST CIVILIAN TECHNICIANS IN LESS-DEVELOPED COUNTRIES (A)
JANUARY-DECEMBER 1965

| Area and Country | PERSONS | | | Total |
|----------------------|--------------|----------------|-----------------|---------------|
| | USSR | Eastern Europe | Communist China | |
| TOTAL | <u>9,385</u> | <u>4,060</u> | <u>4,355</u> | <u>17,810</u> |
| AFRICA | <u>2,720</u> | <u>2,520</u> | <u>2,615</u> | <u>7,855</u> |
| Algeria | 760 | 1,035 | 80(B) | 1,875 |
| Congo (Brazzaville) | 35 | 0 | 255 | 290 |
| Ethiopia | 190 | 45 | 0 | 235 |
| Ghana | 435 | 195 | 40 | 670 |
| Guinea | 380 | 315 | 810(C) | 1,505 |
| Kenya | 10 | 5 | 0 | 15 |
| Libya | 50 | 50 | 0 | 100 |
| Mali | 270 | 90 | 1,285(D) | 1,645 |
| Morocco | 0 | 20 | 0 | 20 |
| Nigeria | 15 | 0 | 0 | 15 |
| Sierra Leone | 5 | 0 | 0 | 5 |
| Somali Republic | 395 | 20 | 20 | 435 |
| Sudan | 60 | 45 | 0 | 105 |
| Tanzania | 25 | 45 | 125 | 195 |
| Tunisia | 80 | 650 | 0 | 730 |
| Uganda | 10 | 5 | 0 | 15 |
| ASIA | <u>2,955</u> | <u>680</u> | <u>1,315</u> | <u>4,950</u> |
| Afghanistan | 1,550 | 135 | 0 | 1,685 |
| Burma | 40 | 30 | 250 | 320 |
| Cambodia | 80 | 10 | 150 | 240 |
| Ceylon | 40 | 35 | 15 | 90 |
| India | 755 | 390 | 0 | 1,145 |
| Indonesia | 275 | 75 | 25 | 375 |
| Nepal | 75 | 5 | 875 | 955 |
| Pakistan | 140 | 0 | 0 | 140 |
| LATIN AMERICA | <u>5</u> | <u>70</u> | <u>0</u> | <u>75</u> |
| Argentina | 0 | 35 | 0 | 35 |
| Brazil | 0 | 30 | 0 | 30 |
| Chile | 5 | 5 | 0 | 10 |
| MIDDLE EAST | <u>3,705</u> | <u>790</u> | <u>435</u> | <u>4,930</u> |
| Cyprus | 0 | 75 | 0 | 75 |
| Iran | 160 | 60 | 0 | 220 |
| Iraq | 400 | 120 | 0 | 520 |
| Kuwait | 20 | 0 | 0 | 20 |
| Syria | 150 | 160 | 15 | 325 |
| United Arab Republic | 2,475 | 345 | 20 | 2,840 |
| Yemen | 500 | 30 | 400(E) | 930 |

(A) Minimum estimates of the number of persons present for a period of 1 month or more. Persons engaged solely in commercial or military activities are excluded. Numbers are rounded to the nearest five.

(B) Including 5 North Vietnamese technicians.

(C) Including 40 North Vietnamese technicians.

(D) Including 35 North Korean and 20 North Vietnamese technicians.

(E) Including a large number of labourers.

TABLE IV

TRADE BETWEEN COMMUNIST COUNTRIES AND THE MAIN FREE WORLD DEVELOPING AREAS(1)

1963 AND 1964

(in million US \$)

| Exports to: | A. Exports from | | | | | |
|---------------|-----------------|--------------|----------------------------|--------------|-----------------|--------------|
| | USSR | | Eastern European Countries | | Communist China | |
| | 1963 | 1964 | 1963 | 1964 | 1963 | 1964 |
| Asia | 358.9 | 376.3 | 165.3 | 193.8 | 225.6 | 273.2 |
| Africa | 84.9 | 89.5 | 106.6 | 132.3 | 33.3 | 55.9 |
| Latin America | 30.6 | 29.1 | 74.2 | 89.1 | 2.1 | 1.9 |
| Middle East | 227.8 | 234.3 | 201.8 | 216.3 | 43.4 | 47.9 |
| TOTAL: | 701.6 | 729.2 | 547.9 | 631.5 | 304.4 | 378.9 |
| Imports from: | B. Imports by | | | | | |
| | USSR | | Eastern European Countries | | Communist China | |
| | 1963 | 1964 | 1963 | 1964 | 1963 | 1964 |
| Asia | 314.6 | 322.1 | 177.1 | 205.8 | 89.8 | 129.1 |
| Africa | 78.1 | 57.9 | 78.9 | 94.0 | 45.4 | 42.6 |
| Latin America | 75.6 | 63.0 | 116.9 | 150.7 | 3.8 | 91.6 |
| Middle East | 165.7 | 172.1 | 168.9 | 183.1 | 40.8 | 49.9 |
| TOTAL: | 634.0 | 615.1 | 541.8 | 633.6 | 179.8 | 313.2 |

(1) Sources: For the Soviet Union: official trade statistics.
For the Eastern European countries and Communist China: trade statistics of the developing countries.

TABLE V

LESS-DEVELOPED COUNTRIES OF THE FREE WORLD CONDUCTING
MORE THAN 5% OF THEIR TOTAL TRADE WITH COMMUNIST COUNTRIES IN 1964

| Area and Country | Share of exports to Communist countries as % of total exports | Share of imports from Communist countries as % of total imports |
|------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------|
| AFRICA | | |
| Ethiopia | 3 | 7 |
| Ghana | 12 | 16 |
| Guinea | 27 | 24 |
| Mali | 41 | 49 |
| Morocco | 10 | 8 |
| Sudan | 12 | 10 |
| Tunisia | 8 | 6 |
| Uganda | 6 | 2 |
| ASIA | | |
| Afghanistan | 32 | 50 |
| Burma | 19 | 19 |
| Cambodia | 15 | 24 |
| Ceylon | 15 | 21 |
| India | 16 | 13 |
| Indonesia | 15 | 20 |
| Malaysia | 8 | 7 |
| Pakistan | 6 | 4 |
| LATIN AMERICA | | |
| Argentina | 11 | 2 |
| Brasil | 6 | 5 |
| Uruguay | 8 | 2 |
| MIDDLE EAST | | |
| Cyprus | 5 | 5 |
| Iran | 28(*) | 6 |
| Iraq | 18(*) | 19 |
| Jordan | 4 | 10 |
| Syria | 41 | 17 |
| UAR | 48 | 26 |

(*) Percentage calculated on exports other than petroleum.