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THE ECONOMIC OFFENSIVE OF THE SINO-SOVIET BLOC

Report by the Committee of Economic Advisers

The attached report has been prepared by the Sub-Committee on Soviet Economic Policy and approved by the Committee of Economic Advisers at its meeting of January 19th, 1959. It discusses developments in the economic offensive of the Sino-Soviet bloc between May 1958 and early January 1959, and brings up-to-date the preceding report which was submitted to the Council under reference C-M(58)97.

(Signed) F.D. GREGH
Chairman

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THE ECONOMIC OFFENSIVE OF THE SINO-SOVIET BLOC

Recent Developments.

1. Since the last report (1) the Communists have continued their economic advance and have developed relations with an increasing number of countries (2). They have been active in Latin America; Argentina, Brazil and Uruguay have all signed agreements involving the exchange of primary commodities, which they are having difficulty in selling for fuels and coal mining and oil equipment from the Communist Bloc. Pakistan has signed agreements with China, Poland and Czechoslovakia, and Iraq has opened up trading relations with the USSR and Eastern Zone of Germany.

2. The most spectacular development in recent months has been the Soviet credit of \$100 millions to the United Arab Republic for the Aswan High Dam. The credit will cover about one-quarter of the foreign exchange needed for the project and the UAR will still have the problem of financing the remaining foreign exchange costs, as well as the local costs estimated at \$900 million over fifteen years. There is also the question of the arrangements to be made with the Sudan over the use of the Nile waters and the flooding of part of Sudanese territory. The Russian credit will tie the economy of Egypt closer to that of the Soviet bloc, but perhaps even more important to Russia is the prestige she will gain from supporting a project which has such symbolic value to Egypt as well as to the rest of Africa. The Aswan Dam represents to the Egyptians the promise of industrialisation, hydro-electric power and an expanded agriculture. It will be remembered that Western support for the Aswan Scheme was withdrawn in July 1956.

3. The Soviets are consolidating their earlier advances in under-developed countries. They are sending materials and equipment to India, UAR, Yemen, Afghanistan and Indonesia, in fulfilment of credit agreements signed previously with these countries.

4. As the offensive has developed, the activities of the USSR and of China have tended in some instances to follow parallel lines. China has been supplying goods of which she is short to Yemen and Egypt; and Russia has made a gift to Nepal, following a similar move by China. It may be that this is an attempt by the Communists to present alternative sources of aid to the under-developed countries, or perhaps there is some rivalry between these two members of the Bloc.

5. The value of Communist trade with Western Europe declined in 1958 for the first time since 1952, when the postwar expansion of Soviet Bloc trade with the outside world began. This decline is probably the result of the slowdown in economic activity in Western Europe. There appears to have been little change in the value of exports of the European satellites to Western Europe since 1956; exports from the USSR rose in 1957 but fell by 15% during 1958

(1) C-M(58)97, 16th June, 1958.

(2) For detailed information, see Annex I.

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6. In August 1958, the COCOM powers revised the list of goods under strategic export control, and some increase in sales of commodities such as copper, nickel and electronic goods may be expected. However, there are reasons not to expect any considerable increase in trade as a result of this action. First, the Communists, especially the European satellites, do not have the foreign exchange to pay for a great increase in imports and, secondly, many of the goods freed from the embargo are no longer scarce in the Sino-Soviet Bloc. For example, aluminium which has been freed from the list is now being exported by the Bloc. Finally, notwithstanding Communist propaganda, the embargo even before revision was applicable only to a narrow range of goods.

Soviet successes and problems in the offensive

7. The reasons for the Communist success through the economic offensive have been discussed in earlier papers(1). Part of the success has been fortuitous: some under-developed countries find it convenient, for internal political reasons, to have an alternative to Western sources of economic assistance. There is also an element of windfall in any credits received from the Bloc, whereas aid from the West is taken for granted. When a Western country gives favourable treatment to a particular under-developed country it is liable to prejudice its relations with many other under-developed countries unless it gives them similar treatment. This is a problem that the Communists do not as yet face, since their trade and aid is limited to fewer countries. It is interesting to note that despite the wide spread of the Soviet Bloc economic offensive, with its many offers of trade, aid and technical assistance, about 90% of the credits have been granted to a few countries: the United Arab Republic, Afghanistan, India, Indonesia and Yugoslavia(2).

8. As the countries of the Sino-Soviet Bloc extend their relations with under-developed countries they are beginning to encounter problems, and the contradictions between their political and economic realism and their propaganda become more apparent. While these contradictions are well known to the Western world, only a few under-developed countries are gradually becoming aware of them. For example, the arbitrary postponement of credits to Yugoslavia in April 1958 led to unfavourable comment in parts of the Indian press. The Russians have now felt obliged to deliver 200,000 tons of wheat to Yugoslavia which they had previously withheld. The USSR also lost some goodwill when a Russian tribunal ruled against an Israeli claim arising from the Russian cancellation of an oil contract following the Suez crisis in November 1956. In this case, the Soviet judges accepted the plea of the Soviet Petroleum Export Corporation that it was unable to deliver the oil to Israel because another Soviet state organization, the Ministry of Foreign Trade, had refused it an export permit.

(1) C-M(57)116, 21st August 1957, paragraphs 3, 24-26, 33, 36, 43.
C-M(58)97, 16th June 1958, paragraph 8.

(2) These countries have received a similar share of the Sino-Soviet Bloc credits actually drawn on.

9. Competition from Communist trade is beginning to make itself felt to the disadvantage of certain Asian countries. The increase of Communist China's export trade in textiles has caused some concern in the Far East especially in Japan, Malaya and India; Malaya has now banned the import of Chinese textiles. Thailand is reported to be worried by the threat of Chinese rice exports in her traditional markets. India, in her recent agreements with the Soviet Bloc, has required the Communist countries to undertake not to re-export the goods she sells them. In September 1958, the crisis in the tin market was in part attributed to sales by Russia who refused to join the tin agreement. This disturbed producing countries, such as Malaya and Indonesia, and Russia is now reported to have promised to limit tin exports over the next two years. There is even some possibility that she may co-operate with the Tin Council. Russia has announced that she will also participate in the study groups on lead and zinc.

10. Khrushchev's refusal to join with the West in aid programmes may also prove unpopular. It is true that the justification he gave for this decision was phrased so as to appeal to the extreme nationalists in some under-developed countries; he stated, for example, that the West has exploited these countries for centuries and is now giving back only a small part of what it has taken, whereas the USSR wishes only to help the under-developed countries to obtain economic independence by aid based on "mutual advantage". But this refusal to co-operate with the West may not be viewed favourably by many under-developed countries which have successfully carried out industrialisation projects with the assistance of international organizations.

11. In Europe also there have been incidents when the political motives which lie behind the Soviet economic offensive have become apparent. Partly as a result of economic pressures from the USSR, the coalition government of Finland resigned at the beginning of December. In May, two months before the Finnish elections, the Russians promised Finland a \$100-\$125 millions loan but have since avoided discussing the terms. They are also delaying negotiations on a new trade agreement which the Finns are anxious to conclude as unemployment in Finland is high and much of Finnish industry is dependent on the Russian market.

Future trends

12. The Communists appear to be continually looking for opportunities to extend their economic offensive. There has been a prolonged discussion between the USSR and Libya about a possible Soviet gift of a hospital. Russia has followed up her recent gift to Nepal with an offer of economic assistance. East Germany has already signed a trade agreement with the new Republic of Guinea. The Communists have pressed hard to conclude trade or aid agreements with the Sudan which is currently undergoing difficulties in selling cotton. It will be recalled that the Sudan turned down a Russian offer of trade and aid last year when she was having similar difficulties but later stated that she would not object in principle to such offers.

13. The rapid industrial expansion in the USSR, especially of her oil and engineering industries, means that she is becoming better placed to meet the needs of under-developed countries. She is now able to provide complete factories and to train the personnel to run them. It should be remembered that the USSR, at least in certain instances, derives special benefits from expanding trade with the outside world. This trade enables her to dispose of temporary surpluses and at the same time to acquire certain raw materials and capital goods of which she is short.

14. In recent months the use by the Soviets of oil and oil equipment exports as the spearhead of their offensive has been especially marked in Latin America where, with the notable exception of Venezuela, most of the countries do not produce enough fuel for their energy needs. Indeed, there is a large potential market in a number of Latin American countries for Russia's growing surplus of petroleum.

15. For the coming year Russia will also have grain for export, probably to the food importing countries of Asia and Africa; her harvest this year has been a record one. China, too, has claimed a record output of grain and rice and may be expected to join in the trade drive to these areas. The picture for the European satellites is somewhat mixed. Their production has been increasing but they have been experiencing difficulties in expanding their exports during the past year at least to most countries outside the Soviet Bloc. It is not clear why. It may be that the satellites simply are unable to finance their exports on credit, or that Russia has been deliberately taking a greater share of their exports. In future however the European satellites may benefit from the provisions in some recent credit agreements between Russia and the under-developed countries which permit Russia to meet her obligations by deliveries of goods from the satellites.

16. So far, the Russian foothold in Africa has been limited to Egypt. The Afro-Asian Economic Conference in Cairo in December 1958 provided the Communists with an opportunity for propaganda but the Russians do not seem to have gained much from this occasion. Russian prestige, however, has been enhanced by her credit to help build the Aswan Dam, and this undoubtedly has had some impact on other nations in Africa, some of whom are planning the construction of dams. The Russians will try to exploit their position and have already stepped up their flow of propaganda to Africa in recent months.

ANALYSIS BY COUNTRIES

MIDDLE EAST

Economic relations between the Sino-Soviet Bloc and the United Arab Republic have continued to strengthen. Work has been proceeding on the various projects to be financed under the loan agreements previously signed between Egypt and Syria and the USSR. These agreements, which have recently been unified at the request of the UAR, can be used to finance imports anywhere in the Sino-Soviet Bloc. Egypt has received three textile mills from the USSR; Syria has awarded the contract for building the Rastam Dam to Bulgaria; the improvements to the port facilities at Alexandria are also being undertaken by Soviet Bloc contractors. The UAR has also concluded a number of new agreements with the Communist Bloc. An agreement with the USSR provides for Soviet assistance for oil development and for air service between Moscow, Prague and Cairo. Egypt has concluded another arms deal with the USSR. This is the fourth deal for arms with the Soviet bloc. In August, a technical co-operation agreement was signed with East Germany, in connection with the \$20 million loan offer reported last May. Egypt is also to receive a large shipment of fertilisers from East Germany. She has also obtained \$5.7 million of machinery for a textile plant from East Germany on credit. East Germany has agreed to take the entire output of textiles from that plant for a period of 10 years. Communist China has sold sugar to Egypt, (even though there is a shortage in China) and offered to build a paper factory on credit terms. North Korea and North Vietnam have set up permanent trade missions in Egypt. A larger flow of trade between the UAR and the Sino-Soviet Bloc has developed from these activities; about three-fifths of the current cotton crop is reported to have been sold to the Communists.

2. In October, during General Amer's visit to Moscow, the Russians announced that they would grant Egypt a \$100 million credit to enable her to start construction of the Aswan Dam. The agreement was signed at the end of December and provides for repayment of the credit in Egyptian goods with interest at 2½%. The joint offer made by the United States, United Kingdom and the World Bank, which was withdrawn in 1956 amounted to \$270 millions. The total cost of the dam will be about \$1,300 million, including \$400 million in foreign exchange. At the present time there is no indication of how Egypt will finance the remaining cost of the dam, although there have been reports of Japanese interest in the project. Some private German firms have been invited to place tenders for part of the project, but nothing definite has as yet been concluded. The dam will take about 15 years to build and the Russian credit should enable Egypt to finance the necessary foreign exchange costs for the first four or five years. Egypt may have difficulty in working out an agreement with the Sudan for the use of the Nile River waters and for compensating that country for flooding part of her territory. If completed the dam would add

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about one third to Egypt's area under irrigation, and would provide a sixfold increase in hydro-electric power.

3. Soviet Bloc activity in the Yemen continues. The Chinese are building roads and a textile plant to be financed under the \$16 million credit agreement signed in January 1958. A number of the Sino-Soviet bloc countries are participating in the building of ports for both commercial and military purposes. The arrival in August of four Czech experts on agriculture and water conservation brought the total number of Sino-Soviet bloc technicians at present in Yemen to about 150.

4. Iraq has moved to increase her trading relations with the Communist bloc. Before the July revolution, Iraq obtained about 2% of her imports from, and sold nothing to, the bloc. In recent months, trade agreements which do not involve any oil sales have been signed with East Germany and the USSR, and Communist bloc suppliers have been invited along with Western firms to submit bids for projects managed by the Iraq Development Board. It has been reported that Iraq will make the granting of import licences and participation in the national development plan dependent on the purchase of Iraq dates, which might offer the Soviet Bloc countries opportunities for penetration. The implementation of the agreement between Iran and the USSR calling for the development of the border rivers of Aral and Atrek has been held up by the Iranians and their behaviour is reported to have exasperated the Russians. Poland has renewed her trade agreement with Iran and has also negotiated a transit agreement. The USSR and the Lebanon are discussing the possible barter of 15,000 tons of Lebanese oranges and lemons for Soviet wheat.

5. A Chinese trade delegation has taken £1 million of Sudanese cotton in a barter transaction. A Sudanese official delegation has been sent to European countries, including the Soviet satellites, in an effort to sell cotton and has concluded barter agreements with Hungary, Poland and Czechoslovakia. This year's cotton crop was very disappointing but the failure to sell more than half of last year's record production still leaves the Sudanese with large stocks. The Communists, it will be recalled, have made repeated offers of loans, repayable in cotton, but the Sudanese have so far rejected these offers. However, the Khalil government, which was overthrown by the military coup d'état on 17th November, did state that it had no objection in principle to accepting unconditional credits from the Soviet Bloc, and this policy has been re-affirmed by the new government. A large Russian trade delegation whose visit to the Sudan has been repeatedly delayed is now reported to be coming "soon".

AFRICA

6. Morocco is negotiating with Czechoslovakia for increased trade and scientific co-operation. She has also signed a trade agreement with China which includes additional deliveries from Morocco to help offset the trade deficit arising from purchases of Chinese tea. Russia has offered to sell 120 army vehicles to Morocco in exchange for oranges, and has also offered to buy the surpluses of sardines.

7. Tunisia has renewed the trade agreements signed in 1957 with the USSR and Bulgaria. She has also signed her first trade agreement with China. Payments arising from this agreement will take place outside of the franc zone. Ethiopia has been trying to negotiate trade agreements with the Soviet Bloc for the sale of Ethiopian coffee. The Czechs have offered to build a cement plant (at a lower price than the United States) and also to provide technical and scientific assistance. It has been reported that Russia has shipped some wheat to Ethiopia. A Czech trade mission visited Ghana in November to explore possibilities of increased trade.

8. In Libya the Soviets have renewed their offer of aid but so far Libya is showing little interest. A Soviet offer to donate a 50-bed hospital has been turned down and Libya has countered with a suggestion for two 75-bed hospitals, and no Soviet staff. In Libya, the price of Soviet cement is reportedly lower than that of the West, and import licences for Soviet goods are now easier to obtain. The Chinese State Trading Corporation has made trading arrangements with private interests in the Federation of Rhodesia and Nyasaland.

ASIA

9. The Russians are building a road across the Salang Pass in Afghanistan, to be financed under the \$100 million credit granted in 1954. There are ninety Russian experts at work on the Darya River projects and the Soviets are also building a hydro-electric plant and a cement factory, all financed under the 1954 agreement. The second Soviet credit of \$15 millions granted earlier this year is also being implemented; the Russians are prospecting for oil and conducting an aerial survey of Northern Afghanistan. Russia has also offered a credit for developing a civil air programme but the offer has not yet been accepted.

10. East Germany has signed a three-year trade agreement with Burma, exchanging machinery and chemicals for rice and tin. China is to build a textile mill in Ceylon; the costs will be financed from the sum she granted in connection with the five-year Chinese-Ceylon barter agreement. She has also granted a \$10.5 millions credit to finance imports of machinery; repayment of this credit begins in 1961. Only half of the sixteen projects included in the \$30 million Soviet credit of last February have been approved so far by Ceylon; two projects have been withdrawn, six are still being discussed and work has started on two of the eight projects approved.

11. Russian deliveries to India of equipment for the Bhilai steel mill have continued, and it is expected that the mill will start producing early in 1959. India is negotiating a series of trade agreements with the Sino-Soviet Bloc for the purchase of materials needed for the second Five Year Plan and has already

concluded agreements with Bulgaria, China and the USSR. Russia has granted a \$3.6 million credit for oil exploration and drilling in Bombay and Punjab and is to prepare a report in connection with the construction of a state-owned oil refinery. She has also offered a \$19 million credit for establishing a drug industry. The Rumanian offer to build an oil refinery in Assam costing between \$11 million and \$18 million in foreign exchange was accepted in August; Rumania will also build a cement plant. Hungary has offered to build an aluminium plant for the Communist State of Kerala in India. Czechoslovakia has agreed to deliver capital goods for an electric motor factory, with payment in rupees to be deferred until 1961. East Germany has delivered equipment for 3 rolling mills and a textile plant.

12. The Russians have offered a 50-bed hospital to Nepal and have followed this up with offers of economic assistance.

13. The Russians have made a number of deliveries under the terms of the \$100 million credit to Indonesia ratified last February, including two tankers, ten dry cargo vessels and twelve fishing vessels. In addition, she is also to deliver road equipment and to build an iron works. Russia has also offered additional medium term credit of up to 5 years at 2½% to 3%. In October the Russians sold 200,000 tons of Chinese rice to Indonesia. Czechoslovakia and Poland have delivered arms. Following the deliveries by Poland, large scale trade negotiations developed. Indonesia ordered 24 ships costing a total of \$39 million for delivery from 1959 to 1962 and a trade agreement involving the exchange of ships and equipment for rubber, tea, tobacco and other materials have been signed. Hungary has offered to build ships and a pharmaceutical factory. Czechoslovakia has offered power generating equipment worth \$5 million with payment in five years as well as some transport aircraft and has given a \$10 million credit for tractors and machinery. She has also concluded two agreements with Indonesia on cultural and educational co-operation. The tyre factory which the Czechs are building in Indonesia is behind schedule but nearly completed. A sugar refinery was completed by East Germany this year, two years later than expected. However, it broke down in July and was unable to produce sugar from the 1958 crops. It is scheduled to be in operation again in 1959. There are reports that China has offered a \$50 million credit to Indonesia; it is not clear whether this is in addition to the credit given in May, variously reported to be \$20 million or \$60 million.

14. China and Poland have concluded barter agreements with Pakistan, exchanging coal and rice for cotton and jute. Czechoslovakia has sold equipment for a cement plant and stated that she was willing to accept cotton in exchange for a complete textile plant.

SOUTH EAST ASIA

15. China has promised a textile plant to Cambodia as part of the \$22.4 million economic aid programme signed in 1956 and has made a further grant of \$6 million. Cambodia has, however, turned down a Chinese offer of military aid. In August, Prince Sihanouk visited China where he was promised assistance for small scale industry. The first shipment of material for a 500-bed hospital given by the USSR arrived in May. Russia has offered a \$12.5 million credit on very easy terms: no interest payable in 40 years with no payment for the first 20 years. The credit, if accepted, is to be used exclusively for state enterprises. In June, Cambodia held trade discussions with East Germany and in September sent experts to Russia to discuss possible economic and technical co-operation but no agreement was reached. Czechoslovakia has offered a gift of two diesel generators.

16. Thailand lifted the embargo on rubber exports to China and North Korea in August. Keen competition has developed between Chinese and Japanese textiles in the Thai market. Thailand is reported to be concerned by the threat of Chinese rice exports in her traditional markets. In Hong-Kong it is reported that thirteen textile mills have closed down since April, as a result of Chinese competition. The Communist Bloc has been buying more rubber in Malaya this year; in the first half of 1958, about 15% of Malayan exports of rubber went to the Communist countries. China had been acting as the buying agent for most of the other members of the bloc until recently when Russia became the main buyer. Malaya has ordered two branches of the Communist Bank of China to cease operations, in a move to cut down Chinese influence.

17. Poland has signed a trade agreement with Japan. Russia has offered to trade coal, oil and other raw materials for Japanese steel. There has been little Sino-Japanese trade following the abrogation by China of the private trade agreement last May.

LATIN AMERICA

18. USSR has extended a seven-year credit of \$100,000,000 to Argentina for oil equipment. The credit must be used within three years; repayments begin after three years and are to be completed in seven years, with interest at 2.5%. This credit, repayable in Argentine goods, is only one part of a vast development programme for the Argentine energy industries; credits have also been offered by some countries in the West. Russia is also to deliver over one million tons of crude oil over a period of two years. The oil supplied in 1958 will be paid out of Argentina's clearing credit with Russia; the 1959 shipments will be paid by deliveries of wood. The USSR has purchased from Argentina 30,000 tons of linseed oil, which is the larger part of the export surplus. Poland has agreed to exchange 2 million tons of coal

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over the next four years for Argentine goods; the coal will cover one-quarter of Argentina's domestic consumption. Czechoslovakia is to deliver generators worth \$2 millions on credit at 6% interest with payment beginning in 1963; she has also sold 50,000 tons of steel rails to Argentina. Hungary has sold some diesel cars, while Rumania will deliver oil machinery to the value of \$4 millions.

19. Brazil also has been interested in the development of her fuel industries as well as in the purchase of fuels for soft currency. The USSR has offered to deliver 200,000 tons of crude oil worth \$5 millions in exchange for coffee, cotton and cocoa, and is negotiating a trade agreement for the exchange of oil equipment for Brazilian raw materials. Poland has sold 14 ships to Brazil costing \$25 millions to be paid for with coffee. Rumania has signed a trade agreement providing for the exchange of capital goods and oil products for Brazilian cotton, coffee, cocoa and vegetable oils. East Germany also has signed an agreement providing for much the same type of trade. China purchased about \$5 millions of sugar from Brazil in 1958.

20. Uruguay is another Latin American country which has shown interest in Soviet Bloc fuels. The state fuel monopoly (ANCAP) bought two tanker loads of oil from the USSR despite a lower bid from Italy, because Uruguay is short of lire. A Uruguayan trade official has been visiting Czechoslovakia and Russia, and it is reported that there may be an exchange of 200,000 tons of Soviet oil (sufficient for 1/6 of Uruguay's annual consumption) for wool. Soviet Bloc countries have offered in all to buy one-third of next year's wool supply at a 5% premium on world prices, provided Uruguay makes compensatory purchases. There was a Soviet trade mission in Chile in July but no business has been reported. Copper, Chile's main export, has now been lifted from the COCOM strategic list and 10,000 tons of copper sheet have already been sold to the USSR for delivery in 1959. Cuba has continued to sell sugar to the Communist Bloc for cash.

EUROPE

21. Trade between the Sino-Soviet Bloc and Western Europe declined in 1958; there has been no increase in exports or the European satellites to Western Europe since 1956; Russian exports rose in 1957 but dropped in 1958. The rapid growth in East-West European trade, which began in 1953, has thus ended for the time being.

22. The USSR has held up negotiations with Finland on renewal of a trade agreement and on the \$100 million credit promised last May, in a crude attempt to exert pressure on the Finnish Government, which fell early in December. The Austro-Russian reparations agreement has been revised. The original reparations agreement called for the delivery by Austria of 1,000,000 tons of crude oil annually; the net deliveries are

now cut in half, but Austria will continue to ship 1,000,000 tons a year to the Satellites and receive 500,000 tons from the Soviet Union. The USSR has agreed to limit its deliveries of aluminium to the United Kingdom in the coming year to 18,000 tons; about 20,000 tons were sold in 1958 when the Russian price was considerably below that of Canada, the traditional supplier. The difference in price is now much smaller. Greece and the USSR signed a 3-year trade agreement exchanging Greek tobacco and fruits for Soviet machinery, petroleum, coal and timber. Greece has leased some ships to Czechoslovakia and has signed a trade protocol with Poland which will double trade in 1959. France and the USSR have signed a new trade agreement. Turkey has purchased some textile mills from the USSR.

23. There has been no indication that Russia will reverse her decision to suspend the loans previously granted to Yugoslavia. She has, however, agreed to deliver 200,000 tons of wheat to Yugoslavia, after first announcing that the sale would not take place. China has refused to fulfil certain trading obligations with Yugoslavia. Poland has signed her trade protocol for 1959 and is the first Soviet bloc country to have done so. Yugoslavia is currently seeking additional economic assistance from Western nations. She has already signed aid agreements with the United States for \$129 millions and with the United Kingdom for \$8.4 millions.

TABLE I

SHARE OF TRADE OF THE SINO-SOVIET BLOC
IN THE TOTAL TRADE OF SELECTED COUNTRIES
IN 1958 COMPARED WITH 1957 (1)

Country	No. months data avail- able	Share of the Sino- Soviet bloc in coun- try's total exports		Share of the Sino- Soviet bloc in coun- try's total imports	
		1957 %	1958 %	1957 %	1958 %
Egypt	5	49.2	42.6	30.3	27.9
Sudan	5	-	5.1	2.9	3.3
Morocco	3	0.9	1.0	5.1	4.1
Iran	3	n. a.	n. a.	15.4	14.7
Ghana	3	10.7	-	2.6	3.0
India	2	3.8	3.0	5.2	5.1
Indonesia	4	0.8	3.4	0.9	3.8
Cambodia	4	-	-	-	3.6
Ceylon	6	13.4	4.5	4.3	10.9
Malaya	6	n. a.	8.9	n. a.	3.9
Thailand	2	-	-	0.5	0.6
Argentina	5	3.4	2.8	1.3	1.0
Brazil	3	3.2	4.7	3.7	2.0
Yugoslavia	6	21.0	25.4	17.2	29.8
Austria	6	13.1	13.1	10.4	9.2
Finland	6	26.1	29.1	32.8	24.6
Greece	5	16.0	16.4	5.9	6.4
Turkey	6	22.3	32.9	15.1	16.8
Iceland	6	33.9	33.4	34.3	31.7
Denmark	6	3.4	3.5	3.2	4.1
Italy	6	4.9	4.1	3.6	3.0
France	6	2.0	3.2	2.0	2.9
United Kingdom	7	2.6	2.8	2.5	2.8
F.R. Germany	6	3.1	3.5	3.6	4.0

(1) Statistics are available for between two and seven months of 1958 according to the country. For each country, trade in the months for which 1958 data are available is compared with the trade in the same months in 1957.

n. a. - not available

- = no trade

Source: Direction of International Trade, U.N. October, 1958

TABLE 2

SELECTED SINO-SOVIET BLOC DEVELOPMENTAL PROJECTS
IN UNDERDEVELOPED COUNTRIES OF THE FREE WORLD
1st July, 1958 (1)

Free World Country	Bloc Country	Project
Egypt	Czechoslovakia	Ceramics factory
		Water filtration plant
		Shoe factory
		Cement plant
		9 bridges
		Bicycle factory
	East Germany	High-tension line
	Hungary	El Tabbin power station
		Nile River bridge
		3 small revolving bridges
	Poland	Oil storage tanks (21)
		Swing bridges
	USSR	Atomic energy laboratory
		Oil research plant
		Projects under \$175-million
		line of credit:
		3 textile factories
Ethiopia	Bulgaria	Meat packing plant
Syria	Bulgaria	Grain elevators
	Czechoslovakia	2 sugar refineries
		Petroleum refinery
	East Germany	Weaving mill
	Textile factory	
	Textile equipment	
	Cement plant	
	USSR	Textile machinery

(1) Including projects financed under commercial credits and long-term credits extended both to governments and to private organizations. Construction projects are included after preliminary surveys have been made.

TABLE 2 (contd.)

Free World Country	Bloc Country	Project
Iran	USSR	Hydro-electric and irrigation projects Grain elevator Port dredging, Bandar Pahlevi
	Poland	Sugar mill
Yemen	Czechoslovakia	Cement factory
	Communist China	Road construction Textile factory
	East Germany	Telephone and electric power network
Sudan	USSR	Port construction
Sudan	East Germany	Cotton mill
Afghanistan	USSR	Silos, flour mill, and bakery Silo, Pul-i-Khumri Municipal and public works: Road paving, Kabul Asphalt factory, Kabul Projects under \$100-million line of credit: Salang Pass road Bagram airfield Jungalot machine shop complex Physics and chemical laboratory Naghlu hydro-electric project Pul-i-Khumri II hydro-electric project Kabul fertilizer plant Herat and Pul-i-Khumri vehicle repair shops Mazar-i-Sharif glass factory Kabul airport Darunta irrigation project Sardeb, Palte, and Kharwar irrigation dams 3 POL storage tanks Port of Qizil Qala Petroleum exploration
Afghanistan	Czechoslovakia	Jabal-us-Sheraj cement plant Pul-i-Khumri cement plant Kandahar fruit cannery Kabul brick and tile kiln Kabul and Herat tanneries

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TABLE 2 (contd.)

Free World Country	Bloc Country	Project
Afghanistan	Czechoslovakia	Kabul shoe factory Baghlan cheese factory Coal mining equipment
Burma	USSR	Technological Institute Hospital, Taunnggyi Hotel, Rangoon Farm implement factory 2 irrigation dams
	Communist China	2 textile factories
Ceylon	Czechoslovakia	Cane sugar factory Central workshop for buses
India	USSR	Bhilai steel plant Projects under \$126-million line of credit: Heavy machine building plant Power plant for lignite project Kerba coalfield development Optical glass factory Petroleum exploration Bombay Technological Insti- tute (under UN) Oil drilling
India	Czechoslovakia	Sugar refinery, Panipat Sugar mill, Assam Cement plant, Assam Sugar refinery, Madras Thermal power station Foundry forge project
	Poland	Sugar refinery, Tanjore Capital equipment for manu- facture of electric motors
	East Germany	Textile machinery Raw film factory
	Rumania	Petroleum refinery Oil drilling
Indonesia	Czechoslovakia	Tyre factory
	East Germany	Sugar refinery

TABLE 2 (contd.)

Free World Country	Bloc Country	Project
Indonesia (contd.)		
	USSR	Glass factory Projects under \$100-million line of credit: 10 ships 2 tankers
	Poland	24 ships
Pakistan	Czechoslovakia	Expansion of cement plant in West Pakistan
Yugoslavia	USSR	Projects under \$110-million investment credit: Coal mining combine (1) Nitrogen fertilizer plant(1)
	USSR and East Germany	Aluminium combine (1)
	USSR	Nuclear reactor
Argentina	Czechoslovakia	Coal-washing plant

(1) Progress suspended in May 1958 as the result of the "postponement" of the unutilized balances of the Soviet \$110-million investment credit and the joint Soviet-East German \$175-million credit.

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TABLE 3

SUMMARY OF SINO-SOVIET BLOC ECONOMIC CREDITS AND GRANTS(1)
 TO UNDER DEVELOPED COUNTRIES OF THE FREE WORLD
1st January 1954 - 1st July 1958

Area and Country	Million US \$	
	Extended	Obligated
<u>Middle East and Africa</u>		
Egypt	255	255
Iran	3	3
Syria	194	27
Turkey	10	7
Yemen	16	12
<u>Total</u>	<u>478</u>	<u>304</u>
<u>South and South East Asia</u>		
Afghanistan	128	110
Burma	42	2
Cambodia	22	22
Ceylon	50	19
India	336	302
Indonesia	165	79
Nepal	13	13
Pakistan	2	2
<u>Total</u>	<u>758</u>	<u>549</u>
<u>Europe</u>		
Iceland	5	5
Yugoslavia	220	159
<u>Total</u>	<u>225</u>	<u>164</u>
<u>Latin America</u>		
Argentina	6	6
Brazil	2	2
<u>Total</u>	<u>8</u>	<u>8</u>
<u>GRAND TOTAL</u>	<u>1,469</u>	<u>1,025</u>

(1) Does not include military credits and grants.

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