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ECONOMIC ACTIVITIES OF COMMUNIST COUNTRIES IN THE  
DEVELOPING AREAS OF THE THIRD WORLD

TWELFTH REPORT BY THE ECONOMIC COMMITTEE

(1967-1969)

Note by the Chairman of the Economic Committee

The Economic Committee at its meeting of 1st October, 1970, agreed to submit to the Council the attached twelfth(1) report on the economic activities of Communist countries in the third world which covers the period 1967-1969. The report, in accordance with the established procedure, describes the main features of Communist economic and military aid and trade activities in the developing areas and developments in technical assistance to these countries during the three years. It attempts to evaluate the economic impact of these activities on both "donor" and "recipient" countries, and to compare them with Western aid to and trade activities in the developing countries. The Council's attention is particularly drawn to the Summary and Conclusions (pages 2 to 6), a specially prepared shortened version of the findings of the report.

(Signed) Y. LAULAN

This document consists of: 143 pages

NATO,  
1110 Brussels.

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(1) Eleventh Report C-M(67)55

N A T O S E C R E T

ECONOMIC ACTIVITIES OF COMMUNIST COUNTRIES  
IN THE DEVELOPING AREAS OF THE THIRD WORLD

TWELFTH REPORT BY THE ECONOMIC COMMITTEE

(1967-1969)

SUMMARY AND CONCLUSIONS

1. After a decade (1954-1964) of impressive expansion, the economic activities of the Communist countries in the developing areas of the non-Communist World have levelled off, and it seems unlikely that there will be any dramatic increase during the next few years. New commitments are likely to vary greatly from year to year and in any particular year could be as large as in the period 1964-66, but the actual flow of deliveries will probably not exceed the present volume of \$450-500 million per year. Taking into account the rising total of interest and capital repayments, the net flow of economic resources from Communist to developing Third World countries will decline steadily. Whether considered in absolute terms or relative to their economic potential, the rôle of the Communist countries in the matter of economic relations with the developing countries is small and diminishing in importance. Certainly during the years covered by this report. Western aid and trade have been growing faster than that of the Communist countries.

2. In 1968 total (i.e. public and private) Western aid disbursements were some 30 times as great as those of the Communist countries, official disbursements alone being 19 times as great. The share of the Western industrialised countries in the foreign trade of the Third World was about 12 times as great as that of the Communist countries - 74% compared with slightly more than 6%.

3. Even if Communist trade with the developing countries should rise about 10% annually, by the mid-seventies this will still account for only some 8% of the trade of these countries. It is true that in view of the direction of Communist trade to a relatively small number of these countries, the impact is in these cases much greater than the average figure suggests. Presumably the arrangement suits the countries concerned. Certainly if they felt themselves exploited or threatened they could, without too much difficulty, find alternative sources of supply and alternative outlets for their produces in Western countries. On the other hand, the gradual increase of the trade of Communist countries with the developing world must enhance the status of the former as trading partners.

I. AIMS AND FEATURES OF COMMUNIST AID

4. There is no doubt that the prime motivation of Communist aid is political. The Soviet Union has been concerned to increase its own influence in the Third World and diminish that of the West, and it has put pressure on the East European countries to take part in this effort. China's more modest aid programme is directed to countering the influence both of the West and the Soviet Union.

5. Economic resources in the Communist countries are very limited relative to needs. The first priority for Soviet aid is of course the other Communist countries. In 1968 about 0.2% of Soviet GNP went on net aid to these countries and only about 0.03% to non-Communist developing countries. The fact that the Soviet leaders have been concerned to achieve the greatest political impact with the least outlay in terms of real resources explains the special features of Soviet aid.

6. In the first place, there has been a distinct tendency to channel aid to relatively few, chosen, countries so that in the case of some of these Communist aid is a very important issue. Secondly, a great deal of propaganda is made about Soviet aid. Projects most likely to excite interest are selected and great stress is laid on the allegedly generous nature of the terms on which Soviet aid is granted, both as regards rates of interest and duration of loan.

7. In fact there is nothing particularly generous about Soviet aid: whereas up to half Western aid in the past has been in the form of outright gifts, only 3% of Soviet aid comes into this category. In the past Soviet interest rates were lower than Western rates which were based on market conditions, but the trend is for Soviet rates to rise and Western rates to fall. Soviet aid always represents the delivery of Soviet goods or technical assistance, whereas in the case of the West 40% of aid is untied. There is an increasing tendency in the West to provide aid through international channels. The Communists do not participate in such arrangements, except that they have a 3% share in the UN technical programme which in itself is only a minor fraction of multilateral aid.

8. Communist countries attach considerable importance to technical aid - the sending of technicians abroad and the training of foreign technicians in the Communist countries. The USSR can probably more easily spare technical facilities than capital goods and the political impact of this form of aid can be very considerable.

9. Even more significant is the provision of military aid and training which also tends to be channelled to a few chosen countries, where the political impact is very great indeed and the cost relatively little bearing in mind that the Soviet defence industry is very active and that large stocks of weapons must be available.

10. There are certain long-term economic advantages too from these aid programmes. In return for capital goods, military equipment and training facilities, the Communist countries are entitled to receive increasing quantities of the produce of the developing countries. In this way trade relations with the developing world are gradually being built up.

## II. TRENDS

11. In so far as the purpose of aid was to make Communist, and especially the Soviet, presence felt in the Third World, this object has been achieved. Although the bulk of aid still comes from the Western World, developing countries have the opportunity of turning to the USSR as an alternative source which reduces their dependence on the West and gives the USSR increased leverage in world affairs.

12. The fact that the Communists are not increasing their efforts in this sphere and that programmes have tended to level off is primarily due to the shortage of resources. When the programmes were inaugurated in the fifties it was still thought that Soviet economic resources could be quickly increased and mobilised to serve political ends. Since the mid-sixties, however, it has been increasingly realised by the Soviet leaders that economic power is not growing fast enough compared with that of the West, (particularly the USA), to be very effective as an instrument of policy. This makes it imperative to use resources sparingly. Aid, however, is still likely to be forthcoming where political dividends are promising relative to the economic investment.

13. As regards military aid, there were few large new commitments in the years 1968/69, and the trend in deliveries also declined somewhat. It could be that the Soviet leaders were pursuing a rather more cautious policy or that the opportunities to step in with offers of arms, which are associated with important policy changes in Third World countries, were fewer. However, in view of the significant political advantages to be gained from supplying arms to Third World countries and the relative abundance of military equipment in the Soviet Union, it must be assumed that the Soviet leaders will continue to make the most of the opportunities which present themselves.

III. ATTITUDE OF NATO COUNTRIES TO COMMUNIST AID PROGRAMS

A. Economic Aid

14. Western countries have an interest in the economic development of the Third World and cannot properly object to well-founded Communist aid projects even though these may be politically motivated. Indeed they should continue to welcome this addition to resources at the disposal of developing countries even though these latter may be concerned to show their independence of the West. What the Western countries might well stress is the desirability of promoting certain standards as regards the provision of aid, e.g. that it should be designed to serve the economic interests of the recipient rather than the political interest of the donor; that it should be put to good use, that there should be a measure of international co-operation in providing aid, avoiding, however, the impression that the richer countries were seeking to impress their rules on the developing countries.

B. Trade

15. The Western countries can afford to welcome unstintingly Communist efforts to increase trade with the Third World on the grounds that, generally speaking, trade tends to benefit all parties and that this particular trade should benefit the developing countries especially by providing new sources of supply and extra outlets for their produce.

16. The Western countries might, however, urge the virtues of multilateral trade and settlement, suggest Communist participation in international economic organizations and commodity agreements and welcome initiatives from Communist countries as to joint participation in schemes.

C. Military Aid

17. The provision of military aid to the Third World by the Communist countries is a much more disquieting problem for the Western, and particularly the NATO, countries. There is no doubt, however, that both the recipients and the donors have an interest in its continuing.

18. The attitude of the developing countries seems to be somewhat as follows:

- (a) Developing countries though poor feel the need nevertheless to have some military strength as a mark of their sovereignty and independence. Moreover, in many of these countries the military is the most important cohesive element of society. It helps to unite the tribes and regions, it provides the best available technical and organizational training and

gives peasants a much wider experience than they would otherwise have. It is important in such circumstances that the armed forces should enjoy prestige and that they should be reasonably well equipped.

- (b) Some of these countries in present circumstances prefer to receive military aid from Communist sources.
  - (i) Some of the new nations are very conscious of having emerged from colonial status and are reluctant to depend on arms from their former masters. They may not have the same objection to getting them from other Western countries, but the Communists happen to provide a convenient alternative source of supply.
  - (ii) In some countries the army, particularly perhaps the younger officers, look to social change to revitalise the nation and are ready to espouse some form of socialism in opposition to traditional elements in their own society. Such groups tend to be anti-Western and would turn more naturally to the Communists.
  - (iii) The Arab states that are in active conflict with Israel are critical of the West for supporting Israel and have turned to the USSR in self-defence.

19. For their part, too, the Communist leaders, at least in the USSR, seem to have every inducement to pursue a policy of granting military aid. In present circumstances the supply of arms and military training is a most effective and relatively cheap means of undermining Western influence in certain countries. The significance of military relative to economic aid is a further illustration of the tendency of the Soviet leaders to rely more on their well-established military potential as an instrument of policy than on their economic power, which is making disappointingly slow progress. Given the sensitiveness of Soviet military aid any change in these trends should be studied closely.

ECONOMIC ACTIVITIES OF COMMUNIST COUNTRIES  
IN THE DEVELOPING AREAS OF THE THIRD WORLD

TWELFTH REPORT BY THE ECONOMIC COMMITTEE  
(1967-1969)

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I. ECONOMIC ASSISTANCEA. MAGNITUDE AND DIRECTION OF COMMUNIST ECONOMIC AID(a) New Commitments

During the two years (1967 and 1968) under review, the total value of new economic aid commitments undertaken by Communist countries has been markedly smaller than during earlier years, and, on the basis of partial information so far available for 1969, this trend has apparently continued. In 1967, new credits extended(1) amounted to \$340 million, in 1968, they reached \$735 million, and were, in 1969, probably of the order of \$560 million. During these three years, the annual aid extensions thus averaged only about \$540 million, as against \$1,350 million per annum in each of the three preceding years, 1964-1966, when the record levels of Communist aid extended attracted wide attention(2). This decline in new commitments is largely the result of the much more cautious approach to economic aid adopted in recent years by the Soviet Union.

2. At the end of 1969, out of a total of about \$10.4 billion of credits and grants extended during the 15-year period starting in 1954, 62% had been pledged by the Soviet Union as against 27% by the East European countries, in which Czechoslovakia played a leading rôle, and 11% by Communist China. During 1967 and 1968, however, the share of the USSR in total Communist aid extended dropped to less than 45%, while that of the East European countries, taken as a whole, rose to exceed this percentage, and Communist Chinese undertakings levelled off at about 10% of total new Communist commitments. In 1969, it would seem that the share of the Soviet Union in the total increased, while, by the middle of the year, no new aid commitments had been announced by Communist China. Definitive information on the projected construction by China of the Tanzanian-Zambian railway was still not available at the end of the year.

3. During the period under review, the main efforts have been directed at the MIDDLE EASTERN countries. Over the last three years, the most outstanding single beneficiary was Iran, which was granted \$485 million (\$200 million by the USSR, \$200 million by Czechoslovakia, and the rest by Hungary,

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(1) The term "extension" refers to a formal undertaking to provide goods and services either on deferred payment terms or as grants. Assistance is considered to have been extended when an agreement is signed and commits the donor country formally to provide such aid. A credit is considered to be "drawn" when the goods are actually delivered or the services rendered

(2) See 11th Report on Economic Activities of Communist Countries (C-M(67)55 and AC/89-WP/217)

Rumania and Bulgaria). These new commitments are intended to promote the industrialisation of the country in general and the development of the heavy industry in particular. The recipient country is expected to repay this aid largely in the form of oil and natural gas, the output of which is rapidly expanding. During the first half of 1969, Iraq accepted credits amounting to \$205 million from the Soviet Union and the Soviet Zone of Germany. The Soviet credits (\$121 million) are to be used for the purchase of petroleum equipment and for technical assistance, the credit from the Soviet Zone (\$84 million) for various factories, communication and agricultural development projects. Among the other recipients of recent credits may be quoted Syria (\$25 million from Rumania in 1968), the UAR (\$21 million from Communist China in 1968) and South Yemen (\$13 million from the Soviet Union and \$24 million from the Soviet Zone in 1969).

4. The most striking new development in Communist economic aid to AFRICA during the recent past was undoubtedly the commitment undertaken by Communist China to assist Tanzania and Zambia in building a 1,750 km long railway link between Dar-es-Salaam and the Zambian copper belt. The Chinese offer came after negotiations with Western governments and private consortia had failed. In September 1967, an agreement in principle was reached and survey and design work was nearly completed by the end of 1969. The size and the repayment conditions of the interest-free loan extended by China were still unknown at the time of the preparation of this report, but it was already clear that it would be the largest single aid project ever attempted by China. The estimated total cost of the project had been put at \$260 million by Western experts in earlier years, of which 60% might have to be accounted for by Tanzania and 40% by Zambia. The envisaged transport capacity of the line would be sufficient to meet Zambian needs and leave spare capacity for Tanzania's projected mineral and agricultural developments in the southern highlands. It may be recalled that in May 1967 the USSR extended \$6 million to Zambia for scientific equipment and assistance (both economic and technical) in rural electrification and roadbuilding, but by June 1967 Chinese aid had already taken the lead: a \$17 million interest-free loan was extended to cover the equipment cost of various projects, and China has since continued to concentrate its aid and trade efforts on this African region. The Tanzam railway project is a major political investment, and a failure would be particularly ruinous for Chinese prestige.

5. Apart from this major venture, a \$50 million credit extended by Czechoslovakia to Algeria in 1967 might be mentioned. Loans by various East European countries were granted to Tunisia, amounting to \$52 million in 1968, and to Sudan (\$37 million in 1967 and an additional credit of an unknown amount extended by the Soviet Zone of Germany in 1969). In Guinea, Mali, Mauritania and Senegal minor amounts were reportedly extended during the last three years both by the Soviet Union and Communist China.

6. As far as ASIA is concerned, Afghanistan, traditionally a major recipient of Soviet aid, obtained in 1968 a new line of credit of \$132 million from the USSR for industrial projects under its third five-year plan. Pakistan received additional Chinese loans in 1967 (\$7 million) and in 1968 (\$42 million) and more recently, in 1969, a new Soviet credit of \$20 million. By the end of 1969, Communist China had thus extended to this country since 1954 credits amounting to \$109 million as against \$203.1 million extended by the Soviet Union. In Nepal, Communist China reasserted itself as the main source of Communist aid by adding another \$2 million to the \$63 million credits extended earlier.

7. New economic aid commitments to LATIN AMERICA were undertaken largely as part of the renewed trade interest of the Soviet Union and the East European countries in this area. Chile obtained in 1967 a \$55 million credit from the Soviet Union and another \$5 million from Czechoslovakia in 1968. Uruguay received \$10 million from Hungary in 1967 and \$20 million from the USSR in 1969. Ecuador accepted \$5 million from Czechoslovakia in 1967 and \$5 million from Poland in 1969; Argentina \$5 million from Poland in 1968, Peru \$6 million from Czechoslovakia in 1969, and Colombia \$2.5 million from the USSR in 1968.

8. Although the number of recipient countries has been growing steadily ever since 1954 to reach, by the middle of 1969, a total of 42 countries accepting Communist credits, one of the main characteristics of this aid remained unchanged: its concentration on a limited number of selected countries. Out of the \$10.4 billion so far extended, 36% was allocated to two countries: India and the UAR. Three countries (Iran, Indonesia and Afghanistan) absorbed another 25%. Among the remaining important beneficiaries of Communist aid are: Iraq, Syria and Pakistan. In Africa, which accounts for 17% of total commitments, Algeria, Ghana, Guinea and Mali are the major beneficiaries of Communist aid so far promised.

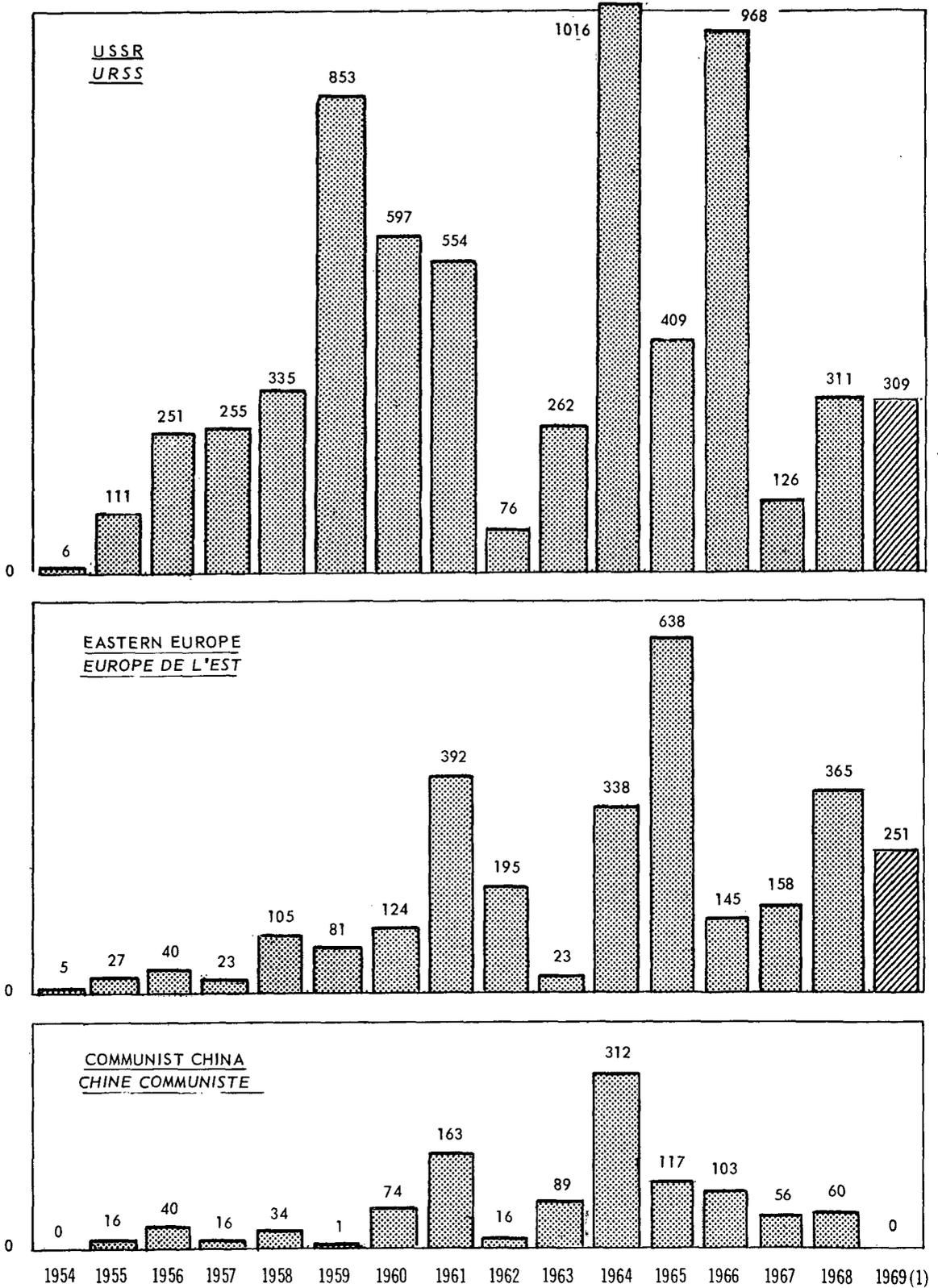
9. It would appear that the main target of the Soviet Union and the East European countries' aid activities remains the Middle East and adjacent Muslim countries such as Algeria and Tunisia in the West, Afghanistan and Pakistan in the East, Sudan in the South. Apart from its traditional interest in Asian neighbouring countries (Pakistan, Nepal, Cambodia), Communist China devotes particular attention to the Horn of Africa (Uganda, Kenya, Somalia) and adjacent areas, as was recently highlighted by the announced assistance to Tanzania and Zambia, as well as to South Yemen.

GRAPH I - GRAPHIQUE I

ECONOMIC AID EXTENDED BY COMMUNIST COUNTRIES  
AIDE ECONOMIQUE DES PAYS COMMUNISTES - ENGAGEMENTS

(1954 - 1969)

(IN MILLION US \$) - (EN MILLIONS DE \$ US)



(1) Provisional estimate  
Estimation provisoire

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(b) The Implementation Record

10. References to the size and trends of economic aid "extensions"(1) are of interest as they constitute official declarations of intent, formally agreed by both donor and recipient country, and thus provide a valuable indication as to the likely direction and scope that Communist economic aid deliveries may take in the coming years. These figures do not provide, however, any evaluation of the flow of aid actually received by the less-developed countries. While new aid extensions are widely publicised by the Communist donor countries, official information on the annual amounts of aid utilised is scanty and generally lacks precision. This leaves Western experts with the difficult task of estimating what the less-developed countries are, in fact, obtaining from the Communist promises.

11. There was a rapidly growing gap between the volume of Communist aid pledges and actual deliveries during the period 1954-1961. Drawings exceeded the low level of new extensions in 1962 and 1963. But, when commitments reached new records during the next three years, the gap between "promises" and "fulfilment" widened again markedly, and has since remained very large. At the end of 1969, of the total \$10.4 billion economic aid extended since 1954, only about \$4.4 billion had actually been drawn.

12. A considerable time lag between the "extension" of a credit and its actual utilisation by the recipient less-developed country is typical of most aid programmes, Western and Communist alike. Shortages of technical skill and of trained, administrative and managerial personnel delay the implementation of aid projects. To deal with these problems, Communist countries from the beginning of their aid programmes have provided the developing countries with technical assistance, but they have run into unforeseen difficulties. Soviet economic literature has discovered rather recently one of the most persistent problems connected with aid programmes: the limited capacity of recipient countries to absorb new capital goods. Most of the less-developed countries have been unable to provide the local currency counterpart that the implementation of aid projects required. The Soviet Union has had reluctantly to extend about 5% of its total aid deliveries in the form of commodities in order to generate at least part of the local currency component needed for this purpose. The very nature of the large scale Communist aid projects has also played its rôle in explaining the time lag between extension and actual drawing. For instance, the first Soviet credit for the Aswan Dam project in the UAR was extended in December 1958. Work started in 1960, and the entire project will reportedly be completed by mid-1970.

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(1) See footnote (1) on page 15

Drawings on these credits started slowly two years after the signature of the first agreement, reached their peak in 1964-65, when the first repayment instalment was apparently made, declined in 1966, but regained momentum in 1967. Thus, drawings on these credits will have been spread unevenly over a period of 12 years, although, in this particular case, the project might be completed ahead of schedule.

13. On the whole, the speed of Communist economic aid implementation compared rather poorly with Western aid. The "turnkey" type of arrangement, which had long been associated with Western assistance, providing not only for deliveries of equipment, material and technical advice, but also of building and installation, was only discovered by the Soviet Union in 1961. While, in the past, the Soviet Union had sought to reduce its responsibility for project implementation, more recently, fewer large scale unspecified lines of credit were extended and more careful consideration given to the suitability of the proposed projects. It may be noted, for instance, that in 1968 the USSR deferred undertaking firm aid commitments to Brazil, Nigeria and Pakistan, pending the outcome of extensive feasibility studies.

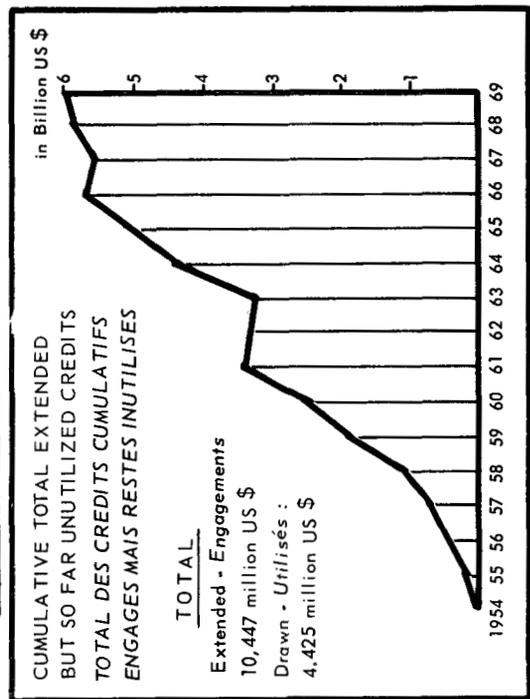
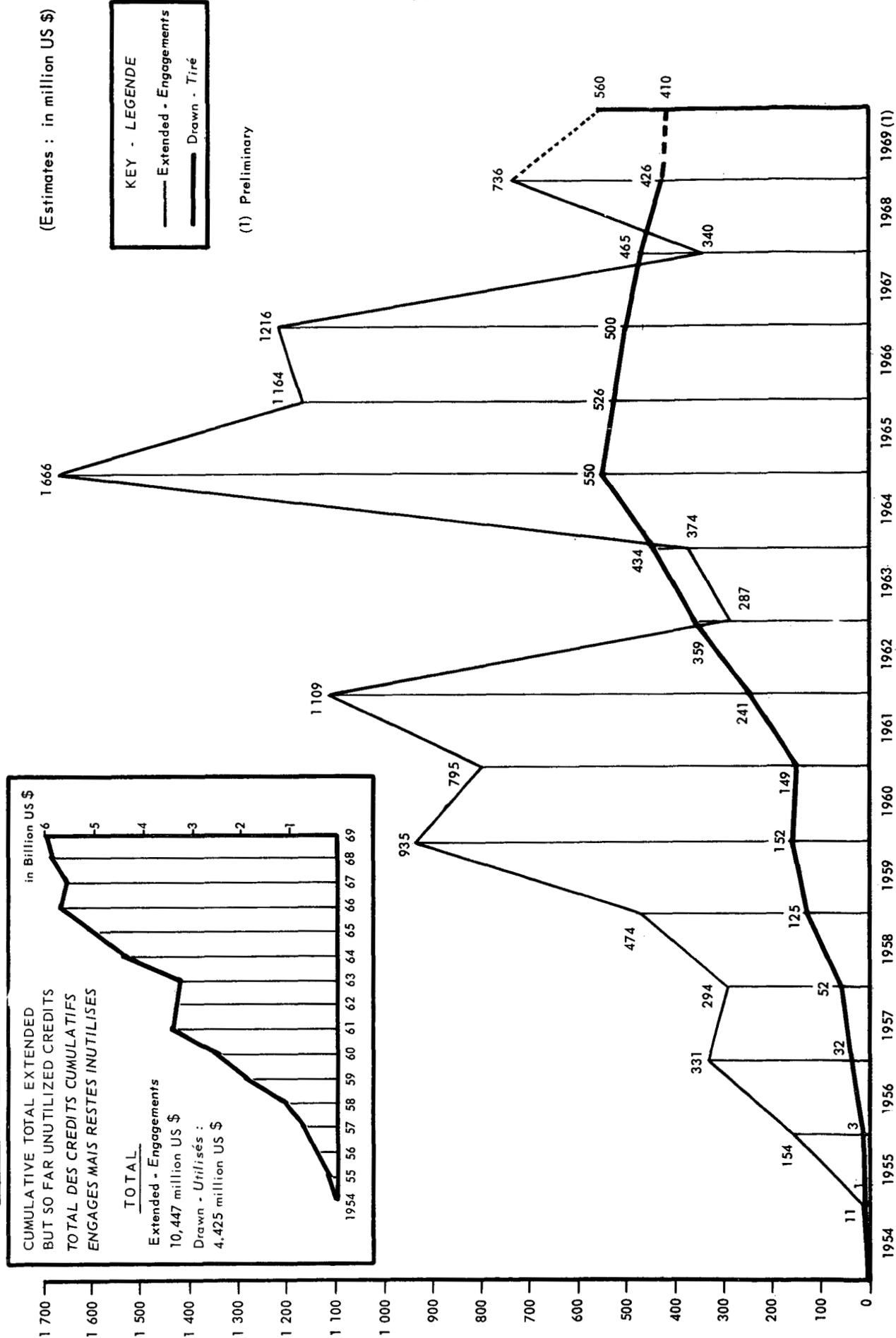
14. At the end of 1969, the backlog of unutilised credits had accumulated to a record of nearly \$6 billion. This amount would be sufficient to keep the Communist aid programmes running for the next 13 years at the rate of implementation presently prevailing, even if no new commitment were to be undertaken by the Communist countries in the coming years. The rate of utilisation of credits extended by Communist China (50%) was slightly better than that of Soviet aid (46%). The apparently poor performance of East European countries (less than 40% of the aid extended was drawn by the end of 1969) results, in part, from the fact that these countries have entered seriously into this field of activities only during recent years: 55% of total amount of East European credits were extended during the last five years.

(c) Economic Aid Deliveries in 1967 and 1968

15. Annual drawings of Communist economic aid by developing countries increased gradually between 1954 and 1964, when they reached their peak of about \$560 million, and have steadily declined since to \$490 million in 1966, \$465 million in 1967, and \$426 million in 1968. They may be estimated at about \$410 million in 1969. This decline results mainly from a steady reduction in aid deliveries from the Soviet Union, by far the most important source of Communist economic aid. Aid deliveries by Communist China were also reduced in comparison with the peak reached in 1966, while the East European countries have somewhat improved their performance after that year.

GRAPH II - GRAPHIQUE II

ECONOMIC AID DRAWN BY DEVELOPING COUNTRIES ON COMMUNIST COUNTRIES COMMITMENTS (1954-69)  
 AIDE ECONOMIQUE - TIRAGES DES PAYS EN VOIE DE DEVELOPPEMENT SUR LES ENGAGEMENTS DES PAYS COMMUNISTES (1954-69)



16. This overall decline in Communist economic aid deliveries during recent years should not, however, hide the fact that in some cases deliveries have not only continued at their previous level but have even been stepped up. In addition to a somewhat reduced, but, nevertheless, important, flow of Soviet aid to the UAR, India and Afghanistan, deliveries to Iran and Algeria gathered speed, while those to Syria and Somalia were reactivated. Similarly, East European deliveries to Iran and Syria were added to the constant flow to more traditional recipient countries such as the UAR, India and Indonesia (where aid from other Communist sources had faded away). Communist Chinese main aid recipients, such as Nepal, Cambodia, Ceylon and Yemen, continued to draw steadily on the credits extended, but an acceleration in the pace of deliveries to Pakistan and to some African countries, such as Tanzania, was noticeable.

17. The general direction of economic aid deliveries during the last three years has not undergone any major change. From the Soviet Union, more than half of total aid deliveries went to Middle Eastern countries (mainly the UAR and, more recently, Iran). As before, one-third went to Asia (India, Afghanistan) and about 15% to Africa (Algeria, Somalia). The geographical distribution of aid from East European sources follows closely the pattern set by the Soviet Union: nearly 60% went to Middle Eastern countries (UAR, Syria, Iran), roughly one-third to Asia (mainly India and Indonesia), and about 6% to Africa (Ghana, Guinea, Tunisia, Algeria); token amounts went to Brazil and Argentina. Economic aid deliveries by Communist China have rather different destinations: more than half of them are concentrated on Asian countries (Nepal, Pakistan, Cambodia, Ceylon). Most of the other half goes to Africa (Tanzania, Algeria), while, in the Middle East, Yemen remains the main target of Chinese aid. In consequence, although total Chinese deliveries amounted to less than a quarter of the Soviet ones, in a number of African countries (Tanzania, Zambia, Uganda, Mauritania, Mali) and in Nepal, they exceeded the flow of Soviet aid.

18. Although detailed information on the composition of Communist aid deliveries is scarce, according to Soviet sources, about 70% of deliveries from the USSR concern heavy industry. Ferrous and non-ferrous metallurgy, hydro and thermal power, engineering and metal working have traditionally been the sectors specially favoured by Soviet aid. Light industries, transport and communication, agricultural equipment, account for about 20%, while the remaining 10% consists mainly of deliveries of commodities and foodstuff, non-project technical assistance, and financial aid, such as funding of trade deficits or cash loans. East European aid is spread in smaller amounts over a larger variety of projects, and deliveries under economic aid agreements follow closely the foreign trade commodity pattern of these countries.

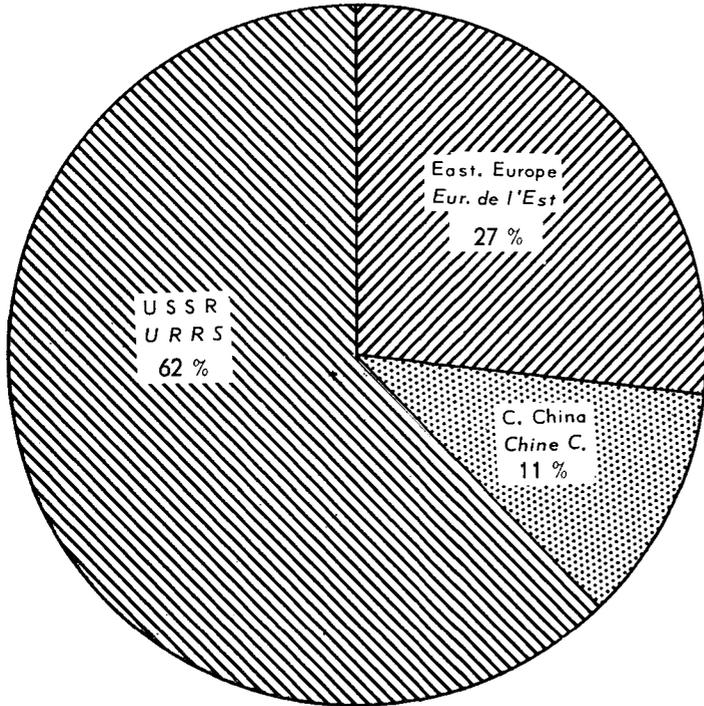
**GRAPH III - GRAPHIQUE III**

**CONTRIBUTION OF VARIOUS COMMUNIST COUNTRIES IN TOTAL COMMUNIST AID TO THIRD WORLD  
CONTRIBUTION APPOREE PAR LES DIVERS PAYS COMMUNISTES A L'AIDE COMMUNISTE AU TIERS-MONDE**

(1954 - 1969)

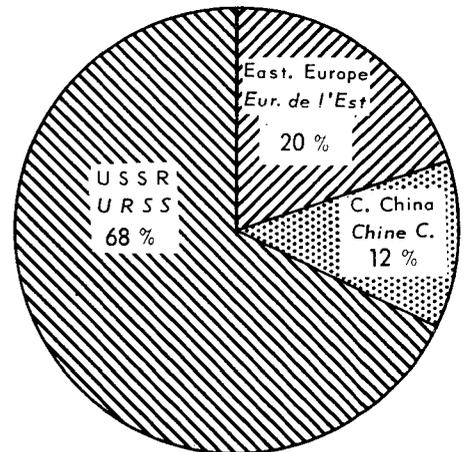
EXTENDED - ENGAGEMENTS

TOTAL 1954-1969  
\$ 10.447 million  
(100)



DRAWN - TIRE

TOTAL 1954-1969  
\$ 4.425 million  
(43 % of extended)

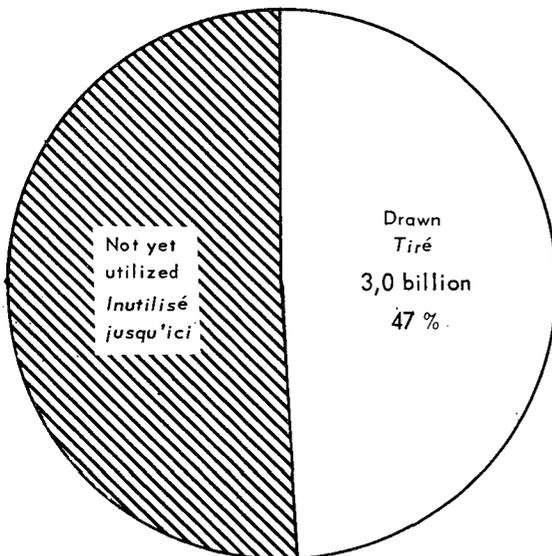


SHARE OF EXTENDED AID ACTUALLY DRAWN

POURCENTAGE DE L'AIDE OCTROYEE QUI A ETE EFFECTIVEMENT TIRE

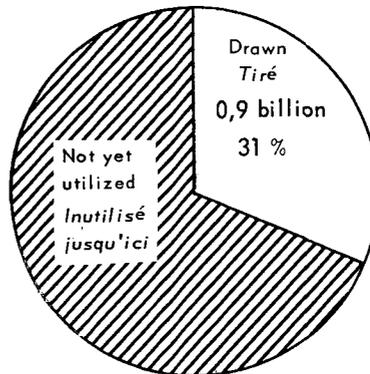
USSR - URSS

TOTAL 1954-1969  
Extended - Engagements :  
6,5 billion



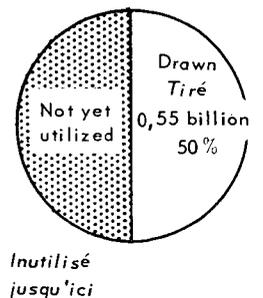
EAST. EUROPE - EUR. DEL'EST

TOTAL 1954-1969  
Extended - Engagements  
2,9 billion



C. CHINA - CHINE C.

TOTAL 1954-1969  
Extended - Engagements  
1,1 billion



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Deliveries of light industrial equipment play a larger rôle than in Soviet aid. Each of the East European countries exports its own special range of capital goods. For instance, Rumania, apart from light industrial capital goods and agricultural machinery, has concentrated on oil exploration and exploitation equipment; Czechoslovakia on machine building, textile, shoe production and food processing equipment and plants. Communist China has been interested in labour intensive projects (roadbuilding, experimental agricultural schemes) as well as in deliveries of light industrial plants (textile, food processing, cement) and, in its efforts to outbid the Soviet Union, has not hesitated to extend commodity loans or even cash to a number of countries where the USSR had shown some reluctance to provide this type of financial assistance.

(d) Technical Assistance

19. Apart from the rôle played by technicians employed on development projects in assisting the aid recipient countries to absorb capital investments delivered by Communist countries, increasingly large numbers of teachers, advisers, planners and doctors have been sent in recent years, mainly to African countries, to assist in non-project work. Contrary to Western practice, Communist technical assistance is seldom provided on a grant basis. All costs, including salaries, allowances, travel, medical care and insurance, are considered as part of the cost of the project to be reimbursed with interest under the conditions governing the Communist loans. Non-project personnel for which the recipient country has to pay are sent, under specific agreements, or even, as in the case of East European technicians at work in Libya and Tunisia, under commercial contracts. The only exceptions to this rule of debiting the cost of technical assistance to the recipient country are those resulting from "gift" projects, which only in the Chinese Communist aid programme have any significance.

20. The number of civilian technicians at work in developing countries has steadily increased over the years, as the volume of aid deliveries expanded from 1954-1964. However, when the latter started to decline in 1965, the sending of non-project personnel allowed Communist technical assistance, in terms of numbers of technicians at work in developing countries, to grow further and to reach its peak in 1966, when an estimated 22,200 civilian specialists were reportedly at work in at least 34 different countries. Since then, this number has tended to level off at about 21,200 in 1967 and 20,900 in 1968, although spread over 43 countries. During the first half of 1969, the total number of Soviet experts continued to decline, mainly as a result of the termination of a new stage of work at the Aswan Dam in Egypt, but this was more than compensated by increased numbers of Chinese labourers and a modest growth in the number of technical assistance personnel from Eastern Europe. The overall result was that the number of technicians from Communist countries at work by mid-1969 reached 21,585, a higher figure than in 1967, but below the 1966 peak. During 1969,

only 43% of this personnel (9,285) consisted of Soviet citizens, one-third (7,385) came from Eastern European countries, and nearly a quarter (4,905) from Communist China. Thus, in comparison with the volume of aid deliveries, the technical assistance component plays a larger rôle in East European and, more in particular, in Chinese aid programmes than in that of the Soviet Union. It should be noted, however, that the figure for Chinese technicians includes large numbers of labourers in charge of construction works (road and railroad building, for instance) whose technical skill can hardly be compared with technicians in the Western sense of the word.

21. The heavy concentration of technicians in a few countries has been a constant feature of Communist technical assistance programmes, but the selected countries have been changing over the years. While, in 1962, one-quarter (2,365) of the civilian assistance personnel from Communist countries was located in nine African countries, by the middle of 1969, more than half (11,695) of the total were reportedly at work in 22 African countries: Algeria (2,820), Libya (1,970), Tunisia (1,640) and Mali (1,380). In the Middle East, where, in 1969, nearly one-quarter of all the technicians were occupied, the reduction of those in the UAR (2,000 in 1967; 1,200 in 1969) was partly compensated by increased numbers in Iran (from 800 in 1967 to 1,385 in 1969) and Iraq (from 850 to 1,040). Syria kept its number of Communist technicians at 755. In Asia, the figure for 1969 (4,860), representing roughly one-fifth of the total, shows a marked decline since the peak reached in 1966, as a result either of the completion of various important aid projects, as in India, Afghanistan and Nepal, or of the political decision taken by Asian countries to reduce Communist aid (Burma, Indonesia).

22. The country employing the largest number of Soviet technicians in 1969 was Algeria (2,000), where they were assigned mainly to medical, education, oil and mineral exploration duties. Of the 9,285 Soviet technicians working in 35 different developing countries, 27% were located in six Middle Eastern countries (Iran, UAR, Iraq, Syria, Yemen and South Yemen), where they are mainly employed on development projects: (1,000 of them had been working till the end of 1968 on the Aswan Dam in Egypt, several hundreds on a gas pipeline to be built in Iran, and similar numbers on the Euphrates Dam in Syria). Large groups of Soviet civilian personnel were still at work in India and Afghanistan, notwithstanding a noticeable reduction over recent years. East European technical assistance was heavily concentrated on Africa, which absorbed about 72% of all East European experts: particularly Libya (1,970), Tunisia (1,430) and Algeria (720). In Libya and Tunisia, the majority of them were employed as skilled labourers, technical or medical personnel not linked to a specific economic aid project. Some 55% of the Chinese technicians and labourers were located in four countries of

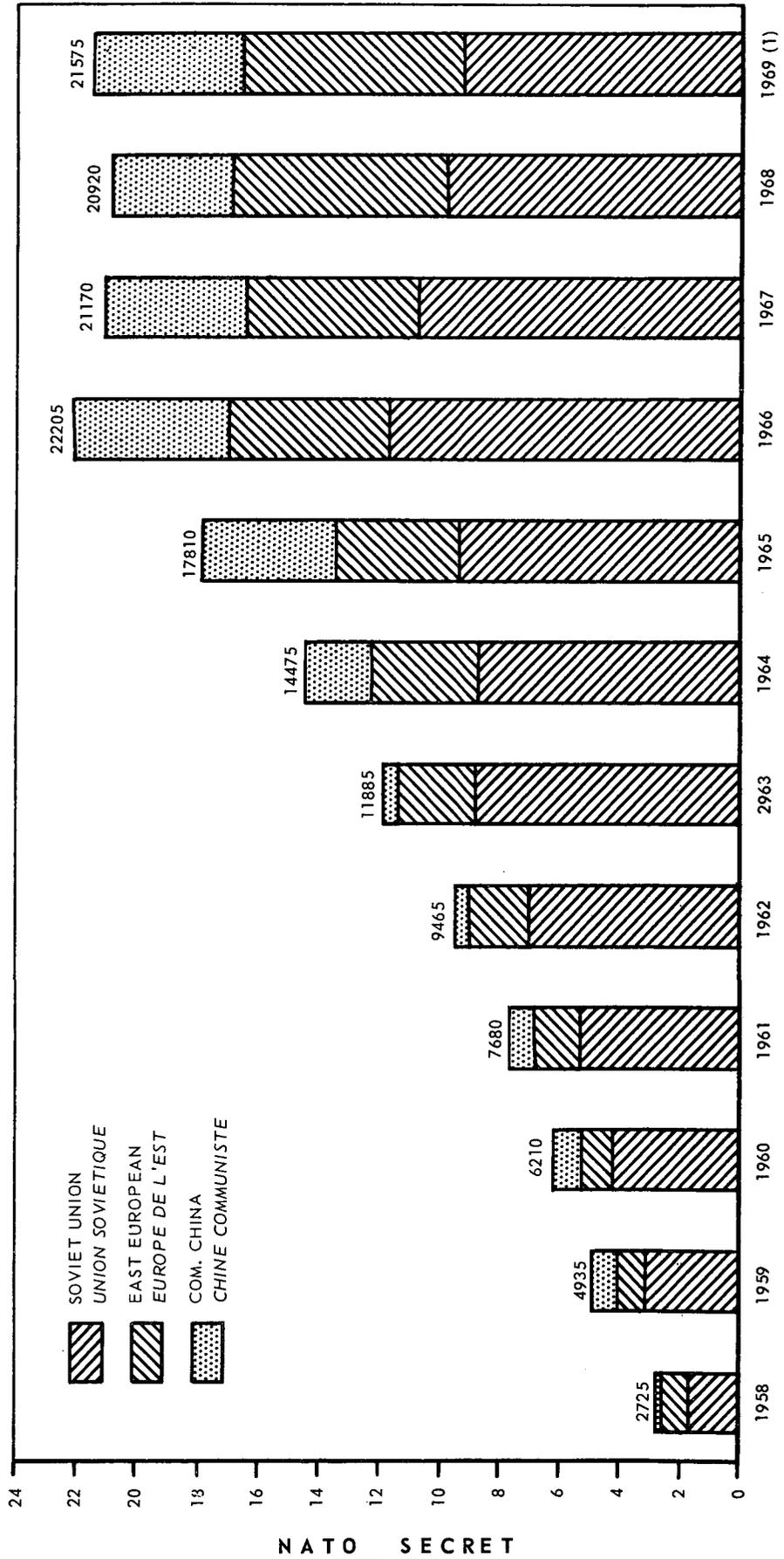
equatorial Africa: Mali, Tanzania, Guinea and Zambia. Large contingents of Chinese carried out preparatory works for the Tanzanian-Zambian railway, and others were assigned to agricultural development projects in Mali. Most of the rest of the Chinese technical assistance teams were working on road-building in Pakistan (1,000), Nepal (560) and Yemen (400), and smaller groups on various projects in Congo (Brazzaville), Afghanistan, Mauritania, Algeria and Cambodia.

23. A striking feature of Communist technical assistance has been its growth independent of aid deliveries. Libya is an example of this. Until mid-1969, the country did not accept any credits from Communist countries, but technical assistance personnel were sent in increasing numbers from the East European countries, so that, by that time, one-quarter of all their nationals engaged on technical aid in developing countries were working there - the largest group of East European technical personnel in any single country. In this way, a certain gap in the system of East European economic aid to the Muslim countries stretching from Algeria to Pakistan has been filled.

24. On the whole, technical assistance personnel from the Soviet Union and the East European countries have been favourably regarded by the beneficiaries. They have been praised for accepting difficult working conditions, for their performance in general, and for avoiding open proselytism of the Communist régimes. Concern was, nevertheless, expressed in some cases about the large numbers of Soviet technicians needed to implement a project, and the financial burden entailed. China has been extending technical assistance with less caution than the Soviets. Chinese personnel have been used on projects requiring less skill and more hard labour. There is a suspicion that Chinese labourers sent abroad may be tempted to engage in cruder forms of propaganda, but in the few cases where the withdrawal of labour was actually requested (Burma and Indonesia), this was, no doubt, the consequence of the deterioration of political relations with China rather than its cause.

25. The Communist countries have certainly gained political benefits by sending technical assistance personnel abroad. The Western monopoly in this field has been broken, and Communist ideas and technical achievements have been demonstrated in countries where their existence were hardly known of previously. Among the beneficiaries, contact with Soviet and Chinese technicians and labourers generates mixed feelings towards Communist institutions and their system of values. Competition between the two major Communist powers has been detrimental to both. Nevertheless, as difficulties, delays and inefficient use of equipment delivered are generally blamed on the donor country, regardless of the share of responsibility of the recipients, technical personnel have played a major rôle in establishing the reputation of Communist economic aid. Furthermore, these experts and skilled technicians have built up important personal relationships with

**GRAPH IV - GRAPHIQUE IV**  
**NON-MILITARY TECHNICIANS FROM COMMUNIST COUNTRIES IN THE DEVELOPING COUNTRIES**  
 (Members at work at the end of each year)  
**TECHNICIENS NON MILITAIRES DES PAYS COMMUNISTES DANS LES PAYS EN VOIE DE DEVELOPEMENT**  
 (Ressortissants en poste à la fin de l'année considérée)



For more detailed information see Tables VI and VII at annex  
 Pour plus de précisions, voir Tableaux VI et VII en annexe

(1) At work mid-1969  
 En poste mi-1969

individuals of the host countries, who may, at a later date, occupy leading functions in their respective countries: the Soviet Union is known to have made special efforts to place personnel as advisers to influential officials in key ministries and on important projects. Although careful to avoid the appearance of engaging in subversive activities, technical assistance personnel from the Communist world are undoubtedly exerting influence in directions favourable to Communist aims. Back home, the experience gained by this personnel can, in turn, be exploited by the Communist foreign aid policy makers to improve their understanding of the actual problems facing the various developing countries. For these reasons, it is likely that technicians will continue to be sent abroad in increasing numbers and that the importance of personnel relative to other forms of aid will grow.

(e) Academic students and technical trainees

26. Since 1956, various technical training schemes have been organized in Communist countries for skilled workers, technicians and administrative personnel from developing countries; on their return home, these people will be employed on projects set up with economic aid from the Communist countries. In 1968, out of a total of about 1,650, including 1,500 new arrivals, 70% came from the UAR, Afghanistan, Iran and India, where the Communist countries have major projects under way. Since the start of this type of technical assistance, an estimated 18,000 nationals from developing areas benefited from such training programmes by the end of 1969. The Soviet Union has initiated the building of technical training facilities inside the developing countries. During the last few years: 20 technical training establishments have so far been built by the USSR and a further 20 are now under construction, most of them located in countries where the Soviet Union has undertaken major projects.

27. Compared with the 1,650 technical trainees from 20 different developing countries, about 16,000 academic students from 76 different countries were reportedly following more prolonged studies in the Communist countries. So far, Communist programmes for academic students have enrolled about 33,000 students, of which some 70% have been trained in the Soviet Union. Communist China, whose academic training schemes have been practically abandoned since the cultural revolution, accepted no new students in the years under review. The number of students going to the USSR has declined over the last few years as Moscow aims apparently at limiting the number to 11,000-12,000, the level reached in 1965. Although more selective than in the past, the Soviet programme continues to accommodate a number of those students who lack the financial and education prerequisites for entrance into Western high schools and universities. Half of those so far trained came from African countries, about one-quarter from the Middle East, about one-sixth from Asia, and the remaining one-tenth from Latin America.

28. The educational programmes aimed at training students from developing countries in Communist countries appear to be yielding less satisfactory results from the Communist point of view than sending experts abroad. Indoctrination courses have had to be discontinued in some cases after official protests. Students have complained about language difficulties, poor living conditions, severe security restrictions and racial segregation. Some of these young people seem to have been disillusioned by the contrast between ideals and Soviet practice or even by the educational programmes offered at the Communist academic institutions. The impressions gained by these students in the USSR and other East European countries could well tarnish the image of Communist societies prevalent in developing countries. Nevertheless, it seems unlikely that extended periods of exposure to Communist environment would not leave some positive marks. Personal links are created and many students will realise that they have obtained an education which otherwise would have been denied them. However, the rather poor results achieved by their educational programmes will probably induce the Communist foreign aid policy makers not to increase their effort in this field above the present levels. On the other hand, the building of educational and training facilities inside the developing countries is likely to be intensified.

B. THE "BURDEN" OF ECONOMIC AID ON THE COMMUNIST ECONOMIES

(a) Share of GNP devoted to economic aid to the non-Communist world in Communist countries

29. A commonly used way of expressing the "aid burden" in statistical terms consists in comparing the total value of aid deliveries to the overall resources available to the donor country as measured by its gross national product. Thus, at the second UNCTAD meeting in New Delhi (March 1968), the "one percent of GNP" target to be devoted in the industrialised countries to the net flow of financial resources put at the disposal of the developing countries was generally accepted by Western countries, although the time period at which this goal should be reached was not decided. The calculation of the percentage of GNP at market prices devoted to economic deliveries is complicated in the case of Communist countries by the fact that neither the actual disbursements for aid deliveries nor the aggregate figures for GNP are officially released. For the GNP figures, this report has had to rely on US estimates(1). Only a rough indication of the magnitude of actual aid deliveries in relation to the size of the resources of the donor countries is attempted.

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(1) US Congress - "Joint Economic Committee: Soviet Economic Performance: 1966-1967", pages 16 and 119

30. In order to evaluate summarily the impact on the economics of donor countries of aid deliveries during a given period, account has to be taken of the reimbursements made in that period by the recipient countries. In calculating the "net" amounts of aid delivered by Communist countries, the importance of repayments by less-developed countries of principal and interest is all the larger as "grants" play a negligible rôle in their aid programmes. According to the Communist concept, the value of all the aid delivered should be repaid in due course. "Grants" represent merely 1.5% of total Soviet economic aid commitments since 1954, and less than 0.5% of East European extensions. Only in Chinese aid do grants have some significance: 14.0% of the aid extended appears to have been free of reimbursement. The only "grants" recorded during 1967-mid-1969 were those extended by China to the UAR (\$21 million) and to Nepal (\$2 million), and a minor gift offered by Bulgaria to the UAR (valued at \$0.1 million). Since 1954, only 3% of Communist aid extended to developing countries has been in the form of grants for which no repayments of principal or interest are expected; the remaining 97% has to be repaid.

31. As cumulative deliveries under credit conditions have been growing repayments increased markedly. Data on repayment of Communist loans are not readily available but can be estimated on the basis of the duration and the interest rates applied by these countries. The normal duration for which a Soviet loan is extended is 12 years, with a one year grace period. But, whereas in the past longer terms had sometimes been provided for, as in 1963 when 18% of the loans extended were for periods of more than 15 years and less than 25 years, since 1965 shorter periods have become less exceptional as "commercial credits", generally for five to seven years, and occasionally up to ten years, have been gaining in importance. East European countries have tended to adopt similar conditions for the amortisation of their loans. Communist Chinese loans are apparently extended for longer periods (15-20 years). Prior to 1965, the average rate of interest applied on Soviet loans was about 2.5%. Since then, higher rates have sometimes been applied (on commercial credits up to 4%) bringing the weighed average rate of interest to about 2.8%. The East European countries have been moving in the opposite direction: before 1964, the weighed average rate was above 3% (in 1963: 3.2%), but has since levelled off to about 2.8%. All known Chinese loans are reportedly interest-free.

32. It has been calculated that scheduled cumulative repayments of Soviet loans starting in 1959 amounted, at the end of 1968, to between \$825 million and \$850 million. Of this total, some \$165 million-\$175 million fell due in 1968. Three-quarters of these sums represent repayment of principal and one-quarter interest. It is difficult to determine to what extent such repayments were met on schedule, but it is known that, in some cases, rescheduling has been requested by debtor countries and accepted by the creditor Communist countries.

The total indebtedness of developing countries is thought to have amounted, at the end of 1968, to approximately \$1.9 billion vis-à-vis the Soviet Union, \$0.6 billion vis-à-vis the East European countries, and \$0.4 billion vis-à-vis Communist China. Since the Western concept of "net" flow of aid is taken to mean gross disbursements less repayments of principal, the net flow of Soviet economic aid to developing countries of the non-Communist world may have declined over the last five years as follows:

TABLE I

Flow of Soviet Economic Aid to developing countries  
of the non-Communist world

Year	Gross disbursements (million US \$)	Estimated repayment of principal (million US \$)	"Net" flow of Soviet Economic Aid	
			(in million US \$)	as % of GNP
1964	376	65	311	0.10
1965	356	80	276	0.08
1966	327	110	217	0.06
1967	292	115	177	0.05
1968	252	120	132	0.03

33. For 1968, the net flow of other Communist countries has been estimated as indicated in the following table.

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TABLE 2

Flow of Economic Aid in 1968 from Communist countries other than the Soviet Union to developing countries of the non-Communist world

Donor Country	Gross disbursements (million US \$)	Estimated repayment of principal (million US \$)	Net flow of Economic Aid	
			(in million US \$)	as % of GNP (market prices)
Bulgaria	6	1	5	0.07
Czechoslovakia	36	16	20	0.09
Hungary	15	6	9	0.08
Poland	27	7	20	0.06
Rumania	8	3	5	0.03
Soviet Zone of Germany	27	12	15	0.05
Eastern Europe	119	45	74	0.06
Communist China	55	10	45	0.05

34. In view of the above estimates, it is not surprising that the Communist countries rejected the UNCTAD "one percent of GNP" target on the grounds that underdevelopment was the consequence of colonialism and that the Western world, being solely responsible for this situation, should now have to pay in order to help the developing countries to overcome their problems. The adoption of the UNCTAD proposal would have meant the need to increase, at least twenty-fold, the aid effort of the Soviet Union and the Soviet Zone of Germany, sixteen-fold that of Poland and eleven-fold that of Czechoslovakia or, alternatively, to claim that the GNP of the most advanced Communist countries is very small relative to comparable Western countries.

(b) The impact on the Communist economies of aid deliveries to non-Communist countries

35. The burden of economic aid to developing countries of the non-Communist world is far from heavy if measured as a percentage of national income. There is, however, a notable exception to this generalisation: Communist China is the only less-developed country in the world which extends economic aid to nations whose per capita incomes are often considerably larger than its own. In addition, since China cannot compete

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with the other Communist countries in the volume of aid deliveries, she has not hesitated to offer far more generous terms than those of the wealthier Communist countries (grants, interest-free long-term loans). Compared to the size of her economy, the burden is small, though in 1968 heavier than that borne by the Soviet Union. Given the very low standard of living of her population and the countless needs for internal development, Chinese aid must be viewed as an expensive effort to claim leadership of the underdeveloped world.

36. The aid commitments of the Soviet Union can hardly be considered as a burden since the deliveries are far from large and do not entail the most technically advanced equipment. Occasionally specific industries, such as the heavy equipment producing industry, might have felt a temporary pressure to meet the necessary deliveries, but, in the main, the programme can be considered as an appendix to foreign trade. It is a standing trade practice that exports of heavy machinery, equipment or complete plants should be delivered under long-term credit conditions. This concept is reinforced by the "aid tying" procedure, a permanent feature of Communist aid, according to which practically all Communist development aid agreements provide for the delivery of goods and services to be purchased exclusively in the donor country. Foreign aid can only be considered a "cost" to donors to the extent that the aid-financed exports take the place of exports which would otherwise have been sold elsewhere or at less advantageous terms for the recipient. Soviet long-term credits have, on the contrary, acted as an incentive for increased trade with the developing countries.

37. Nevertheless, current Soviet domestic needs might compete with the requirements of development aid programmes whenever the problem of allocation of resources becomes more acute, all the more since the sectors supplying the aid programmes might be precisely those where domestic needs are most seriously felt: chemicals, metallurgy, engineering, electric power industries and complete factories for consumer goods. Military and space programmes may further reduce the number of options left for domestic civilian needs and foreign aid. There has been criticism about the choice of countries selected for aid and about the slowness in completing projects. In other Communist countries, there has also been some criticism of Soviet aid to non-Communist countries; in fact, events have shown that Soviet political influence has not always been maintained despite substantial outlays. Furthermore, the technical assistance programme deprives the Soviet Union of thousands of skilled technicians and engineers working abroad, while large numbers of students from developing countries are taking advantage of academic facilities and housing accommodation sometimes denied to Soviet youth. All these factors may at times generate discontent incommensurate with the real economic cost of the programme, for, in terms of economic capacity, the Soviet Union could, if it wished, increase substantially its foreign aid effort in the non-Communist developing areas.

38. Among East European countries, Czechoslovakia is by far the most committed to economic aid. It was the first East European country to enter the field (in 1955). It is providing economic aid to a larger number of individual developing countries than any other donor country in that group. Its total commitments in absolute terms exceed those of countries with larger economic resources, such as Poland or the Soviet Zone of Germany, and its deliveries in 1968, on a per capita basis, or as a percentage of GNP, are more than twice those of the Soviet Union. Even so, it does not seem that deliveries to non-Communist world impose severe strains on the Czechoslovak economy. Much of what has been said about the impact of aid on the Soviet economy is applicable to Czechoslovakia, in particular, the effect of aid as a stimulus to exports of capital equipment. The poor performance of the Czechoslovak economy during the past few years, in comparison with other East European countries which do not offer similar amounts of foreign aid, and the resulting dissatisfaction have, however, exacerbated the undercurrent of resentment against the alleged burden of foreign economic aid. An additional reason for discontent resulted from the growing awareness that, if not directed by Moscow, the foreign aid programme of Czechoslovakia was largely inspired by it, while urgent domestic needs required a serious reorientation in the allocation of resources.

39. The impact of economic aid to developing countries of the non-Communist world on the economies of Poland and Hungary, which are the next largest sources of actual Communist aid, is less important than persistent press and other reports of public resentment would warrant. The Soviet Zone of Germany, apart from some specific efforts undertaken for political prestige reasons, has avoided getting involved in any large scale foreign aid programmes. Although the Zone is economically the most advanced among the East European countries, it devotes a smaller share of its resources than the other industrialised East European countries to aid. A possible explanation for this state of affairs may be found in that her production of capital goods is of direct interest to the Soviet Union, which already absorbs the bulk of the Zone's exports in this field, and inhibits the USSR to exert pressure on the Zone for a larger participation in the East European economic aid effort to developing nations.

40. Nevertheless, when evaluating the "cost" of economic aid to Communist donor countries, it should be borne in mind that such aid is never conceived of by its authors in financial terms. "Credits" extended by Communist countries, although generally expressed in roubles or occasionally in the national currency of the recipient country, are merely indicative of the volume of material goods to be delivered, the "repayment" of which will also be in the form of material goods. The availability in the Communist donor country of "aid goods", mainly capital equipment, is a limiting factor.

Such goods are produced according to plan, and it rarely happens that they become available incidentally, as the result of the plan overfulfilment for instance. Of course, economic calculations may have to give way to political considerations and, in order to take advantage of an opportunity that has presented itself, it may be decided to divert equipment from internal to external use. Such developments, however, may have disruptive effects out of proportion to the "rouble" value of the goods involved. It is indeed one of the main characteristics of the command planning system that resources tend to be fully stretched, leaving little "idle" capacity for emergencies. The system thus reduces the flexibility of the economic aid programmes. The Western concept of relationship between "aid" and overall economic capabilities, expressed in global value terms (% of GNP), tends to overlook the rigidity of the Communist economy, where a rapid shift may create disturbances which can be resolved with greater flexibility and faster by a market type of economy.

(c) Communist Mutual Economic Assistance

41. When appraising the economic weight of economic assistance programmes to developing countries, aid deliveries to developing Communist countries might be taken into account. Current plans for economic development in the latter countries rely heavily on medium and long-term credits to cover their purchases of industrial machinery, complete plants and transportation equipment available in the more advanced Communist countries, including the Soviet Union. The so-called "mutual economic aid" programmes among Communist countries were initiated after the war, and at the end of the decade 1945-1955, when the aid programmes to non-Communist nations were launched, total commitments had reached a cumulative total valued at about \$3.5 billion, of which 73% extended by the Soviet Union. Since then, another \$11.0 billion have probably been added (as against \$10 billion extended to non-Communist countries), of which about 70% by the Soviet Union. Many of these credit arrangements (grants are thought to represent about 12% of these commitments) include provisions for technical assistance and clauses for the construction of buildings and the installation of the purchased capital goods. Furthermore, educational and training facilities have been put at the disposal of nationals from recipient Communist countries. This "mutual aid" generally entails interest at 2% with repayments in 15 annual instalments starting after the actual delivery of the goods.

42. It is difficult, in the absence of precise official data, to evaluate the drawings on such credits, and even more so to estimate the actual repayments of capital. Assessment of the economic impact of aid is complicated by the fact that practically all the East European countries are simultaneously

donors and recipients. Furthermore, it should be borne in mind that, in the early post-war period, the Soviet Union took from the East European countries, in the form of reparations, dismantled plants and shares in industrial companies, amounts comparable to what was later extended to these countries in the form of development credits. Most of these credits have been used to restructure the industrial production of the recipient countries according to Soviet needs, thus intensifying the interdependence of these countries and the USSR. "Mutual credits" between the Soviet Union, the Soviet Zone of Germany, Czechoslovakia, Poland and Hungary have been disregarded in the following estimates, which seek to evaluate aid to "developing" countries.

43. Judging by Soviet official sources(1), of the 1,560 industrial enterprises and other projects so far envisaged by the Soviet Union, some 890 (or 57%) had been completed by the end of 1968. Since 1945, a total of 80,000 Soviet specialists are said to have been sent to work in other Communist countries and 40,000 nationals from Communist countries to have had some training in the USSR. It would seem that, out of a total of \$7.7 billion committed since 1954 by the Soviet Union to Communist developing countries, some \$6.0 billion had been drawn by the end of 1968, including \$1.5 billion delivered to Communist China before 1961 and completely repaid by the latter before the end of 1965.

44. Another indication of the size of the actual flow of Soviet economic development aid deliveries to Communist countries may be found in the official trade statistics of the exports of "equipment and materials for complete plants". It has been estimated that these figures may represent some 80% of total drawings on economic aid credits in the case of deliveries to non-Communist countries, the remaining 20% covering technical services, machinery and equipment other than for complete plants, grants and other development aid arrangements(2). If this calculation is applied to deliveries to Communist countries, reported in the official Soviet statistics, the following picture emerges.

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- (1) EKONOMICHESKAYA GAZETA (November 1968)  
(2) US Congress, Joint Economic Committee. "Soviet Economic Performance 1966-67", page 119

TABLE 3

Estimated Gross Flow of Soviet Economic Development Aid  
to Communist Developing Countries

(million US \$)

	To European Communist Countries	To Asian Communist Countries	To Cuba(a)	TOTAL
1964	158	242	57	457
1965	200	106	36	342
1966	245	134	33	412
1967	269	149	50	468
1968(b)	305	160	50	515

(a) For Cuba, to the figure for exports of equipment for complete plants were added the estimates for technical assistance, as indicated in AC/89-WP/207, page 59

(b) Provisional

45. Keeping the Cuban economy afloat represents for the Soviet Union a far more costly operation than would appear from the deliveries of development aid recorded in the table above. According to Soviet statistics for 1968, the deficit of Cuba in its trade with the USSR increased to an all time record of \$346 million (Soviet exports: \$624 million, Soviet imports: \$278 million), bringing the total Soviet financed trade deficit, which has been steadily growing since 1960, to some \$1.9 billion. Besides, it should be recalled that the Soviets have been buying Cuban raw sugar at a support price of 6.1 cents per pound f.o.b., while the average spot price prevailing on world markets declined from about 2 cents per pound in 1967 to 1.7 cents in 1968. Soviet purchases of Cuban sugar at such prices amounts to an estimated additional subsidy of \$160 million-\$180 million for the year 1968. Thus, non-developmental aid, such as balance of payments assistance and sugar subsidies, may have amounted to about \$465 million during the year. Total assistance to Cuba (exclusive of military aid) represented more than the total net flow of Soviet aid to the rest of the world and some 0.12% of the estimated GNP of the USSR.

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46. The other major Communist claimants of Soviet aid have been Bulgaria, Mongolia and North Vietnam, while smaller amounts of economic development aid went to Rumania, Yugoslavia and North Korea. Whereas, during the six-year period 1955-1960, East European COMECON countries received 55% of Soviet economic aid extensions to Communist countries, during the next six years, 1961-1966, their share fell to about 34%. In 1967 and 1968 increased deliveries of capital goods and complete plants, in particular to Bulgaria, have since redressed the balance in favour of East European countries.

47. Communist China and East European countries (mainly Czechoslovakia, Rumania, the Soviet Zone of Germany and Bulgaria) have carefully maintained their trade balance with Cuba more or less even. All of them have extended development credits for specific projects and technical assistance, and agreed to pay for Cuban raw sugar at a premium price although some of them have occasionally paid less than the Soviet support price. It may be estimated that development aid deliveries to Cuba in 1968 from such sources amounted to some \$35 million and sugar subsidies were equivalent to a further \$80 million.

48. Albania, which absorbs nearly as much Chinese credits as those extended by China to the rest of the world, represents a serious liability for the latter country. The main development aid recipients in the Communist world of Chinese assistance during 1968 are thought to have been Albania (\$70 million), Cuba (\$15 million), North Vietnam (\$7 million), while North Korea and Mongolia received minor amounts. East European countries, apart from aid to Cuba, participated in economic aid deliveries mainly to North Vietnam and Mongolia. Estimates of all aid to Communist developing countries are as follows:

TABLE 4

Estimated Net Flow of Communist Economic Aid in 1968 to  
Communist Developing Countries

Donor Country	Net Development Aid (in million US \$)	Trade Balance Assistance and Price Subsidies to Cuba	Net flow of aid as % of GNP (market prices)	
			Development Aid	Total Aid
(1)	(2)	(3)	(4) = (2)	(5) = (2+3)
Czechoslovakia	30		0.13	
Hungary	8		0.07	
Poland	20		0.05	
Rumania	5		0.03	
Soviet Zone	25		0.09	
Eastern Europe Total	83	50	0.07	0.12
Soviet Union	315	465	0.08	0.20
Communist China	95	30	0.11	0.14
Grand Total	493	545		

49. The Communist countries are providing developing Communist countries with 80% more credits than they grant to other developing nations. In 1967-68, deliveries per head of population to Communist countries (six of them with a total population of 53 million) was considerably higher than elsewhere, thus: Albania \$35.0, Cuba \$10.5, compared with \$5.8 to Syria, \$3.8 to UAR, and less than \$3 in the other countries. The aid received by these few Communist developing countries is comparable with that received by the most favoured recipients of Western aid(1). Communist China, still in its early stages of economic development, has undertaken to provide aid but is not receiving any. The special position of

(1) The recipients of the largest amounts per head of net official economic assistance from OECD-DAC countries (annual average 1964-67) were:

Overseas French territories in America: \$177.1  
 Overseas French territories in Africa: \$115.7  
 Israel \$44.2; Papua and New Guinea \$38.2; Jordan \$31.9;  
 Laos \$23.7; South Vietnam \$23.0; Tunisia \$18.9

the USSR has been "justified" by the Soviets on the ground that the fast economic growth of the Soviet Union is the surest way towards economic progress for the Communist world as a whole. In fact, the widening gap between "rich" and "poor" countries, often denounced in the West, is just as much a feature of the Communist as the non-Communist world.

C. THE IMPACT OF COMMUNIST AID ON THE ECONOMY OF RECIPIENT COUNTRIES

(a) In General

50. The Soviet economic system is presented by the USSR to developing countries as a blueprint of a short cut to development and economic independence. The Soviet Union, when it claims that its aid helps to speed up economic growth, views the latter in terms of the Soviet experience, hence the insistence on the development of "heavy industry" with direct governmental control and planning. The aim is a social restructuring along Marxist lines, promoting a faster increase in the numbers of workers in large scale industrial units than in agriculture, handicrafts and services. Soviet aid thus favours the unbalanced growth pattern typical of the Communist system, implying a relative disregard for the consumer goods sectors and a near neglect of agricultural development. Though agriculture still plays a crucial rôle in all the underdeveloped countries, Soviet help has been minimal in this sector. About 70% of Soviet development aid has been concentrated in sectors such as steel production, engineering and metal working, dams and hydro-electric power stations, oil and other mineral prospecting and exploitation, chemicals. Agricultural projects account for only 2% of total aid delivered.

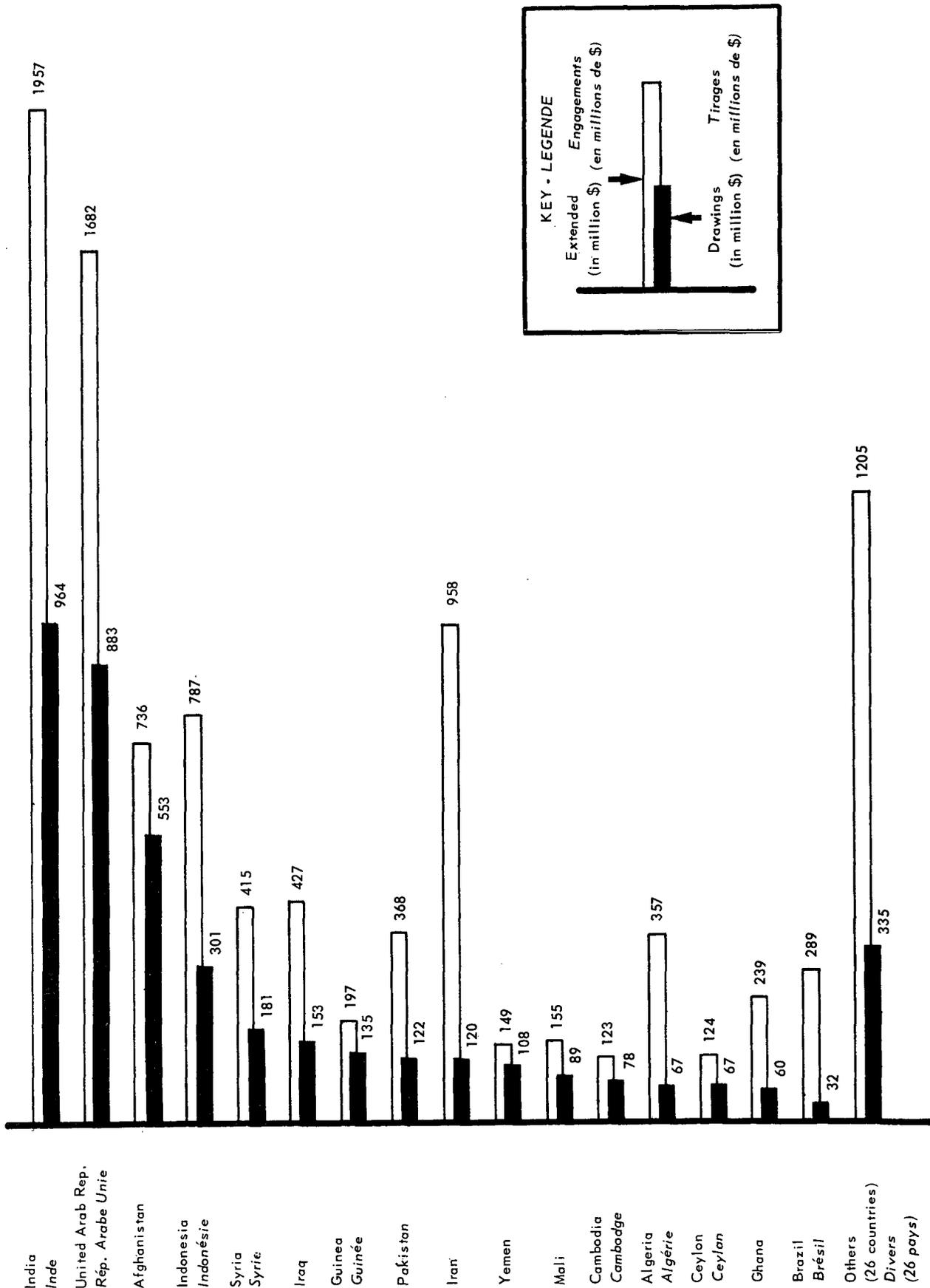
51. In the past, the Soviet Union was often ready to approve, without question, any project which the recipient country wished to undertake, whereas investment aid from the West was generally confined to projects justified on the basis of a careful study of their profit earning capacity. The "line of credit" procedure, offering global large scale amounts for unspecified projects, introduced by the Soviet Union and used until the end of the 1950s, occasionally led to the undertaking of costly prestige projects whose wastefulness has since been amply demonstrated. The principal and interest on some of the sports stadia, luxury hotels, official palaces, exhibition buildings, theatres, are still being repaid by developing countries in the form of additional exports. Such cases of misuse, however, should not be exaggerated. The USSR has learned by experience that uneconomic use of credits may backfire on the lender even if he refuses to accept the responsibility of telling sovereign nations how to spend the money provided. Over recent years,

the extension of any important new Soviet credit has always been preceded by detailed feasibility studies. Nevertheless, in the Soviet Union, the economic utility of a given project is assessed according to the Communist concept of economic growth, while political considerations continue to play a decisive rôle in the final Soviet answer. Thus, the Soviet Union has undertaken a number of projects that had been rejected by Western countries or from which the latter had been excluded (Aswan Dam in Egypt, Euphrates Dam in Syria, Bokara steel mill in India, oil exploration in Iraq). The optimum economic allocation of resources requires a sophisticated analysis (opportunity cost) which, in the absence of comprehensive and reliable statistical and financial information, becomes difficult. Furthermore, the final decisions of governments are not made on purely economic grounds. In the case of developing countries, social and political considerations (economic independence, national prestige) have often played a decisive rôle independently of the cost-effectiveness of the project.

52. The East European countries have been more cautious in their approach to economic aid; nevertheless, some spectacular and widely known mistakes due to lack of experience have been made (e.g. a sugar refinery using sugar beet as raw material was sent to Indonesia, where only sugar cane is available; bulldozers fabricated for use in snow and ice were sent to Guinea ...). There has been some attempt to co-ordinate aid efforts within COMECON. The Soviet Union is the only country capable of undertaking the really large scale projects, while the East European countries concentrate on less ambitious and more diversified projects. The latter have devoted a larger share of their efforts to industrial sectors more directly concerned with the production of consumer goods (textile, footwear, tyre factories, cement, food processing, printing presses). In some cases, East European countries act as sub-contractors for large Soviet aid projects, and, in general, can be said to provide aid complementary to that of the Soviet Union. A new form of collaboration with developing countries started by East European countries in recent years consists in setting up "mixed" plants in developing countries to assemble component parts that cannot be produced locally. The loans granted are considered as share capital, production is planned in common, and the repayment takes the form of deliveries of the goods produced. Such form of aid benefits both the lender and the borrower, but it is difficult to determine who benefits the most as it reduces the flexibility of the economy of the recipient country by limiting the freedom of choice for its purchases and deliveries. This system, which has been adopted by the Soviet Zone of Germany, Poland, Rumania and Hungary, has not yet reached significant proportions, but it may well develop considerably in the near future.

GRAPH V - GRAPHIQUE V

MOST IMPORTANT RECIPIENTS OF COMMUNIST ECONOMIC AID (1954 - mid 1969)  
 PRINCIPAUX BENEFICIAIRES DE L'AIDE ECONOMIQUE COMMUNISTE (1954 - mi 1969)



53. Communist China, which had unfortunate experiences with the Soviet model of development based on priority for heavy industry, has been challenging the USSR by offering a variant to the Soviet blueprint. The Chinese have been urging the developing countries to be more self-reliant, to preserve their independence and to pay more attention to economic considerations in their investment programmes. The Chinese also lay more stress on the agricultural sector, as they see the peasants as the main revolutionary force in the Third World. The economic capability of China to extend meaningful economic aid to developing countries is obviously limited, and their credits have been generally concentrated on undertakings of a labour intensive character, such as road and railroad building, small light industrial enterprises and agricultural pilot projects. Even so, it has been reported that China was unable to meet its obligations in Nepal and Burma and had to substitute less demanding projects for the ones it had originally intended to construct. Nevertheless, in their effort to outbid the Soviet Union, the Chinese have occasionally delivered commodities (rice, wheat, sugar) under credit terms and extended small loans of hard currency to some African countries. In 1967, for example, they extended \$21 million, on credit terms, in wheat and foreign exchange to the UAR. Chinese aid has been helpful to a few developing countries in overcoming short-term difficulties, but is inadequate to exert a decisive influence on the fundamental problems of economic growth.

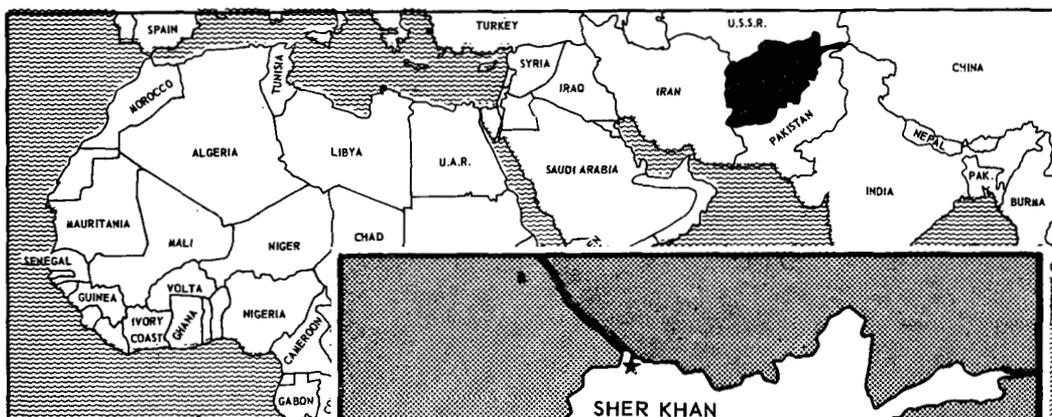
54. Given the limited scope of Communist economic aid delivered up to mid-1969, it is only by being heavily concentrated that it could be expected to have an impact on the development of recipient countries. Furthermore, Communist aid programmes gathered momentum only after 1961 and in most recipient countries the assistance so far drawn has not been very large. Out of the 42 countries accepting Communist aid, 26 countries have so far drawn less than \$50 million each, and only four countries more than \$250 million. The size and stage of development reached by the recipient countries are also to be considered when an attempt is made to evaluate the contribution of aid to economic growth. Out of the 42 recipient countries, 22 have a population of less than ten million and only five countries have more than 35 million inhabitants. Small amounts of aid in countries of limited size, development, resources and population (Yemen, Mali, Guinea all have populations of less than five million) may contribute in an apparently more effective way than much larger deliveries to vast countries (India: 524 million inhabitants).

55. In very few countries, Communist aid has contributed to a sizable increase in productive capacity. This was the case in Afghanistan, the United Arab Republic, Syria, Iraq and India. In most of the other main recipient countries, such aid has been used to build up the economic infrastructure:

geological exploration, communications, road and railroad building, port development, airport construction, hospitals, technical training centres and institutes. In this connection may be cited: Yemen, Guinea, Mali, Somalia. None of the countries mentioned have recorded outstanding economic performance during the last decade, but this should not be seen as reflecting Communist aid ineffectiveness, as it stresses only the fact that foreign economic aid cannot be used as a substitute for the internal efforts undertaken by the developing countries themselves.

(b) Countries where Communist aid contributed to significant increases in productive capacity

### 56 AFGHANISTAN

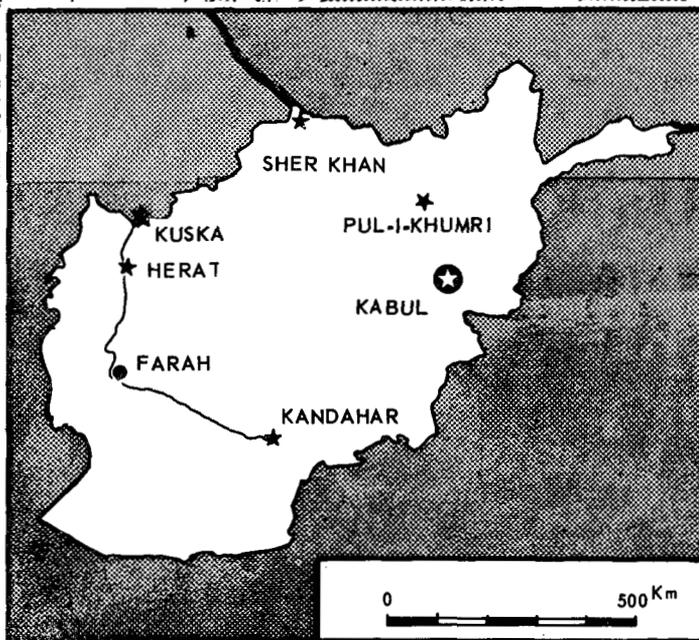


#### AFGHANISTAN

Population  
16.1 million

GDP per head (1968) :  
about \$ 75

Communist aid :  
total extended  
since 1954 :  
\$ 736 million  
total drawn :  
mid 1969 :  
\$ 553 million  
or \$ 34 per head



is at least as important as economic aid from Western countries, mainly the United States and Germany. Soviet aid started as early as 1954. During the first five-year plan (1956-61), roughly one-third of total gross investment in the country consisted of Soviet deliveries. This share was further increased to about a half during the second plan (1962-67). By mid-1969, a volume of \$183.4 million worth of Soviet aid remained at the disposal of the country for projects under the second plan to be completed and for new projects under the third plan (1968-73). Soviet participation in the third plan so far undertaken amounts to \$127 million new credits extended in 1968, and will continue to be concentrated mainly on basic industries and communications. In comparison with Soviet assistance, aid extended by the East European countries (in total \$11 million since 1954) and Communist China (\$28 million in total) is negligible in economic terms.

57. Up to now, road construction has absorbed a fair share of Soviet aid. Among the major projects completed should be mentioned the Kuška-Herat-Kandahar road linking the North Western region, from the Soviet border, to the South Eastern part of the country. For its construction, the USSR extended in mid-1959 a grant of about \$120 million. In addition, several bridges and road maintenance projects were undertaken as well as improvement works on various airfields. In the field of energy, out of a total national production of about 350,000 kwh in 1967, more than a quarter was provided by a hydro-electric plant in the north of the country at Pul-I-Khumri, built with Soviet assistance, that went into operation in May 1962. The USSR helped to set up at least three other hydro-electric plants with a total capacity of 100,000 kwh, part of which is to supply electric power to the Uzbek SSR. A nuclear reactor was also to be put at the disposal of Afghanistan for research purposes in the field of atomic energy. Another major project under way provides for the extraction of 2 billion cubic metres of natural gas per year, of which 1.5 billion is to be sent to Dusanbe in the USSR along a pipeline already built with Soviet aid. In addition to the construction of liquid fuel dumps in seven major towns, the USSR is building an oil refinery with an annual capacity of 50,000-60,000 tons.

58. As far as the chemical industry is concerned, the Soviet Union has undertaken a survey for a fertiliser plant and will eventually set up a chemical research institute in Kabul. The building of a steel mill had been considered, but the results of the feasibility study undertaken by the Soviet Union are not yet known. The Chinese contribution has mainly been the building of a textile plant near Kabul and the Czechoslovaks have built two cement plants and a fruit cannery. Motor repair workshops have been set up in various cities with Soviet aid, and in Kabul the construction of a prefabricated housing factory, two flourmills, grain silos and additional storage buildings has been completed.

59. As regards agriculture, several important irrigation projects, including the construction of dams, have been undertaken by the Soviet Union, mainly in the northern half of the country. Four experimental farms linked with the irrigation projects have been established. These various projects have undoubtedly contributed to increasing agricultural production, and the Soviet Union has occasionally helped out by sending, usually in the form of gifts, sizable quantities of wheat (40,000 metric tons in 1959; 50,000 tons in 1960; 25,000 tons in 1963). In addition, commodity credits (sugar, gasoline, etc.) have been extended on several occasions.

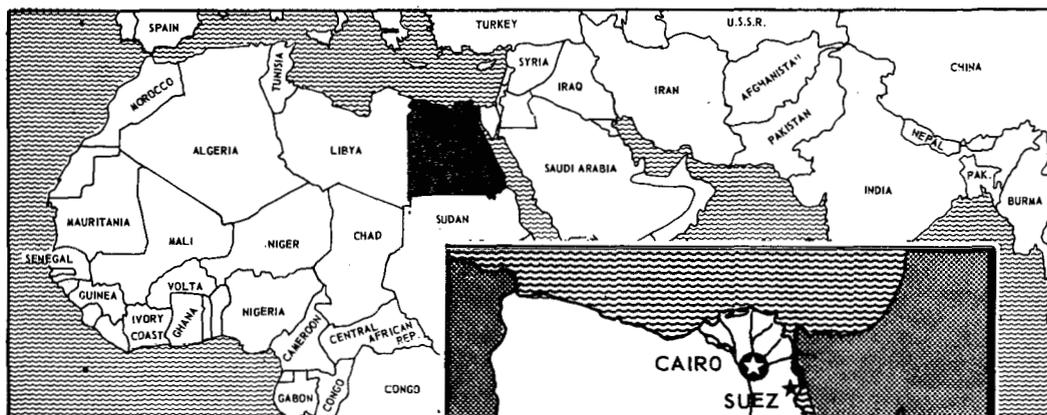
60. As far as education is concerned, various technical schools, laboratories and institutes have been constructed with Soviet aid. Over the past 5-6 years, between 1,000 and 2,000 Soviet civilian technicians have been at work in the country assisting the Afghans in the construction of the various projects. Finally, since 1956, nearly 900 Afghan academic students and 580 technicians have benefited from education and training facilities in the Soviet Union or in other East European countries.

61. On the whole, it seems that Soviet aid has contributed significantly to the opening up of the country, to developing the exploitation of its natural resources, and to helping it in its first steps towards industrialisation. Nevertheless, this development has incidentally led to linking Afghanistan economically more closely to the neighbouring Soviet Republics. The Soviet efforts have been mainly concentrated on the northern part of the country, and the development works undertaken, e.g. at the Sher Khan fluvial port on the Amu Dariah river, have provided a permanent base from which the Soviet-Afghan economic relations can be further intensified.

62. The degree of economic dependence on the Soviet Union reached by Afghanistan is without comparison in the non-Communist world. In 1967, it imported an estimated 63% of all its foreign purchases from Communist countries and exported 38% of its sales to them. Yet Afghanistan has constantly avoided any direct Soviet interference in its internal affairs and has kept its links with the West alive. If the Soviet motive was originally to use economic penetration as a means to absorb this country into its orbit, Afghanistan has so far been able to keep its own path of political and economic development. For the time being, it would seem that the USSR has had to accept the view that it might be wiser to use the country as a showcase for Soviet aid to a non-Communist country rather than to attempt to turn it by force into a recalcitrant satellite.

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63 UNITED ARAB REPUBLIC

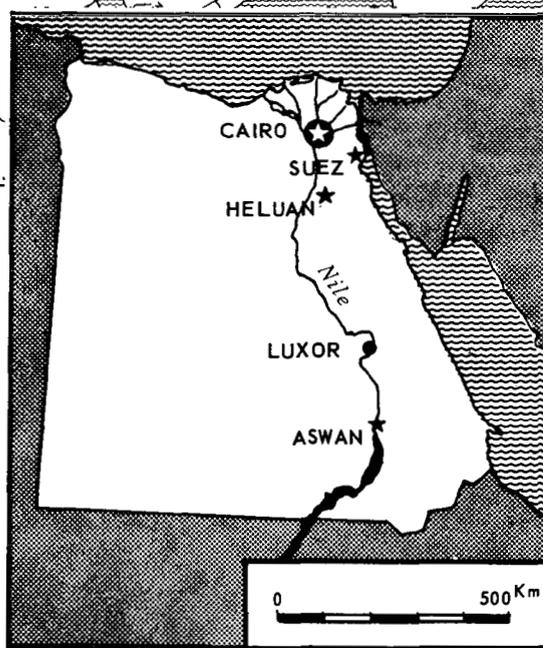


**UNITED ARAB REP.**

Population (1968) :  
31.7 million

GDP (per head  
1966) : \$ 189

Communist aid :  
Total extended  
since 1955 :  
\$ 1,682 million  
Total drawn up  
to end 1968 :  
\$ 883 million  
(or \$ 28 per head)



Next to Afghanistan, the UAR (Egypt) has been the country where the economic aid activities of the Communist countries have apparently had the most direct bearing on the economic development of the country, but, in the UAR, contrary to what happened in Afghanistan, the East European countries contributed significantly to a common Communist effort, in which even Communist China has attempted to play its particular, though modest, rôle. The Communist countries have, since 1958, been the largest source of credits for the industrialisation programme of Egypt, exceeding Western aid in that field. It can be said that the Communist aid efforts in the UAR constituted the first major bid by Communist countries to gain influence in the Middle East.

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64. The programme started in early 1958, when the Soviet Union extended a first line of credit of \$175 million. The largest share of these credits went to the metallurgical industry, particularly to the iron and steel works at Heluan. Petroleum prospecting and exploitation constituted another favourite sector of Communist aid, although here these efforts proved less successful than Western ventures. The engineering and chemical industries received their share in addition to a number of projects in such sectors as food, textiles, shipyards. It was in 1958 too that the USSR extended its first credit (\$100 million) for the construction of the Aswan High Dam, supplemented in 1960 by an additional credit of \$225 million. Drawings on Soviet economic credits during the first five-year plan (1960-65) are estimated to represent about 10% of total gross investment and nearly 25% of investment in industry, electric power and the Aswan Dam. During that period, the share of manufacturing industry in the national income was stated to have risen from 20% to 22%, and industrial production rose by about 45%.

65. Following the first five-year plan (1960-65), a second seven-year plan was announced in 1966 providing for total investment of \$7.4 billion (£E 3.2 billion). In that year, the Soviet Union extended a new line of credit of \$177.7 million for projects under this second plan. However, at the end of 1967, a reappraisal of the prospects after the June War led to the approval of a three-year programme (1967-70), consisting of priority projects due for completion in the current seven-year plan. The total amount of investment for the three-year programme was expected to reach \$2.5 billion (£E 1.1 billion). In the first year, the investments (\$816 million or £E 355 million) were to be divided between industry (28%), agriculture (10%), irrigation and drainage (11%), the Aswan Dam (3%); transport and communication (14%), housing (10%), the Suez Canal (3%), and miscellaneous services. However, progress on several projects slowed down considerably due to postwar dislocations, and after June 1967 the Communist countries concentrated their aid on short-term needs for commodities and hard currency. They undertook to deliver 1 million tons of wheat (valued at \$11 million) and \$10 million in hard currency. Apart from relatively small amounts of aid extended in 1967 by France, Germany and Italy (in total less than \$30 million), Western aid dried up.

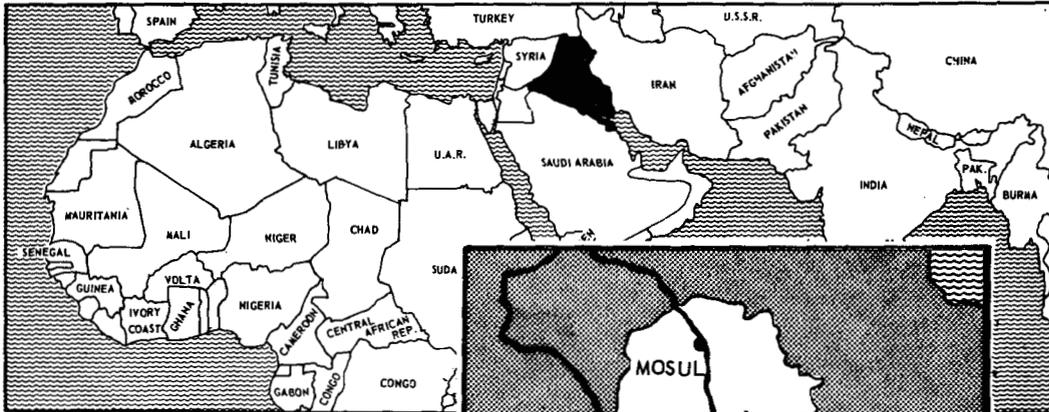
66. Since then, the Soviet Union has concentrated its effort in the field of economic assistance on the rapid completion of the Aswan High Dam, the power station of which was inaugurated in January 1968, one year ahead of schedule, and the entire project is to be terminated in July 1970. The

only work still outstanding in January 1970 was the installation of three power station turbines. The other major project for which the Soviet Union has indicated a special interest is the expansion of the annual production capacity of the Heluan steel plant, for which the USSR extended in 1964 a credit of \$155 million. Rumania and the Soviet Zone of Germany agreed to assist in some of the priority industrial construction projects included in the new three-year programme under credits extended earlier.

67. The major contribution by the USSR towards the economic development of Egypt is obviously linked to the Aswan Dam, one-third of which was financed by Soviet loans amounting to \$325 million. It was stated by the UAR Authorities in January 1970 that the first loan (\$100 million for the first stage) had been completely repaid and that repayments on the second loan (\$225 million) would start at the end of the year and consist of 12 instalments, the last one in 1982. The economic significance of the Aswan High Dam may be indicated by the following figures: it has been estimated that the increase in national income resulting from the dam will equal its total cost in two years' time. The electric power produced will practically double the electric energy available to the country. By the end of 1969, the hydro-electric power station had already generated 4 million kwh, while total domestic electricity production in 1966 amounted to slightly less than 6 million kwh. It will provide cheap power to industry and the construction of an alumina factory with Soviet aid is under consideration. The elimination of annual losses in agricultural production due to floods in 1969 has added an estimated \$25 million to the annual national income derived from agriculture. The total benefit in 1969 from the Aswan Dam represented about 4% of national income.

68. Nevertheless, the economic consequences of the Arab defeat in June 1967, and the renewed priority accorded to the defence sector, are reducing the rate of growth of the economy: in 1968-69, the industries in the public sector increased their production by 3.6%. On the other hand, discoveries of new petroleum deposits, mainly as a result of Western prospecting, have continued, and, despite the prevailing tension with Israel from April 1968 until April 1969, petroleum exports increased by 7.2%. The closing down of the Suez Canal and the possibility of serious war damages to the industrial installations, as exemplified by the destruction of the oil refineries at Suez, have altered the economic prospects of the country.

69 IRAQ

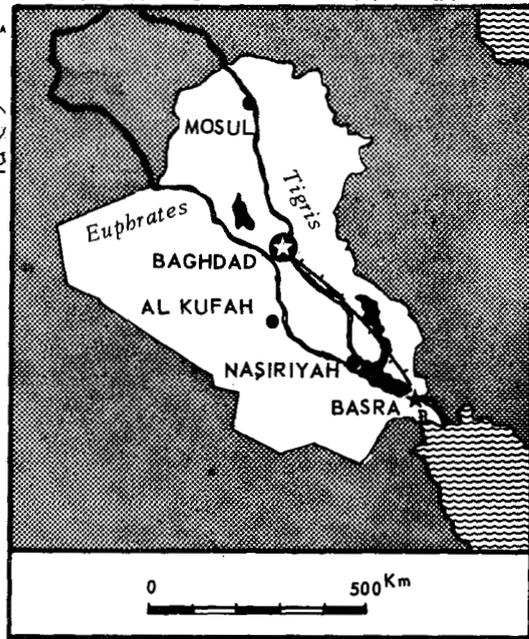


**IRAQ**

Population (1968):  
8.6 million

GDP (market prices)  
per head (1966):  
\$ 262

Communist aid:  
Total extended  
since 1959:  
\$ 427 million  
Total drawn up  
to end 1969:  
\$ 153 million  
or \$ 18 per head



The bulk of Communist aid to Iraq, provided mainly by the USSR, dates back to the time of the Kassem régime. In March 1959, the Soviet Union extended a line of credit of \$137.5 million for a large variety of projects under the then prevailing development plan. After a period of hesitation, in 1964-65, relations with the Soviet Union gradually improved again, and deliveries of economic aid were reactivated after the June 1967 War. Western aid, which had been considerable before 1958, fluctuated inversely. During the first half of 1969, the Soviet Union undertook new aid commitments amounting to \$121 million. A major effort was made by the Soviet Zone of Germany, which extended \$84 million for various industrial enterprises, communication projects and agricultural development.

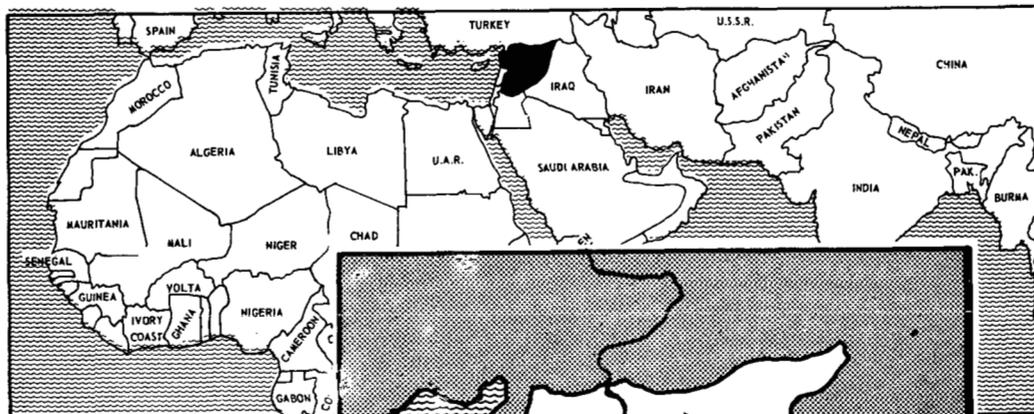
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70. The most tangible assistance received from the Soviet side so far has been concentrated on the important Baghdad-Basra railroad link, which has been repaired and extended with the aid of Soviet equipment and technicians. In the industrial sector, about 30% of the total investment during the period 1958-63 was of Communist origin, including such items as a pharmaceutical plant, a glassware factory, a canning factory, a cotton textile mill, a knitting and hosiery factory, an electrical equipment factory.

71. A large number of industrial projects set up with Communist aid proved, however, not particularly efficient, and complaints were voiced as to the quality of the equipment delivered. The Soviet Union helped also in developing the broadcasting and television network, and set up the East Baghdad telephone exchange. In agriculture, various irrigation schemes in South Iraq were undertaken, five experimental farms constructed, and four tractor stations established. Grain storage facilities were also provided. After 1965, the main effort seems to have been on the technical assistance side of the economic aid programme. Technical aid was extended by the USSR to the governmental oil exploration and exploitation company, where Soviet experts were able to exert a direct influence on the governmental policy. In addition, drilling equipment and a small geological equipment repair shop were delivered. In 1967, Iraq signed a technical co-operation agreement with Bulgaria, and Czechoslovakia undertook to provide industrial consulting services. The number of Communist civilian technicians in the country is indicative of the overall trend of Communist aid mentioned above: it reached its peak in 1963, when it was reported that 1,175 experts were at work in Iraq; this figure dropped to 475 in 1964, and increased gradually thereafter to reach 1,040 by mid-1969. After the 1967 war, Iraq received part of the \$10 million emergency relief aid extended by the East European countries to the Arab states.

72. It is too early to evaluate the use that will be made of the new line of credit opened by the Soviet Union in 1969, but it seems that the main effort will continue to be in the provision of petroleum equipment and technical assistance. Petroleum constitutes more than 90% of total Iraqi exports, of which so far only a negligible fraction has been sent to Communist countries (mainly Communist China). As long as the Soviet requirements of oil are covered by domestic output, the economic development of Iraq will continue to depend on its ability to buy equipment in the West, against sales of petroleum. Iraqi imports from Communist countries reached their peak in 1965, when they accounted for a quarter of the total, after which they declined to about 20% in 1968. The most important sources of supply for Iraq in the Western world have traditionally been: the United Kingdom, Germany, the United States, Japan and Italy, while Iraqi exports find their main markets in the United Kingdom, France, Italy, the Netherlands, Japan and Germany.

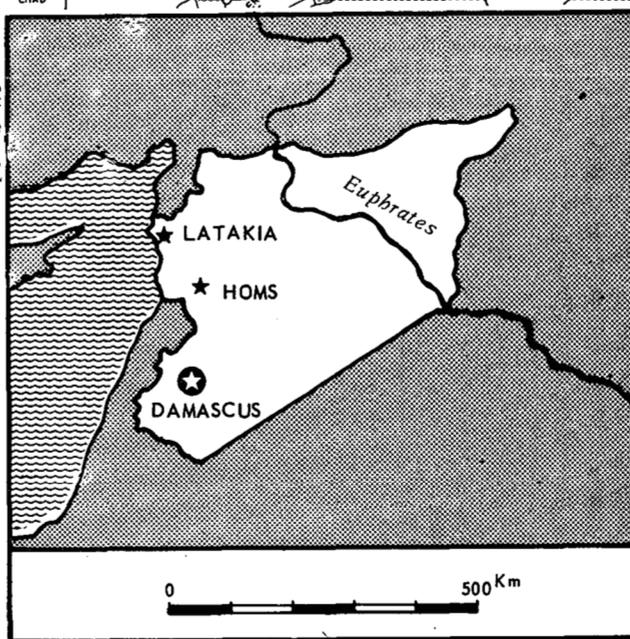
## 73 SYRIA

**SYRIA**

Population :  
5.6 million

Gross domestic  
product (1967)  
per head : \$ 235

Communist aid :  
Total extended  
since 1955 :  
\$ 415 million  
Total drawn up  
to mid-1969 :  
\$ 181 million or  
\$ 32 per inhabitant



Syria is the country to which the largest volume of Communist development aid has been extended in relation to its population, although most of this aid has not yet been utilised. The first, rather modest, Communist credits were granted by Czechoslovakia and the Soviet Zone of Germany at the end of 1955 and 1956, for the construction of a few cement plants, sugar refineries and small textile factories. In October 1957, the Soviet Union opened a line of credit of \$100 million for economic development. The most important single project was a rail link between the port of Latakia and the north eastern part of the country. In addition, various geological surveys were undertaken. The Soviet Zone complemented this scheme with a few minor industrial projects, while Czechoslovakia undertook the building of a petroleum refinery at Homs.

74. After these initial steps, the USSR made a major move in April 1966 when it undertook to provide \$133 million for the first stage of the Euphrates Dam. Soviet interest has since been concentrated on this gigantic multipurpose undertaking, the rest of its aid being concerned with petroleum prospecting and railway transport. The other Communist countries have also contributed to the overall industrialisation programme. Czechoslovakia agreed to expand the Homs petroleum refinery's initial capacity from about 750,000 tons to 2.5 million tons per year. (Domestic consumption of oil products averaged in the 1960s about 1 million tons per year.) Poland and Bulgaria undertook to help the country increase its output of phosphates. Rumania sold machinery and equipment on credit terms. The Soviet Zone of Germany extended aid for port equipment, machinery for highway construction and various other minor projects.

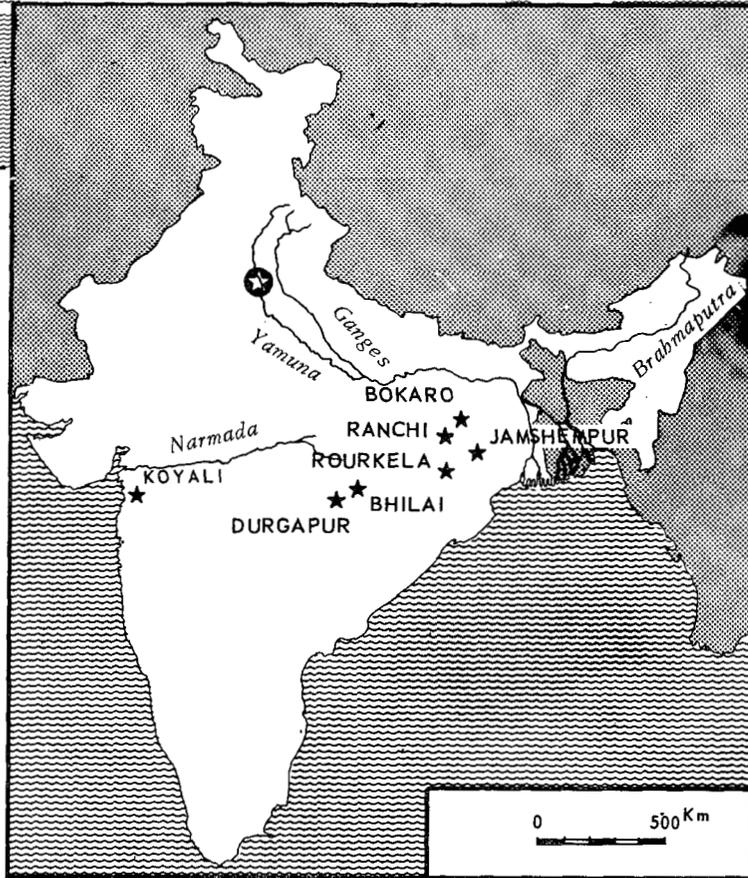
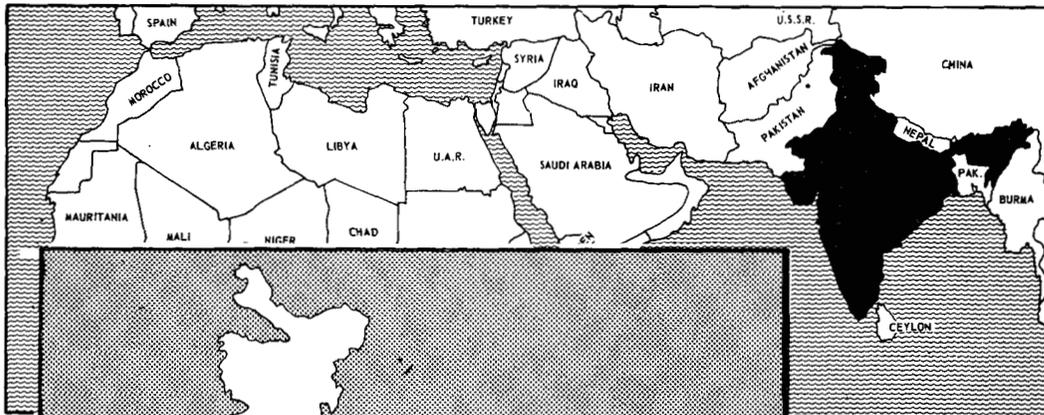
75. The second five-year plan (1966-1970) is to be financed two-thirds by domestic resources and one-third by external sources. Syria is heavily relying on Communist countries in general, and on the Soviet Union in particular, for external aid resources. Western aid over the last ten years has been minimal, Italy being the main country that has extended sizable amounts of official assistance. By far the most outstanding project under the present plan is the construction of the first stage (\$180 million) of the Euphrates Dam, on which work was started in March 1968. The total cost of this project has been estimated at about \$650 million (S£ 2.4 billion) and the High Dam is scheduled to be completed in 1972. It has been calculated that the dam will allow the irrigation of 640,000 hectares of land, thus more than doubling the total area under irrigation in the mid-1960s (600,000 hectares). It will, at the same time, boost the production of electricity by adding an anticipated capacity of 1.5 million kwh to the present level of about 700,000 kwh. The overall importance of the project is best illustrated by the calculation that, once finished, it could add about 20% (\$180 million) annually to the national income of the country.

76. By concentrating their aid efforts on selected sectors of industry and communication, the Communist countries have been able to play a part in the economic development of Syria according to their favourite pattern of strengthening the public sector in the industry and, more particularly, in oil prospecting and exploitation. Nevertheless, the small scale industries, handicrafts and services in the private sector have been expanding, though at a slower pace than those in the public one. The bulk of the population is still engaged in agriculture, which accounts for about one-third of the national income. Overall economic performance over the last decade has not been very striking: the average annual increase in per capita income has been estimated at less than 2% as against the over-ambitious target of 5% set in the first five-year plan. Since then, increased tension with Israel has diverted attention from economic growth towards defence, although the work on the major projects, including the

Euphrates Dam, has so far not been affected. During 1969, 750 civilian technicians from Communist countries were still at work in the country, of which two-thirds came from the USSR.

77. One of the consequences of the Communist aid programme has been the increasing economic dependency of Syria on trade with the Communist world. Nevertheless, in 1968, about 70% of its total trade was still directed towards non-Communist countries, among which Italy, Germany, France, Iraq, the United Kingdom are the main suppliers. Exports are mainly directed to Lebanon, France and Japan in the non-Communist world, and to the USSR and Communist China in the other group. Cotton exports and transit fees on pipeline oil represent the main sources of foreign exchange.

78 INDIA



**INDIA**

Population (1968):  
524 million

GDP per head  
(1966) : \$ 88  
(at free buying  
rates)

Communist aid :  
Total extended  
since 1955 :  
\$ 1,958 million  
Total drawn on  
up to mid-1969 :  
\$ 964 million or  
\$ 1.8 per head

total drawings. However, relative to the size, population and needs of this vast underdeveloped sub-continent, this aid amounts to very little. Moreover, total Communist aid delivered to India represents only about 10% of external means put at the disposal of the country by Western sources. Soviet credits amount to one-third of those of the United States and are about 10% smaller than those granted by the Federal Republic of Germany. World Bank aid exceeds that of the Soviet Union. Aid from Czechoslovakia, the second major source of Communist economic assistance to India, amounts to only one-fifth of that of the United Kingdom, less than half that of Japan and is about equal to that of Italy. Aid from France and Canada exceeds that from Poland. Smaller Western countries (the Netherlands, Belgium, Switzerland, Austria, Denmark, Sweden) are also contributing to the common Western effort of aid to India.

79. Soviet aid from the start, in 1955-56, was chiefly directed towards the development of heavy industry operating within the public sector. The Bhilai steelworks, on which construction started in the late 50s, under an initial credit of \$135 million extended in 1955 and 1956 still remains, together with the Aswan Dam in Egypt, the most important showpiece of Soviet development aid. Between 1956 and 1966 more than \$270 million of Soviet aid deliveries were devoted to the building, in two stages, of a steel plant, with an annual capacity of 2.5 million tons of steel which made it the largest single production unit in India. Further expansion of the plant is envisaged. Another major achievement is the heavy engineering complex at Ranchi, built with Soviet aid and able to produce 85% of the equipment needed for a steel plant. Next to this Soviet project and in the same town, Czechoslovakia has built a heavy machine tool plant. Communist aid was also used to expand the mining sector, electric power production and petroleum extraction and refining. Soviet experts working with the Indian National Oil and Natural Gas Commission have been able to influence the government policy in that field.

80. In 1967 the Indian Government decided to reduce the pace of the public sector development in an effort to stop inflation, and the resulting budgetary stringency explains the low level, since 1967, of drawings on credits extended by Communist countries. In May 1968 the government decided not to undertake any major industrial projects for the next five years but rather to consolidate earlier achievements. The Soviet aid is at present concentrated on the building of the first stage of the Bokaro steelworks due to be completed by the end of 1971 (for which a \$225 million credit was extended in 1964), on the expansion of the heavy machine building plant at Ranchi, and on the development of the petroleum refinery at Koyali.

81. As far as agriculture is concerned, an experimental state farm was built in the early days as a Soviet grant, but apparently met with little success. Equipment for a number of state farms and agricultural machines and tractor stations was delivered later, but results have not come up to expectations. To help alleviate the consequences of the two major droughts that plagued India in 1966 and 1967, the USSR undertook in December 1966 to deliver 200,000 metric tons of wheat (valued at \$14 million) as a grant. In economic terms, Communist agricultural aid has been negligible, and the Soviet Union, which provided a wide variety of industrial undertakings, had apparently not attempted to promote the construction of chemical fertiliser plants.

82. Over the twelve-year period 1958-1970, about 35% of total aid received by India consisted of food, but recent agricultural results have been much more satisfactory. In 1968-69, India's food output was about 10% higher than the previous record year, 1964-65, and it would seem that in a few years from now food aid will no longer be needed. According to some recent expert views, India may even become a grain exporter in the 1970s.

83. Since 1967, there has been a reappraisal of the old policy of expanding India steel production, which so pleased the Soviet Union. India seems indeed to be suffering, at least temporarily, from excess capacity in this sector. Under the second plan (1956-61), three new steel plants in the public sector, each with an ingot capacity of 1 million tons, were built: Bhilai, with Soviet help; Rourkela, with German assistance, and Durgapur with UK aid. Simultaneously, the private Tata steelworks was encouraged to double its existing capacity of 1 million tons and the IISCO works was expanded to 1 million tons. During the third plan (1961-66), the capacity of the Bhilai plant was increased to 2.5 million tons and that of Rourkela to 1.8 million. The fourth plan (1966-71), envisaged originally a growth in steel production capacity up to 19.5 million tons. In fact, demand for steel over the last five years has hardly risen, and has stagnated at about 6.4 million tons of crude steel and 4.5 million tons of finished steel. The two plants in the private sector have been operating at about 85% of their rated capacity, while the production of the steelworks in the public sector has not exceeded 55% of their capacity. The only favourable development was in the export field, which, in 1968, absorbed about 700,000 tons of finished steel, that is three times the 1967 figure. However, the production costs of Indian steel are high and exporters have been asking for very large export subsidies (up to 30% of the value of the products). These sobering facts have led to the reappraisal of the planned targets. Under the revised plan, the capacity of the first stage of the new Bokaro steel plant, to be built with Soviet aid, will be limited to 1.7 million tons, and the task of expanding capacity to 4 million tons will be postponed until the fifth plan (1971-76). The capacity of the other Soviet-aided Bhilai steel complex will be expanded marginally from 2.5-3.2 million tons by end-1972.

84. Most of the equipment needed for the expansion of steel production capacity from about 9 million in 1969 to 11.2 million in 1973 will be manufactured in India at the heavy engineering complex at Ranchi, which was set up with Soviet aid. Apart from the heavy engineering and coal mining machinery production, Communist aid seems to have been most successful in the expansion of petroleum refining capacity, where Rumania, along with the USSR, contributed to the development of the four refineries in the public sector with a total capacity of 6.5 million tons a year. Four other refineries in the private sector provide for an additional 2.5 million tons, but total domestic demand in 1968 was estimated at 15.8 million tons and is expected to reach 20.5 million tons by 1970-71. Present plans provide for a total refining capacity of 22.2 million tons by 1970-71, in which the private sector will have a rôle to play notwithstanding strong Soviet influence in the Oil and Natural Gas Commission. There are also good prospects for domestically produced aluminium, as a substitute for imported copper, lead, zinc and tin, but this would require further electric power developments. In this field, the Soviet Union has so far contributed relatively little: about 15% of the increase between 1950 and 1965, or some 9% of total domestic production.

85. India is learning by experience the danger of accepting a pattern of economic development similar to the Soviet model and of paying too little attention to the problem of marketing the product. Notwithstanding the recent nationalisation of the banking system, the new trends in planning are towards more flexibility, less strict control by the planning commission and the government over industrial development, and increased attention to agricultural development along lines more in conformity with the farmers' own wishes and initiatives. During the fiscal year 1968-69, India imported about \$220 million worth of fertilisers, the bulk of which was financed with US aid. During the coming years, efforts will be made to increase domestic production of chemical fertilisers, but the country will still need to import ammonia.

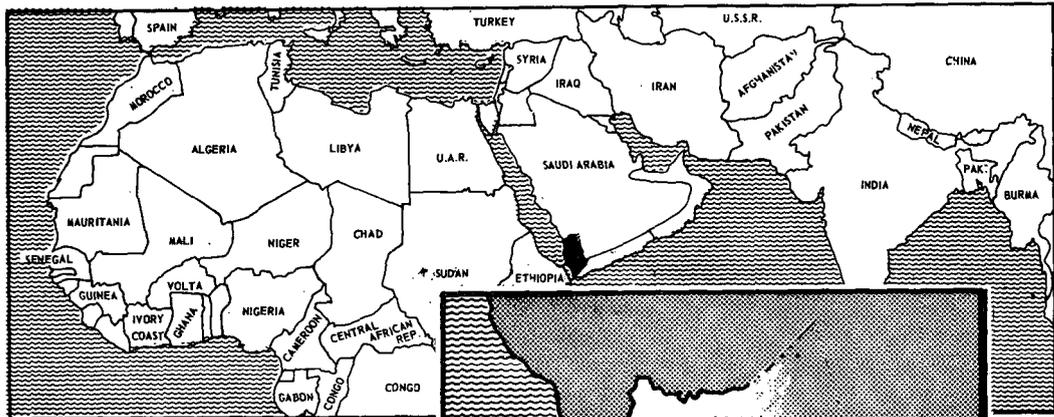
86. In recent years, about 13% of India's exports have been going to Communist countries and about 10% of her imports have come from these countries. India's economic links with the industrialised non-Communist world are far more essential for economic growth than those established with Communist countries. The economic outlook at the end of 1969 was again rather gloomy, with a continued threat of inflation as money available was increasing more rapidly than production, and wages were growing faster than productivity.

87. The financing of investments poses serious problems, and the country will continue to need foreign assistance. Over the last three years, the net amount of foreign assistance has dwindled (\$1,307 million in the fiscal year 1964/65, \$603 million in 1968/69). The number of foreign private investment offers dropped from over 800 in 1965/66 to 114 in

1968/69. By 1970, the repayment of past debts is expected to reach 50% of gross aid. The government has indicated its intention to reduce by half its dependence on international assistance by 1974. Nearly \$1 billion of Communist aid extended has not yet been drawn, but the Indian Government, after its experience of Soviet aid in steel production, is carefully reconsidering in which sectors aid may be put to the best economic use.

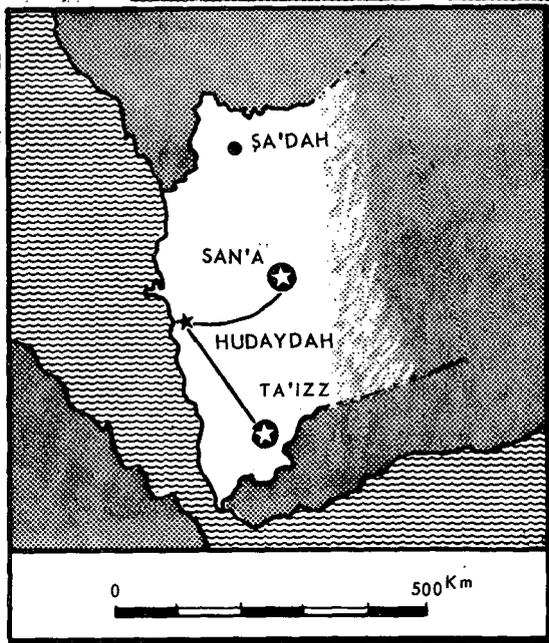
(c) Countries where Communist aid, though relatively important, is largely concerned with developing the infrastructure

88 **YEMEN**



**YEMEN**

Population (1968) :  
estimated at  
5 million  
GDP per head :  
among the lowest  
in the world,



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little cotton). Industry is almost non-existent, and handicraft suffered from the Jewish exodus in the 50s. Coffee remains the main cash crop. Other exports consist of hides, skins and some cereals. Geological prospecting undertaken by Soviet experts has so far not revealed any significant oil deposit.

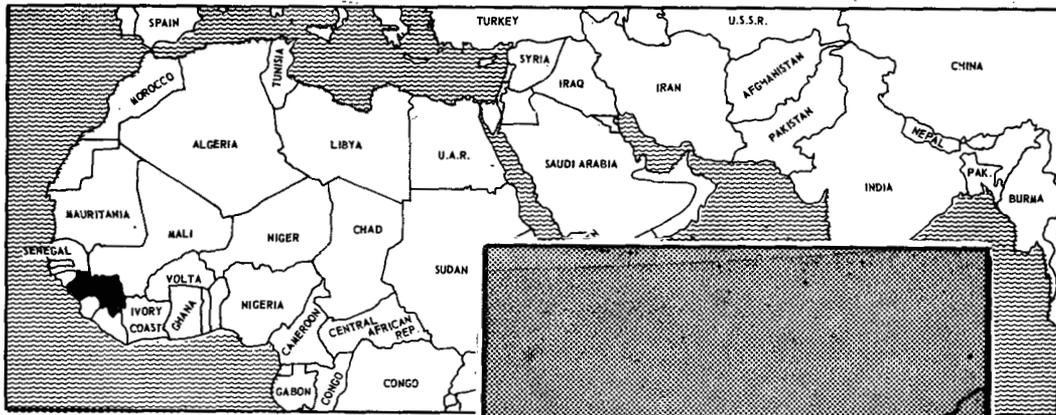
89. Communist aid has contributed to the development of the country's economic infrastructure. Relatively little aid from Western sources had been accepted by Yemen before 1966. Among the few projects undertaken with Western aid may be mentioned the water supply system of the town of Ta'izz, built by the United States. The Chinese Communists concentrated their efforts (over \$35 million drawn by the end of 1969) on the construction of the road connecting the Hudaydah port to San'a, the capital of the country. In addition, they completed a textile mill early in 1967. The Soviet Zone of Germany, which has been the most active of the East European countries in Yemen, provided the telephone system and electric-generating equipment in the capital, and carried out part of a telecommunications project to which Czechoslovakia also contributed. Hungary's main aid contribution was equipping and staffing a Soviet-built hospital.

90. The main Soviet effort so far in opening up the country to the outside world has been the construction of a new port at Al Hudaydah, for which about \$15 million was provided on credit terms in 1956. The inclusion of this port in the Red Sea schedules of several Soviet and East European shipping lines before the closure of the Suez Canal in 1967 contributed significantly to the expansion of Yemen's trade with these countries. The Soviet Union was also engaged in airfield construction, in land reclamation schemes, and improvement of cotton cultivation. At the end of 1968, the USSR agreed to reactivate various projects, including the 200 km long Hudaydah-Ta'izz road, on which work had been started in February 1966 but had been abandoned during the civil war. The building of a cement plant and a fish canning factory, and the development of a fishing port at Al Hudaydah was reconsidered. In the field of education, the Soviet Union has proposed the setting up of some vocational training centres. Over 1,370 Yemeni have so far received, or are receiving, academic or technical training in Communist countries, mainly the USSR. Over recent years, some 900 civilian technicians and labourers from Communist countries (nearly half of which were Chinese working on road construction) have worked in the country though their number declined sharply in 1969.

91. Yemen has a continuing need for all types of economic and technical aid. However, it produces very few exportable goods. The Communist countries have had to provide foodstuffs and consumer goods, under various commodity loans, that were sold in the country to generate the local funds needed for the implementation of their aid programmes. After the Arab-Israeli war in 1967, Western influence (mainly that of the United States, Germany and Italy) was further reduced, and its interests practically eliminated. The civil war, which continued

throughout 1968 and the major part of 1969, precluded any serious economic progress during this period. The country, which has not yet started its industrialisation process, depends almost exclusively on imports from the Communist countries for development aid. The influence of the Communist countries in Yemen is likely to continue in the foreseeable future, as the road to industrialisation and economic development will probably be a very long one.

92 **GUINEA**

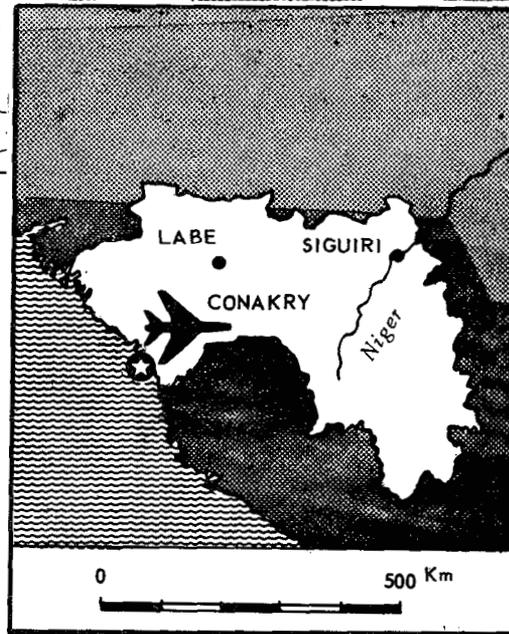


**GUINEA**

Population (1968) :  
3.8 million

GDP per head  
(1967) : estimated  
at about \$ 100

Communist aid :  
Total extended  
since 1959 :  
\$ 197 million  
Total drawn  
(mid-1969) \$ 135 million  
or \$ 36 per head



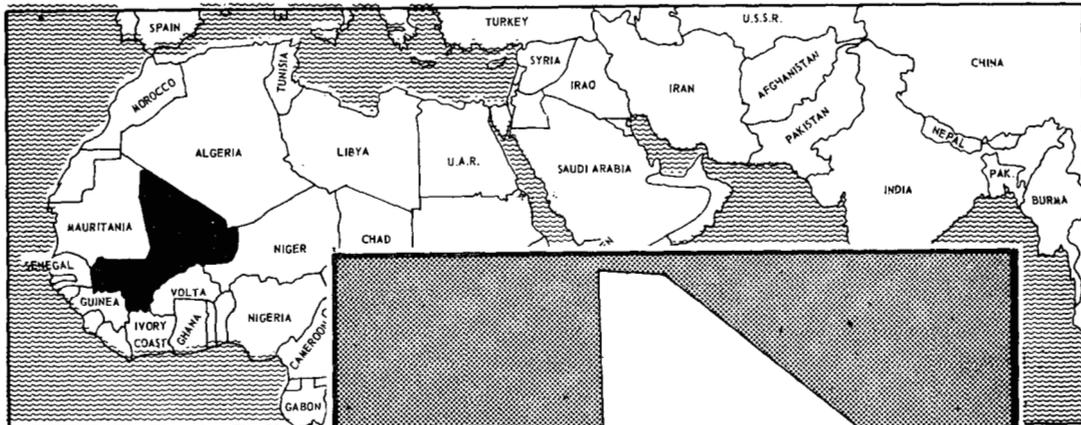
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assistance. The Communist aid programme for Guinea has fluctuated widely according to the changes in the country's political orientation. After the break with France in 1958 and up to the end of 1961, it looked as if Guinea would become a major base for Communist activities in Africa. Indeed, most of the aid received was extended during the years 1959 and 1960, not only by the USSR but also by various East European countries such as Czechoslovakia, Hungary, Poland, the Soviet Zone of Germany, and by Communist China. An important part of this assistance was promptly used on the construction of a powerful radio station, public address systems and radio equipment, theatres and assembly halls and publication facilities. In addition, a number of civilian technicians from Communist countries replaced French experts in various functions both inside and outside the governmental services. The Soviet Union, assisted by Czechoslovakia, improved the access to and facilities of the Conakry airport and provided aircraft and technical assistance for the establishment and operation of the national airline. In comparison with infrastructure aid, assistance to increase the production capacity was less important though a few industrial plants and agricultural projects were completed.

93. When, in December 1961, the Soviet Ambassador was expelled for interfering with internal political affairs, the Guinean Government attempted to attract new Western aid and private investment. The local authorities complained about the "overpricing" of Soviet deliveries and the inadequate quality of the equipment provided. The government at the time even refused to pay its outstanding debts to Communist countries. However, prospects for Western aid remained uncertain and the authorities gradually realised that their ability to play off Communist against Western aid offers was not unlimited. A more sophisticated line of neutrality between East and West was consequently adopted, and, after a sharp drop in the early 60s, Communist aid regained some momentum. New credits were extended, a large part of which was used to fund accumulated trade deficits. By 1967, about 1,670 civilian technical personnel from Communist countries were again at work in Guinea, of which about 1,000 were Chinese, engaged in various agricultural projects (tea, tobacco, coffee, cotton) and on the completion of a small scale dam. The Soviet Union moved with more caution, and proposed new credits to put various existing projects on a sounder economic and technical basis. In the meantime, closer relations with France and various other Western countries (including the United Kingdom) were resumed, and the government decided to develop the exploitation of its vast reserves of bauxite near Boké with Western assistance.

94. Guinea is well endowed with natural resources (iron ore, bauxite, alluvial gold, diamonds), and the government has become increasingly aware that the expansion of its exports to the West offers at least as many opportunities for earning development funds as Communist aid, whose economic significance has proved so far to be rather doubtful. Nevertheless, during 1969, Communist China and the Soviet Union were able to maintain a somewhat reduced presence in the country. The USSR has reactivated projects for the development of sea fishing that were proposed in 1960 by Poland and later abandoned, and for the exploitation of the hydro-electrical resources of the country. Communist countries will probably continue to absorb about 35% of both Guinean imports and exports.

95 **MALI**

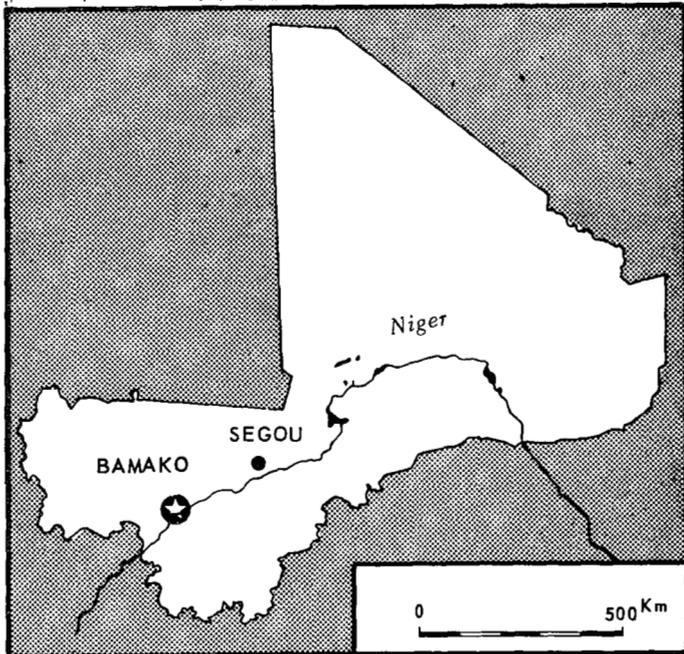


**MALI**

Population (1968) :  
4.8 million

GDP per head (1967)  
estimated at about  
\$ 75

Communist aid :  
Total extended  
since 1961 :  
\$ 155 million  
Total drawn  
(mid-1969) \$ 89  
million or \$ 19  
per head



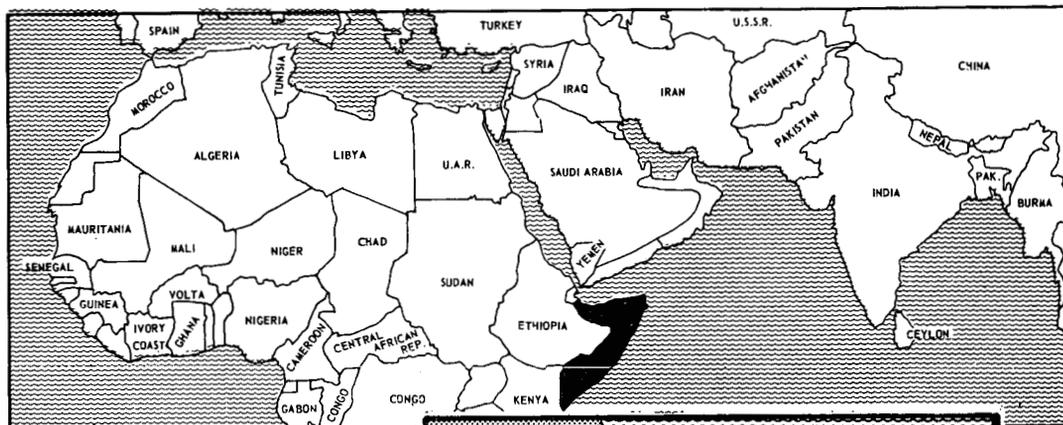
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Communist countries, although both China and the Soviet Union provided some hard currency in 1966. Until then, Communist aid had mainly consisted in providing on credit terms a geological survey which did not lead to any important new discoveries, some equipment and technical assistance for transport (air and road) and various small to medium sized industrial plants, as well as agricultural projects, most of which had to be postponed in view of the serious economic crisis. After devaluing the national currency by 50% at the end of 1967, Mali sought to obtain assistance from France.

96. Since then, Soviet aid has been confined to the construction of a cement plant and the delivery of equipment and technical assistance for the "Office du Niger" set up in earlier years by France. Communist China, which, before 1966, had built a sugar refinery, a cigarette and a match factory, recently completed the construction of a motel, a cinema, a broadcasting station, a \$8 million textile plant, and a tannery, and continued to provide technical assistance to Malian agriculture (tea, rice, sugar). Communist aid has also provided some help for the health services in the form of hospital equipment and medical staff, and continued to assist in the field of education. In 1969, there were still about 1,300 civilian experts from Communist countries at work in Mali, of which 800 were Chinese and 400 Russian.

97. Communist aid has not contributed significantly to the economic development of the country. The economic situation remains precarious. The country's balance of payments continued to deteriorate and the unfavourable weather conditions during the 1968/69 crop season adversely affected exports and increased the need for food imports. The annual debt service has been estimated to amount to nearly three-quarters of Malian export revenues in 1966/67. Western aid (particularly France) proved indispensable, and could in part be channelled through the European Economic Community, of which Mali is an associate member. In 1967, Mali was still directing about 30% of its trade towards the Communist countries, but, since the military coup in November 1968, the new régime has attempted to strengthen its economic links with the West. Western trade and aid could well prove to be a better asset for economic development than credits from Communist countries.

98 SOMALIA

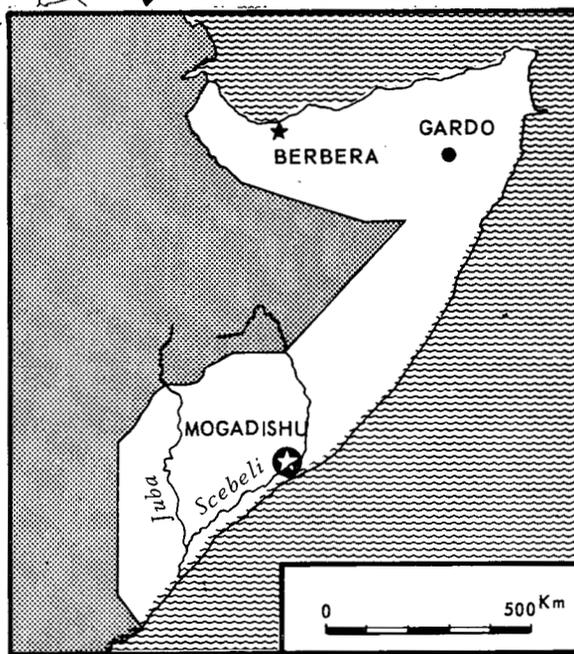


**SOMALIA**

Population (1968) :  
2.7 million

GDP per head (1967)  
estimated at about  
\$ 75

Communist aid :  
Total extended  
since 1961 :  
\$ 90 million  
Total drawn  
(mid-1969) \$ 45  
million or \$ 17  
per head



The Soviet Union started its attempts to gain a foothold in the Horn of Africa in 1961 by extending credits of over \$50 million to Somalia. This was a considerable amount for a country which was even more backward than the other African countries mentioned above. Somalia is still in the stage of a subsistence economy, a large part of its population consists of nomads, it has no railways, and it exports only livestock, hides and skins, gum, cereals, cotton and fruit (banana exports have been favoured with Italian assistance). Apart from a weaving and a spinning factory built with Egyptian assistance, industry is practically non-existent.

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99. From the start, the Soviet economic aid programme encountered serious difficulties as the Somali Government was unable to pay the local costs of the projects undertaken or to maintain them in operation after completion. Soviet assistance went mainly to the establishment of three state farms, a few food processing plants (milk processing, meat packing and fish canning), the development of the Berbera port and a small hydro-electric plant. In an effort to help Somalia solve the problem of local costs, the USSR agreed to extend in 1966 a commodity loan (worth \$8.5 million) consisting mainly in the delivery of petroleum to be sold locally to generate some local currency funds, but the lack of capital and technical knowledge continued to plague the Soviet economic aid projects. In August 1968, the USSR had to agree to the postponement of the repayments on overdue loans extended to Somalia for another period of one to two years. Chinese aid, which started in 1963, was hardly more successful as far as economic development projects were concerned. It was only in August 1967 that the first project, an experimental rice and tobacco cultivation scheme, was formally agreed and in June 1968 that the loan agreement undertaken by China five years earlier was finally ratified. In the meantime, the Chinese had constructed, as a grant, the National Theatre and extended budgetary support and relief aid as free gifts. By mid-1969, about 170 civilian technicians from Communist countries were at work in Somalia.

100. The experience in Somalia drew Soviet attention to hitherto unfamiliar problems, such as the limited ability of developing countries to absorb aid. Communist economic aid sometimes helped the country to overcome temporary budgetarian problems, but did little to help in economic development. In fact, the loans extended imposed a heavy burden on the balance of payments of the recipient country. For further progress, technical and educational assistance may be a prerequisite and, in this field, Western countries with longer experience may well be at an advantage. Somalia, which is aware of the need for Western assistance, is also an associate member of the European Economic Community, and directs its exports almost exclusively to non-Communist countries. A sizable part of its imports (in 1967, 17%), however, come from the USSR and will have to be repaid by increased exports.

(d) Other main recipient countries

101. In most other recipient countries, the impact of Communist aid on their economic development has so far been even less marked than in the case of the countries examined in the preceding paragraphs. In some cases, such as Algeria, Tunisia, Iran, large scale aid programmes have been started too recently to show results. It will only be after the completion of some major projects (such as the Annaba steelworks in Algeria) that it will be

possible to appraise the rôle of Communist aid in the growth of the economies. In other cases, such as Ghana, Ethiopia, Pakistan, what has emerged from the Communist aid programmes so far is negligible in relation to the economy as a whole or compared with assistance provided by Western countries.

102. Indonesia is a special case. Notwithstanding large scale assistance extended by all the Communist countries between 1955 and 1961, amounting to some \$650 million, the policy followed by Sukarno up to the end of 1965 frustrated any attempt to provide a sound basis for economic growth. Indeed, between 1958 and 1966, industrial output first decreased and then stagnated at about the 1958 level. Over the decade 1958/67, gross domestic product per head did not rise at all.

D: COMPARISON BETWEEN COMMUNIST AND FREE WORLD ECONOMIC AID

(a) Exploitation of the propaganda value of economic aid in Communist countries

103. The large scale publicity campaign that has accompanied the economic aid programmes of Communist countries directed towards the non-Communist developing countries centres mainly on three objectives:

- creating the image of a Communist world that could offer the newly independent states an alternative source of large scale economic development assistance. This would enable them to replace Western aid and reduce their economic dependence on the ex-colonial powers for their rapid industrialisation;
- presenting Communist aid as financially more advantageous than Western aid by pointing out the "generous" conditions attached to Communist credits: low interest rates, long repayment periods and the possibility of repaying principal and interest in the form of export commodities rather than hard currencies;
- stressing the "unselfish" character of Communist aid directed to industrial development projects in the public sector favouring rapid overall economic growth. Investments by the industrial West would lead to an ever-growing drain of foreign exchange from the recipient country in respect of interest charges and repayment of principal. Western aid would contribute little to growth, and serve to replace the old colonial type of direct domination by a new system of economic subservience to the wealthy Western nations.

104. After 1960, however, Communist China turned most of these propaganda themes against the Soviet Union, seeking to throw discredit on Soviet aid programmes. In an effort to assert its own presence in Third World countries, China did not hesitate to try to undercut Soviet aid by offering interest-free longer term credits, special types of purely financial aid, and the sending of technical assistance personnel under conditions which would be unacceptable to Soviet or East European experts.

(b) The overall size of aid flows

105. Any comparison of the net flow of financial resources to developing countries demonstrates that the Communist countries are providing only a minute, and indeed dwindling, fraction of the total put at the disposal of developing countries. Over the last five years, 1964-1968, the average annual net flow of finance from Western sources has been \$10.8 billion (\$6.6 billion from the public sector and \$4.2 billion from the private sector), as against total aid deliveries by Communist countries amounting annually to about \$1.0 billion (\$300 million to developing countries of the non-Communist world, \$350 million to Communist developing countries, and \$380 million normal and special aid to Cuba). As regards the developing nations of the Third World, during the last five years, Communist countries provided less than 3% of the financial means put at their disposal by the industrialised Free World (i.e. including the flow from private sources) and less than 5% of official Western aid. The comparison for the year 1968 between Western and Eastern aid(1) is even more disadvantageous for the Communist countries: Western official aid was nearly 28 times larger than Eastern aid and, if private Western investment funds are included (which, although not aid in the strictest sense of the term, nevertheless contribute to economic development), the flow of financial means from the West was some 50 times larger than from Communist sources.

106. With a GNP estimated to represent slightly less than half (48%) that of the United States, the annual average net Soviet aid deliveries over the last five years (1964-1968) amounted to less than one-fifteenth (6.5%) of the US official aid flow to developing nations of the non-Communist world. Comparing the Soviet effort with that of the European members of NATO, whereas Soviet GNP represented about 70% of their total, Soviet aid over the last five years has amounted to slightly more than 10% of that delivered by NATO-Europe. France has been delivering annually three times more official aid to developing countries of the Third World than the Soviet Union, although her GNP is about one-third that of the USSR. In more recent years, the Soviet performance has been ever poorer than the five-year annual average would suggest.

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(1) See Table VIII at Annex

GRAPH VI - GRAPHIQUE VI

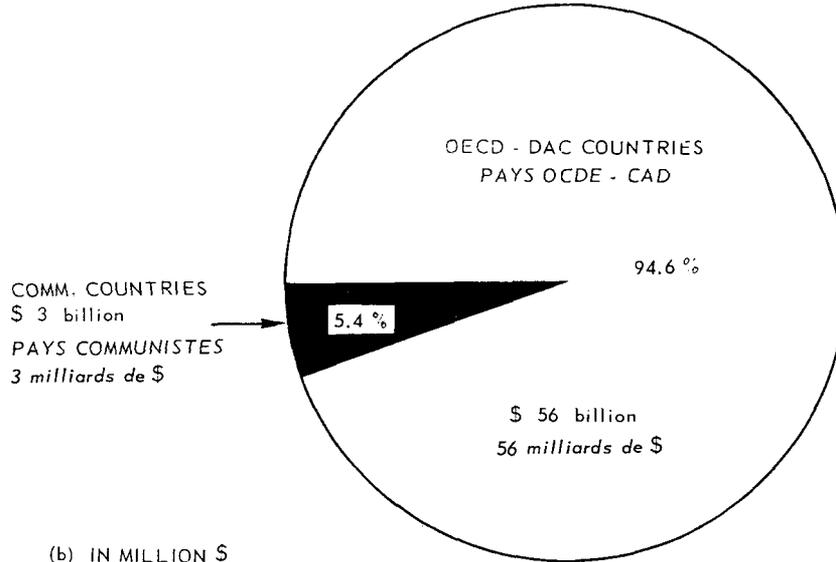
OFFICIAL DEVELOPMENT AID WESTERN & COMMUNIST

Net flow of Financial Resources from the Public Sector to less developed Countries of the Non Communist World

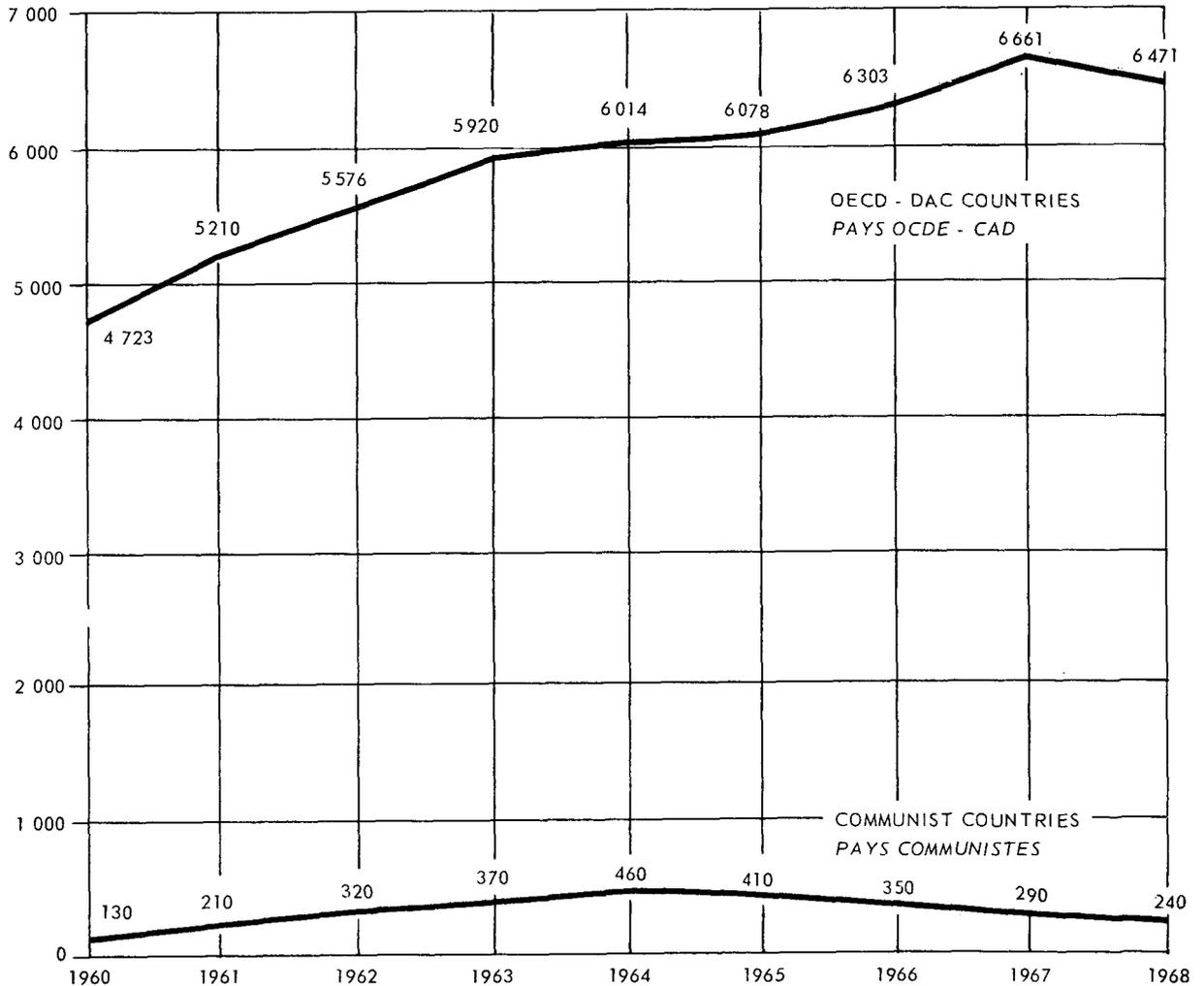
AIDE ECONOMIQUE OFFICIELLE DE L'OUEST ET DES COMMUNISTES

Montant net de l'aide financière fournie par le Secteur public aux pays en voie de développement du monde non-communiste

(a) AS PERCENTAGE OF TOTAL OFFICIAL DEVELOPMENT AID DURING THE PERIOD 1960-68  
 POURCENTAGE DU TOTAL DE L'AIDE ECONOMIQUE OFFICIELLE PENDANT LA PERIODE 1960-68



(b) IN MILLION \$  
 EN MILLIONS DE \$



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107. As to the 21,500 technicians and labourers from Communist countries at work during recent years in the developing areas of the non-Communist world, there were more than five times this number of experts in these countries provided officially by the West (103,000 in 1966 and 111,000 in 1967). Similarly, whereas about 17,500 students and trainees from developing countries were receiving technical and academic training in Communist countries, over 69,000 (35,000 students and 34,000 technical trainees) were taking advantage of education and training assistance schemes in Western countries, while more than 11,000 were benefiting from similar facilities set up with Western aid in their own countries. These Western figures do not include technicians provided by individual Western firms for the installation of equipment and plant delivered on a private basis, nor students or technical trainees studying in Western countries on their own account. Furthermore, whereas Communist technical assistance is normally included in the overall credit arrangement and is repaid with interest, Western technical aid is generally extended in the form of grants or free services.

108. The record of economic aid deliveries to the Third World by East European countries in comparison with the West is hardly better. Czechoslovakia, which leads the group of Warsaw Pact countries in terms of economic aid deliveries to developing countries, and whose GNP per head is perhaps of the same order as that of Italy, spends about \$1.40 per inhabitant per year on economic aid to the developing areas of the non-Communist world, while the net official flow of Italian aid amounted over the last two years to about \$2.70 per head. The net governmental aid disbursements of all the European NATO countries represented \$8.20 annually per inhabitant during the years 1964-68. In all the Warsaw Pact countries (excluding Czechoslovakia) net economic aid deliveries represented less than \$1 per inhabitant.

(c) Terms of Aid

109. Contrary to the claims of Communist propaganda, Communist aid on the whole is extended under terms less generous than those of Western official aid. The Communist method of comparing interest rates and repayment periods applicable to governmental loans omits the fact that half the total Western assistance consists of grants without repayment. During 1967 and 1968, Western grants amounted annually to some \$3 billion. Up until 1960, grants accounted for some 85% of Western official aid contributions, while the remaining 15% was extended at high commercial interest rates and for relatively short periods. Since then, the share of grants has gradually declined (50% in 1968) but, simultaneously, the terms attached to Western official loans have been considerably eased. Nevertheless, the picture varies widely from one Western country to another: 95% of Belgian economic aid extended in 1968 was on a grant basis. This share was 92% for Norway, 75% for Canada, 72% for the Netherlands and 70% for France. In the UK it was 46%, in the US 45% and in the FRG 36%. In contrast, 98.5% of Soviet aid and 99.4% of East European aid must be reimbursed by the recipient country.

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TABLE 5  
GRANTS IN COMMUNIST ECONOMIC AID

Year	Communist China		Soviet Union		Eastern Europe		Communist Total	
	in million US \$	as % of total aid commitments	in million US \$	as % of total aid commitments	in million US \$	as % of total aid commitments	in million US \$	as % of total aid commitments
1960	48.5	66	5.7	1	2.2	2	56.4	7
1961	9.8	6	9.8	2	3.1	1	22.7	2
1962	12.5	77	8.2	10	1.4	1	22.1	8
1963	3.0	3	0	0	0	0	3.0	1
1964	6.3	2	16.8	2	0.8	negl.	23.9	1
1965	19.4	20	0.9	negl.	0.6	negl.	20.9	2
1966	23.0	20	24.1	2	3.0	2	50.1	3
1967	21.0	38	-	0	0.1	negl.	21.1	1
1968	2.0	3	-	0	-	0	2.0	negl.
TOTAL 1960-68	145.0	14.0	65.5	1.5	11.2	0.5	222.2	2.9

Negl. = less than 0.5%

N A T O S E C R E T

110. The growing burden of servicing the accumulating foreign indebtedness of developing countries, estimated at nearly \$48 billion by mid-1968 and requiring annual reimbursements of nearly \$3.0 billion in principal and \$1.3 billion in interest, has become a subject of concern in both recipient and donor countries. In the West, the aim has been to lower interest rates and extend repayments over longer periods(1). Little has been done in this direction by the Communist countries. The Soviet Union has increasingly introduced "commercial" credits with shorter repayment periods and relatively higher interest rates. Communist China is extending interest-free loans rather than grants, which in the early years (1960-62) represented a large share of Chinese aid. The East European countries have lowered their interest rates somewhat to bring them into line with the Soviet ones, but do not seem to have lengthened significantly the repayment periods.

111. In the West, the average weighed rate of interest attached to official aid has fluctuated between 4.7% in 1961, 3.1% in 1966, 3.8% in 1967 and 3.3% in 1968. The average duration of these loans was 18 years in 1961, and has since been lengthened to 23½ years in 1966; 23 years in 1967 and 25 years in 1968. Those figures demonstrate that the generosity of Soviet loans (on average, 2.8% interest, duration about 15 years) is nothing exceptional in Western official aid, and is largely overtaken by Communist Chinese terms of aid.

112. The willingness of the Communist countries to accept as repayments of principal and interest the traditional exports of the recipient country, and even, in some instances, the goods produced by the enterprises established with Communist aid, has undoubtedly contributed to easing the constant pressure on the recipient countries for convertible currencies.

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(1) The CAD members of the OECD agreed in February 1969 on a recommendation that member countries should extend 70% of their total official development assistance in the form of grants or grant-like contributions or to ensure that their development assistance commitments contain an average concessional element (i.e. the face value of the commitment less the discounted present value of the required amortisation plus interest payments, using a 10% discount rate) of at least 85%.

Examples of such loans are:

Maturity	Grace period	Interest rate
25 years	7 years	2.0%
30 years	8 years	2.5%
38 years	10 years	3.0%

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This advantage is, however, limited to the extent that these exports cannot normally find an outlet in Western markets; the possibility of repaying Communist debts with traditional exports may thus tend to reduce the economically healthy pressure for redirecting the production of the developing country towards economically more competitive types of goods, although they are undoubtedly a welcome, if temporary, relief for the recipient countries.

(d) "Tying" of economic aid

113. "Aid tying", which implies the imposition by donor countries of the condition that goods and services financed by aid should be purchased exclusively in the donor country, is generally recognised as one of the worst constraints hampering the good functioning of aid. Such a condition may indeed compel them to accept higher prices or a lower quality of goods than they would if they had free choice as to available sources of supply. In the West, the practice of "tying" aid had been gaining in importance in the 60s, particularly in the United States, faced with balance of payments difficulties, but there is a general agreement that the free choice of suppliers remains the objective to be reached as soon as the internal economic situation of the donor permits. The United States has recently decided to "untie" a larger part of its aid programme. It has been estimated that aid tying in 1967 applied to 58% of gross Western development aid disbursements, and to slightly less than 75% of total aid if the tied shares of deliveries of services and goods under technical assistance schemes are included.

114. Nevertheless, in 1967, \$1.8 billion of aid delivered was extended "untied", all by non-Communist countries. The share of "non-tied" aid in total net official disbursements varies widely from country to country. In NATO donor countries, it represented:

TABLE 6

Non-tied aid as % of total Western official aid

Country	1966	1967
Portugal	73	86
Germany	38	40
United Kingdom	29	35
Belgium	28	34
Netherlands	24	32
France	34	31
Italy	25	27
Norway	22	13
Denmark	3	4
United States	4	4
Canada	4	-

In addition, a large part (more than 40% in 1967) of the "tied" aid consisted of grants not involving any repayment burden on recipient countries.

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115. As against the prevailing Western practice of leaving at least some freedom of choice to the aid recipient, all Communist aid is extended on a non-convertible basis, thus requiring that any delivery of goods or services under a Communist aid programme be purchased solely in the donor country. While recipients of Western "tied" aid can choose between competing suppliers within the donor country, even this limited freedom of choice is denied in Communist donor countries where there is no internal competition.

(e) Multilateral assistance

116. Although it is generally agreed among developing countries that multilateral aid is one of the best channels for avoiding "attaching undue strings" to economic aid, the Communist countries have steadily rejected any form of assistance that does not allow a clear identification of its national origin. None of the Communist countries participates in such international organizations as the International Bank for Reconstruction and Development, the International Development Agency, the International Finance Corporation, or in regional development banks established for Africa, Asia or South America. They have been unable to set up, even within COMECON, anything nearly equivalent to the Common Market institution, which provides such assistance (European Development Fund). Even in the few United Nations Aid and Development programmes, where Communist countries do contribute (only 3% of the total contributions to these programmes is of Communist origin), they have been anxious to separate clearly and to control the use of their participation. Contrary to the general practice, the contributions of Communist countries to such programmes are extended in non-convertible currencies restricting the use of such funds to deliveries from the donor country. The Soviet Union, for instance, has sought to concentrate its assistance on selected UN projects, where its contribution either plays a leading rôle or can be, at least, identified and, therefore, openly presented as a Soviet contribution. A further indication of this reluctance to join in multilateral schemes was recently given in ECOSOC by the evasive attitude adopted by Communist countries vis-à-vis the second UN decade for development due to start in 1970.

117. Notwithstanding the striking absence of Communist participation, the multilateral institutions have, since the early 1960s, been playing a rapidly growing rôle in the world-wide development aid effort. Whereas, in 1960, net disbursements by these institutions amounted to \$284 million, or an order of magnitude comparable to total Communist aid during that year, by 1968 the flow of aid received by non-Communist developing countries from multilateral sources, estimated at \$1,200 million, was more than four times larger than that obtained from the Communist world. It represented, in 1968, some 17% of total Western bilateral official net disbursements as against 5.5% in 1960. A number of NATO

countries have been channelling increasing shares of their official aid programmes through multilateral organizations. Over the last five years (1964-1968), on average, two-thirds of Norwegian, more than half of Danish, one-third of Italian and Netherlands, nearly one-fifth of Canadian, and more than 14% of Belgian official aid followed this course. The share of multilateral aid was increased during the last two years in the case of Germany (15%), the United States (8%) and France (6%), while, in the United Kingdom, it remained at about 10-11%. On average, during recent years, the contribution of Western countries to multilateral agencies amounted to about 10% of their total disbursements on official development aid.

(f) Conclusion

118. Western financial and technical assistance, accounting for over 97% of receipts by developing countries, flow from a wide variety of sources, official and private, bilateral and multilateral, in the form of grants and credits to some 100 developing countries over the five continents. Compared to this flow, Communist aid looks skimpy. By strictly limiting their aid programmes, government control over the volume and direction of aid extended, careful selection of recipient countries, painstaking avoidance of any possible confusion as to the origin of aid, the East European countries and the Soviet Union have amply demonstrated that they consider aid to developing nations more as an instrument of their foreign policy than a means of genuine promotion of economic growth. This subordination of economic to purely political considerations is even more striking in the case of aid extended by Communist China, which aims at discrediting both Western and Soviet economic aid.

119. Given the economic capabilities of the Soviet Union and the East European countries, a substantially larger effort could be made by these countries if it was felt that this would yield sufficiently important political dividends. After an initial period of optimism in Communist quarters, events have, however, proved the ephemeral nature of political influence mainly based on aid outlays. The more economically advanced Communist countries, including the USSR, have tended gradually to assess more realistically what they could gain from economic aid commitments. This led them to use "aid" more and more as an instrument for promoting their exports of capital equipment. The momentum of the loudly acclaimed all-out Communist economic aid offensive at the end of the 1950s seems, however, to have slackened under the sobering influence of reality.

120. Comparison between East and West in the field of economic aid should not, however, lead to false conclusions. The West continues to have a genuine interest in the rapid economic growth of the less-developed areas. Western aid should not be viewed as a means of countering the economic aid efforts made by Communist countries. Western aid started long before the Communist countries pretended to discover the problem. The failure of the latter should not be used as a justification for slackening Western efforts in this field. If a goal of 1% of GNP to be devoted to economic aid were to be reached by 1975, as agreed in principle at the second UNCTAD 1968 meeting in New Delhi, Western countries would have to ensure that the annual rate of growth of the volume of financial means put at the disposal of developing nations reached in 1968 (14% more than in 1967) was maintained during the coming years. Indeed, whereas in 1961, this flow was the equivalent of 0.96% of total GNP of DAC countries, by 1966 this percentage had dropped to 0.73% and has since increased to 0.75% in 1967 and 0.77% in 1968. The latest increase was, however, entirely due to the greatly enlarged flow of private means (+40% over 1967) over which Western governments have little control, while official aid declined slightly (-1.2%) from the \$7 billion peak reached in 1967.

II. MILITARY ASSISTANCEA. SIZE AND DIRECTION OF COMMUNIST MILITARY AID(a) Definition of Communist military aid

121. Whereas, for obvious propaganda reasons, the signature of economic aid agreements by Communist countries is generally accompanied by large scale publicity, far less information is released about the military deals between Communist countries and developing nations of the non-Communist world. The problem of separating the "aid" element from what would be a normal trade transaction adds to the difficulty of evaluating Communist military aid. To make such an assessment, one must start with the estimated value of military equipment committed to be delivered. From this amount are deducted the down-payments made by the recipient country, which vary from case to case but are estimated to represent, on average, between 3 and 4% of the value of the military supplies promised. The amount of military "aid" is limited to: (a) the credit arrangements of the arms deals, and (b) the discounts and grants accompanying military aid agreements. It may be noted that the prices listed for military equipment are fixed arbitrarily by the Communist countries so that the discounts might tend to exaggerate the "grant" element of Communist military aid.

122. It is generally thought that about 60% of the arms supplied by Communist countries are delivered on credit and that nearly 40% of their total value is written off, in the form of outright gifts or reduced prices and discounts. The terms under which military credits are extended are rarely revealed, but they are, on the whole, more stringent than those attached to economic loans. Although it appears that in some instances repayment of military loans in hard currencies has been explicitly called for, in most cases such repayments have apparently been included in the total trade exports of recipient countries, implying that these have been made in goods rather than currencies. Apart from deliveries of arms, ammunition and equipment, Communist countries send military advisers and instructors to the recipient countries and provide in their own countries training facilities for military personnel coming from developing countries.

(b) New Commitments

123. It has been estimated that, during the period 1960-66, new military aid commitments undertaken by Communist countries averaged about \$550 million annually with two peak years: 1961: \$850 million and 1964: \$1,000 million. New extensions amounted to \$600 million in 1967, and in 1968 to at least \$200 million. During the first six months of 1969, new military aid is estimated at \$50 million. The total military aid extended by Communist countries from 1955-mid-1969 reached at least \$3.6 billion on credit and \$2.3 billion in respect of discounts or grants.

124. During the last three years of the decade, the Soviet Union was, as usual, by far the most active of the Communist countries granting military aid: accounting for about 90% of new commitments in 1967 and for 75% of those signed in 1968. Czechoslovakia, whose rôle in this field diminished after 1960, provided the bulk of the rest, and Communist China added little to the total. During the first half of 1969, no arms shipments of major equipment from Communist China have been reported. Most of the new arms agreements concluded by the USSR in 1967 and 1968 concerned Near Eastern and Arab countries. In January 1967, the Soviet Union signed a \$100 million military assistance agreement with Iran, and after the six days Israeli campaign of June 1967 undertook new commitments to restore the Arab military equipment inventories to their pre-war levels. The UAR, Syria and Iraq were the main beneficiaries of these new commitments. In addition, the USSR had concluded in 1967 minor arms agreements with Guinea, Indonesia, Morocco, Nigeria and Yemen, and in 1968 South Yemen and Sudan were added to this list. The Soviets apparently made offers to Jordan, Lebanon, Libya and the Congo (Kinshasa). Among the East European countries, Czechoslovakia is known to have signed in 1967 small agreements with Iraq, Syria, the UAR, Morocco and Nigeria.

(c) Drawings

125. Contrary to the slow rate of utilisation of economic aid, drawings on Communist military aid indicate that the implementation of this type of assistance follows closely the signature of the agreements. Since the beginning, in 1955, of Communist activities in the field, the non-Communist, less-developed countries have drawn up, till the end of 1969, nearly \$5.2 billion of the \$5.9 billion military aid extended, representing a rate of implementation of more than 85%, i.e. more than double that prevailing in the field of economic assistance. This explains why, although the total military aid undertaken by Communist countries since 1955 represents less than 60% of economic aid commitments, the value of actual supplies of arms, military equipment and services under assistance terms exceeds by some 16% that of deliveries for the economic development of the recipient nations of the Third World.

126. The largest difference between the flow of military assistance and that of economic aid occurred in 1962, when the former was estimated at some \$810 million against hardly more than \$350 million for the latter. Since then, the overwhelming predominance of military over economic aid in Communist deliveries has been gradually reduced. Over the period 1960-66, the annual average drawings on military aid agreements amounted to some \$440 million, and during the two more recent years \$400 million worth of military aid has actually been delivered to the recipient countries. In view of the reduced volume of new undertakings during the first half of 1969, it would seem that deliveries during that year may decline to about \$300 million.

127. More than 85% of the military aid delivered over the last two years by Communist countries has come from the Soviet Union, the main additional Communist sources of supply being Czechoslovakia and Communist China, while Bulgaria, the Soviet Zone of Germany and Poland have contributed only token amounts. After the emergency resupply operation of June 1967, including an airlift of some 300 flights and the subsequent ship deliveries, the flow of deliveries to Arab states (UAR, Syria, Iraq, Algeria, Yemen) declined somewhat in 1968. These reductions were, however, offset by increased shipments to the other recipient countries, such as Iran and more especially India, where Soviet supplies now constitute the main source of equipment for the Indian armed forces. The setting up of the assembly plan for MiG aircraft with Soviet assistance in India is progressing, but indigenous manufacturing of complete aircraft is not expected to start before 1970. With its special relations with India in mind, the USSR moved cautiously in Pakistan, where Communist China has concentrated its main effort. In 1967, the USSR agreed to provide spare parts on a cash basis for the Indonesian navy and air force. Since 1967, Nigeria has received military equipment from both the Soviet Union and Czechoslovakia. The main arms deals by the latter have been the agreement negotiated in 1967 with Morocco for the delivery of an estimated \$20 million worth of ground forces equipment to match the building up of Algerian military strength.

(d) Military technical assistance

128. Following the June 1967 war, the number of Communist military technicians and advisers in Arab countries increased significantly. In the UAR and Syria, the rôle of Soviet advisers, numbering over 2,000 and 1,000 respectively, is growing not only in military training but also as regards influence on military matters in general. Soviet advisers in both these countries are apparently attached to line units down to the battalion level, individual radar installations and SAM sites. At higher echelons, Soviet personnel assist unit commanders in preparing operational plans and in supervising their execution. In Algeria(1) and Iraq, where the next largest concentration of Soviet military technicians have been reported, they are mainly engaged in assembly tasks and in more traditional types of military training. The rest of Soviet technicians are distributed according to the geographical pattern adopted for military credit and grant deliveries. Altogether, as a result of intensified activities in this field, the number of military technicians and advisers at work in the less-developed areas of the non-Communist world for periods exceeding one month is estimated to have risen from a stabilised level of less than 3,500 in 1966 to about 6,100 in 1967 and 7,200 in 1968. By mid-1969, this figure declined to 6,400.

(e) Military trainees from developing countries

129. Contrary to the upward trend noticeable in the numbers of military advisers sent to developing countries, the figure for new military personnel from developing countries enrolled in training programmes set up for them in Communist countries tended to decline in 1967 and 1968 as compared to previous years. From the information available, it seems that, during the years 1961 and 1962, the number of annual departures reached a peak of about 3,500. By 1965, this figure had declined to 2,720 and fell to 1,550 in 1966. Figures for 1967 and 1968 were estimated at 1,200 and 1,500 respectively, coming from 11 different developing countries. By the middle of 1969, about 3,500 nationals from developing countries were reportedly receiving military training in Communist countries as against 3,800 in 1968, 3,500 in 1967, 3,630 in 1966 and 4,355 in 1965. More than 90% of them were located in the Soviet Union and the rest divided between East European countries and Communist China. Apart from the Arab countries (such as Algeria, Iraq, UAR and Syria), Afghanistan, Congo (Brazzaville), Guinea, India, Somalia and Tanzania had sizable numbers enrolled.

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(1) A figure of 800 up to 1,000 military assistance personnel in that country has been quoted

130. Since 1955, a total of approximately 25,000 military personnel from at least 15 developing countries have been sent to Communist countries for training, of which 85% to the USSR. The largest number came from Indonesia (more than 15,000), which practically stopped sending new trainees after 1966. The next most important recipient of such military aid has been the UAR (about 6,000 trainees), but, here again, since 1967 the number of new departures has been reduced.

B: EVALUATION OF COMMUNIST MILITARY AID

(a) Cost to the "donor" country

131. As indicated earlier, Communist military aid is provided almost entirely by the Soviet Union with the other East European countries playing only a complementary rôle. The value of the annual Soviet military assistance deliveries during recent years (about \$350 million) represents roughly 1% of the estimated total military spending in the USSR and can hardly be regarded as affecting the burden of the Soviet military effort one way or the other. Deliveries to developing countries are thought to be taken from existing stocks. Some years ago, complaints were voiced as to the quality of such Soviet deliveries. For instance, in 1962/63, Iraq was reportedly dissatisfied with what its authorities considered as "obsolete" and "secondhand" equipment provided by the Soviet Union under its military assistance agreement. Since then, the USSR has gradually released more modern types of aircraft and land and navy equipment, including more advanced SAM equipment commonly used in the Soviet armed forces, and no further complaints have been heard from the recipient countries.

132. It is clear that the Soviet Union does not envisage allocating to its military assistance programmes any specific fraction of its productive capacity. The only known exception to this has been the establishment in India of a plant, first for the assembly and later for the construction of MiG-21 aircraft, which is now in the process of being completed. For this particular purpose, the Soviet Union, at the end of 1964, extended the equivalent of \$86 million on credit terms to India. In 1968, the USSR appeared to be increasingly concerned with the ability of the recipient countries to absorb and use effectively the equipment delivered. While continuing to replace the arms losses of its Arab clients, the Soviet Union has apparently sought to reinforce its close control over requirements and use of its arms aid.

133. For comparison purposes, reference may be made to United States military assistance. There has been a gradual shift in the US military deliveries from grants to credit sales, and more recently to cash sales. United States grant military aid (exclusive of Vietnam) amounted to \$904 million during the fiscal year 1966/67, \$484 million in 1967/68, and \$620 million in 1968/69. For the fiscal year 1970, an amount

of \$684 million in the form of grants has been provided for in the Federal Budget. In addition, it is expected that, in 1970, \$600 million of official arms sales from government to government will be on cash terms, \$400 million on cash from private US industries, \$350 million on credit terms through the Export-Import Bank going mainly to industrialised countries, and \$350 million credits and grants under the Foreign Military Sales Act destined mainly for developing nations. Information on other Western transactions in the field of military aid is lacking, and no further comparison between the value of Communist and total Western military deliveries is possible.

134. Since 60% of the arms supplied by the USSR and the other East European countries are sold on credit terms with reimbursements by recipient countries generally taking the form of exports of traditional goods and occasionally that of repayments in hard currencies, the real cost of the military aid programme amounts to the "grants and discounts" estimated to represent about \$160 million annually in 1967 and 1968, to which the concessionary element(1) of the credit terms must be added. This leads to the conclusion that military aid may be considered in economic terms as merely a means to promote arms sales without imposing undue strain on the Soviet armaments industry. Indeed, to the extent that repayments are made in convertible currencies, military aid can be regarded as a hard currency earner contributing to alleviate the balance of payments problems in convertible currencies, thus facilitating Communist purchases of highly needed technology from Western industrialised countries.

(b) Aims and results of Communist military aid

135. Military aid has proved to be a cheap and highly efficient means of increasing Communist countries' influence in the less-developed areas of the non-Communist world, of building an image of power and friendship and reducing Western influence in the countries accepting such aid. Soviet military aid has developed in an experimental and pragmatic way, making use of opportunities as they occurred. Chronologically, military aid has often preceded the extension of economic assistance, as in Middle Eastern countries for instance. In

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(1) According to the "discounted present value" method used in OECD (Goran OHLIN "Foreign Aid Policies Reconsidered" OECD Paris 1966, Annex: "The grant element in development lending" "The flow of financial resources to less-developed countries 1961-65" OECD Paris 1967, Annex I and page 146) for calculating this element, and on the assumption that credit terms applied on economic aid (2.5% interest, 12 years maturity period, 10% discount rate) with repayment starting one year after delivery, are valid for military credits, Soviet military loans would contain a grant element of  $7.5 \times 4.5 \times (1 + 1/12) = 36.56\%$  as a maximum against approximately 43% for the traditional Soviet economic development loans

adopting this policy, the Soviet Union acted more as a conventional power than as the promoter of world-wide ideological interests. Offers of arms and military equipment were extended to recipient countries, irrespective of their attitude vis-à-vis their local Communist parties; indeed, Soviet arms deliveries may have contributed to the local authorities' stand against the illegal activities of the local Communist parties. The Chinese, who are not in a position to challenge Soviet military aid in volume, have been highly critical of such Soviet ventures in non-Communist countries.

136. A specific aspect of Communist military aid and technical assistance is that it aims at gaining influence in the potentially important groups of the military personnel of developing countries. In these countries, eager to demonstrate their national identity and political independence, the army generally constitutes one of the very few well organized social structures within the country. By sending military experts to these countries, who keep in constant touch with their local counterparts, and by inviting promising young military personnel to stay and study in Communist countries, military technical assistance aims at building up personal relations with a selected group, which, in due course, might play a decisive political rôle in their respective countries. Simultaneously, Communist military aid helps to exclude Western military facilities in areas of strategic interest (Mediterranean area, petroleum producing Arab countries), providing alternative sources of military equipment to countries on the periphery of Western alliances (Afghanistan, India), or even, in an effort to disrupt these alliances (CENTO, SEATO), to countries belonging to them (Iran, Pakistan).

137. The aggravation of local quarrels has served Communist objectives and tended to upset Western relations with all parties concerned. The Soviet Union has often exploited the desire of one party in a local conflict to strengthen itself against a rival presented as being supported by the West (Arab versus Israel, India versus Pakistan, Indonesia versus Malaysia, etc.). Once a certain volume of military equipment has been put to use in a developing country, the Communist countries have at their disposal a convenient means of making their presence felt through controlling the deliveries of indispensable spare parts, replacements and ammunition. At the same time, by favouring the military build-up of one country, they induce the neighbouring potential opponent to improve its own military posture. In the absence of Western response to such requests, the latter country might feel obliged to turn to the Communists for military equipment. Such was the case with Morocco after Soviet arms deliveries to Algeria.

138. The military aid policy pursued by the Communist countries has, however, its limitations and its drawbacks. By fostering nationalistic attitudes in the recipient nations, the Communist countries limit not only the influence of the West but also hamper their own efforts at ideological penetration. The Indonesian experience has demonstrated that, notwithstanding large scale military aid, the recipient country may retain sufficient independence to refuse to align itself with the Communist powers and may turn to the Western world for support. Similarly, by giving the impression of taking sides in local conflicts, the Communist countries risk antagonising the other party. The defiant attitude of Pakistan in turning for support to the Chinese in the face of Soviet military aid to India is an example of this.

(c) Economic consequences for recipient countries

139. Since none of the developing countries has at its disposal the industrial capacity to produce at home the arms and equipment which their leadership thinks indispensable, the military build-up in these countries represents a very heavy drain on resources without any economic advantage, and is thus delaying development. The deliveries of sophisticated types of armament and equipment generate additional expenditure for the maintenance of such equipment. In addition, by diverting skilled technicians to the servicing of the advanced types of arms and equipment, the developing countries are further aggravating the lack of trained manpower in the civilian sectors of the economy, which constitutes one of the main bottlenecks in economic development. The Development Assistance Committee of the OECD, in considering the problems of aid allocation in relation to development, raised the question, "how to react to the diversion of resources to military purposes by developing countries"(1). Some of the main recipients of Communist military aid have, indeed, been devoting a considerable share of their GNP to defence although the living standards of their populations remain low, as shown in Table 7(2) below.

TABLE 7

Defence Expenditure in Selected Arab Countries

Country	Military Spending 1968		GNP (estimates)	
	million US \$	in \$ per capita	per head in \$	% devoted to defence
Algeria	173	14	210	6.4
Iraq	252	30	260	11.2
Syria	137	25	190	12.6
UAR	690	22	175	12.5

(1) Development Assistance - 1968 Review - OECD Paris, page 149

(2) Based on "The Military Balance 1969-70", The Institute of Strategic Studies, London

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The value of Communist military aid deliveries to these countries is estimated to be roughly one-fifth of the total military spending in these countries.

140. Since delivery of military goods follows more closely the signature of "aid" agreements than economic developmental equipment, "military credits" have a more immediate impact on the debt servicing obligations of the recipient countries. The difficulties encountered by developing countries in meeting their heavy repayment obligations are seriously aggravated by reimbursements due for arms deliveries. The case of Indonesia may be quoted as an example: under Sukarno, this country had received between 1957 and 1965 about \$1,340 million worth of military equipment (about \$130 million from Poland, \$100 million from Czechoslovakia and \$1,110 million from the USSR), of which over \$1 billion on credit terms. The leadership that came to power after Sukarno was faced in 1966 with debt repayment obligations amounting to \$800 million due to the Soviet Union, of which over two-thirds for military deliveries. The country had no alternative to requesting both its Western and Communist creditors for a rescheduling of its obligations. Since September 1965, major Soviet military deliveries have been suspended, while the Soviet economic aid was slowed down and came to a standstill in 1968. Debt rescheduling negotiations with the USSR have been dragging on over the last years. It may be noted that all the developing countries which have asked their Communist creditors for concessions(1) on their repayment obligations are precisely those that had been receiving Communist military aid.

141. It could be argued that the slowing down of economic growth in developing countries resulting from the Communist military aid deliveries might contribute, in the long run, to the growing dissatisfaction of the population with their living conditions and thus promote the social unrest on which the local Communist parties might count to gain more influence. While such developments are obviously to the disadvantage of Western interests, there is, however, no evidence that the Soviet Union would be the primary beneficiary of popular discontent, as the Chinese Communists might derive profit in criticising the Russians. Recent Soviet tendencies to show more caution, if not hesitation, in sending military equipment to various developing countries may reflect an increasing awareness in the Soviet Union of this aspect of the matter.

#### (d) Prospects and Conclusion

142. In view of the results attained, military aid is likely to remain one of the most favoured means used by the Soviet Union for gaining influence in the developing areas of the non-Communist world. The USSR has the capability to expand

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(1) UAR, Yemen, Guinea, Ghana, Mali, Afghanistan, Somalia, Indonesia

the size of its military deliveries without impairing its own defence posture, and the development of its more sophisticated weaponry. Thus, the flow of arms and military equipment will depend primarily on the evolution of the local seats of contention and antagonism between developing countries. This is not to say that the Soviet Union would deliberately seek to multiply the points of potential friction in the Third World, but that the Soviet leaders will remain alert to exploit rapidly and efficiently to their benefit any opportunity that might arise. So far, the value of deliveries of Communist arms has been at least equivalent to the flow of Communist economic aid deliveries, though military aid has been even more heavily concentrated on a smaller number of countries than economic aid. Furthermore, no other Communist country, European or Asian, can seriously compete with the USSR in this field, so that the prestige and influence gained by this type of "assistance" are to the exclusive benefit of the Soviet Union. There is no reason, therefore, to assume that, in coming years, the flow of Soviet arms and military equipment will diminish from its current level, estimated at \$350-\$400 million a year, and that this flow might well increase if new areas of friction were to arise in the developing regions of the non-Communist world.

143. Communist China, notwithstanding its limitations, will undoubtedly pursue its efforts to assert its presence in a field where the Soviet Union maintains within the Communist world a near monopoly position. China will probably continue to send arms and equipment to the subversive forces in the developing areas while condemning loudly the "imperialistic" character of Soviet military aid. The value of Chinese military deliveries is, however, unlikely to exceed about one-tenth of similar Soviet supplies.

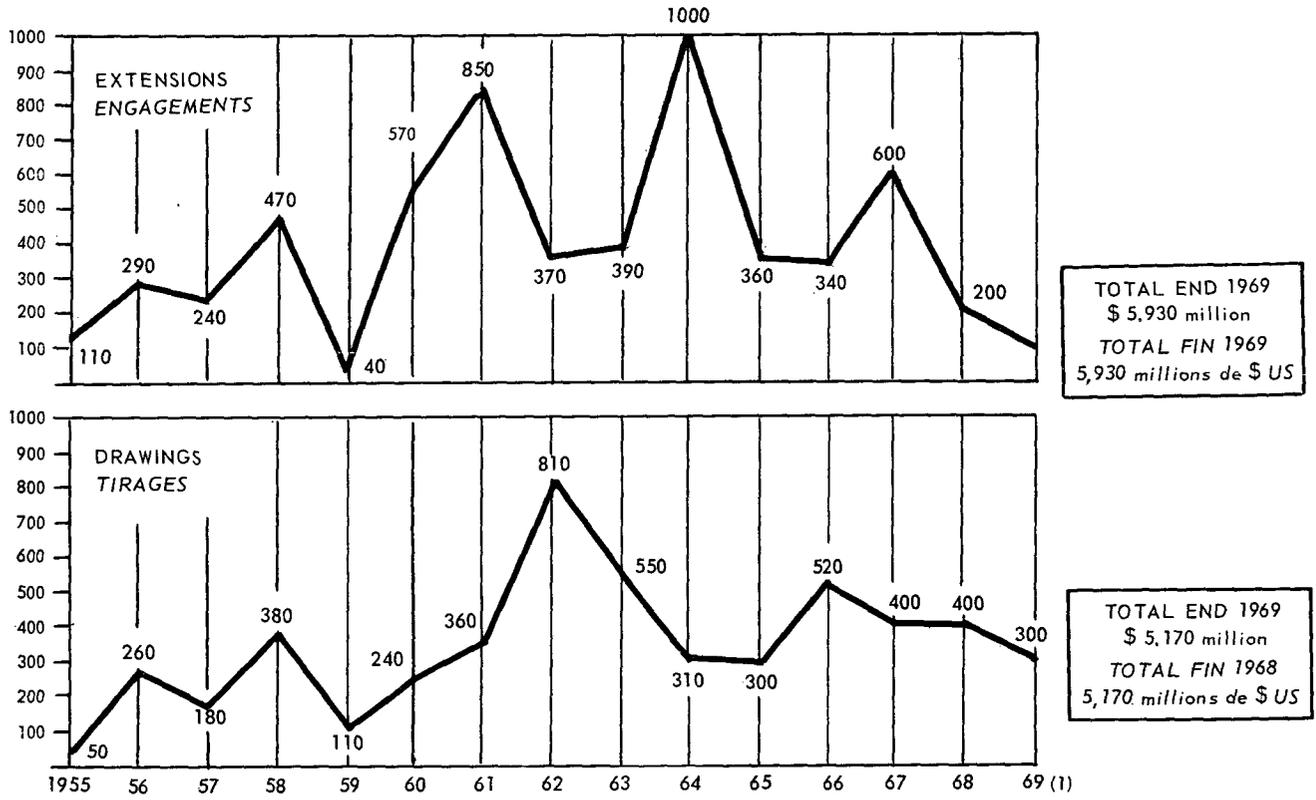
144.. The developing countries, where national feelings often constitute one of the main driving forces of the nation, tend to meet the need to insure their internal stability and external security by the building up of their military establishment. Offers of military assistance are thus directed at highly sensitive sectors. The type of dependency which results from the acceptance of such offers tends to be more serious than that resulting from economic aid. Once an army has been equipped with supplies from the Soviet Union, the permanent requirement for maintenance, replacement and technical assistance for learning how to use such equipment creates links with the USSR in a sector of vital importance for the recipient country which are difficult to loosen. The Indonesian example is a clear indication of the problems that such dependency may create. Finally, as mentioned earlier,

arms races among developing countries might have disruptive consequences on their economic growth, thus exacerbating in the longer term internal tensions and local distortions to the detriment of Western interests. NATO countries have, therefore, an interest to closely watch developments in Communist military aid activities, and might find it advisable to improve the exchange of views on the problems raised by this type of Communist activities.

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GRAPH VII - GRAPHIQUE VII

COMMUNIST MILITARY AID (Million US \$)  
AIDE MILITAIRE COMMUNISTE (En millions US \$)



(1) Preliminary (on the basis of situation as of mid 1969) - *Preliminaire (compte tenu de la situation mi-1969)*

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III. TRADE WITH DEVELOPING COUNTRIES

A. MAGNITUDE OF COMMUNIST TRADE WITH DEVELOPING COUNTRIES

(a) The Communist share in total trade of developing areas outside Europe

145. During the last two years for which total statistical information is available(1), the total value of the foreign trade of the Third World expanded at the rate of 3% in 1967 and about 9% in 1968. The Communist countries contributed little to this overall growth. Trade turnover between Communist countries and the developing areas outside Europe declined slightly (-1.1%) during 1967, and increased by less than 3.5% in 1968.

TABLE 8

Trade of Developing Areas (1964-1968)

Year	WITH THE COMMUNIST COUNTRIES						WITH WORLD	
	Exports f.o.b.		Imports f.o.b.		Total Turnover		Total Trade Turnover	
	Million \$	% Change	Million \$	% Change	Million \$	% Change	Million \$	% Change
1964	1,940	+ 11.6	2,650	+ 7.3	4,590	+ 10.7	69,565	+ 9.3
1965	2,390	+ 23.2	2,930	+ 10.6	5,320	+ 15.9	73,510	+ 5.7
1966	2,340	- 2.1	3,230	+ 10.2	5,570	+ 4.7	79,030	+ 7.5
1967	2,150	- 8.1	3,360	+ 4.0	5,510	- 1.1	81,410	+ 3.0
1968	2,220	+ 3.3	3,470	+ 3.3	5,690	+ 3.3	88,650	+ 8.9

146. The poor performance of the Communist trade partners in the overall trade pattern of developing countries was particularly noticeable on the latter's export side. These exports to Communist countries decreased by 2.1% in 1966 and by 8.1% in 1967. They increased by only 3.3% in 1968. This is all the more striking as:

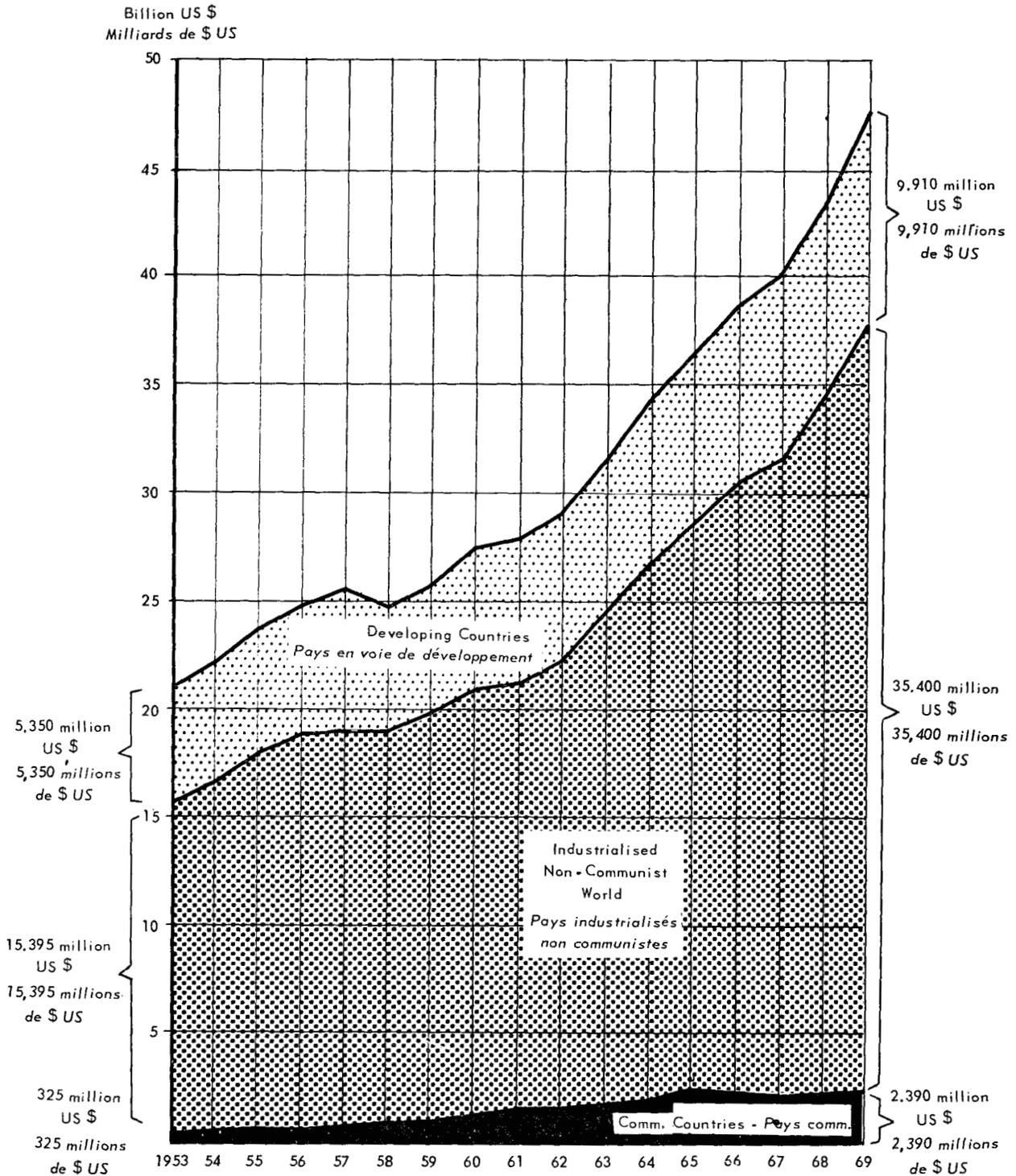
- total imports by Communist countries increased by 3.8% in 1966; 6.8% in 1967 and 8.2% in 1968,
- total exports of the developing areas increased in value by 6% in 1966, 3% in 1967 and 8.9% in 1968.

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(1) "International Trade 1968", GATT, Geneva 1969

GRAPH VIII - GRAPHIQUE VIII

EXPORTS OF NON-COMMUNIST DEVELOPING COUNTRIES  
EXPORTATIONS DES PAYS NON COMMUNISTES EN VOIE DE DEVELOPEMENT  
(1953 - 1969)



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The increase in 1968 of the total volume of the exports of the developing areas (+8%) was the largest recorded since the end of the war(1). This favourable development was, however, solely due to the resumption of economic growth in the non-Communist industrialised areas. In fact, the impressive increase of export earnings (+9%) was due to a combination of three factors:

- the growing demand for raw materials in the industrial countries,
- the resulting favourable trend in export prices, and
- the rapid growth in the exports of manufactured goods (+20%) from developing countries.

147. The share of the Communist countries in total exports by developing countries grew rapidly from about 1.5% in 1953 to a peak of 6.5% in 1965, since when it has receded to 5.1% in 1968 (see Graph X). From partial information available, it would appear that the receding trend prevailing since 1966 continued during 1969, although in absolute value exports to Communist countries may have regained their 1965 level. It seems, nevertheless, unlikely that developing countries have exported more than 5% to the Communist world as against 74% to the industrialised Western countries, the remaining 21% being exchanged between developing countries of the non-Communist world.

148. Imports by developing countries from Communist sources grew rapidly (more than 17% annually) between 1959 and 1966, but more moderately thereafter: 4% in 1967 and 3.3% in 1968. The improvement in the terms of trade and the expansion of exports following the increased economic activity in the West in 1968 led in turn to a growth in imports from the industrialised non-Communist countries, expanded by 10% in that year. As a consequence, the relative importance of Communist countries as sources of supply (which grew steadily from 1.9% of total purchases by developing countries in 1953 to 8.1% in 1967) declined for the first time in 1968. During the latter year, 73.1% of the total imports of the developing areas came from the industrialised non-Communist world, as against 7.7% from Communist countries. From the limited information so far available on imports by the less-developed countries in 1969, it appears that these percentages remained practically unchanged last year.

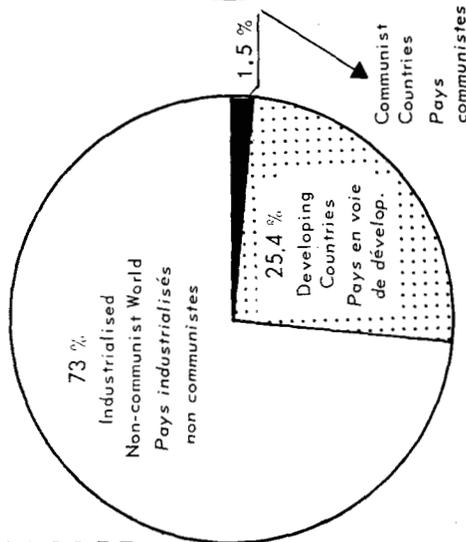
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(1) Increases in 1955, 1963 and 1967 were at almost the same level

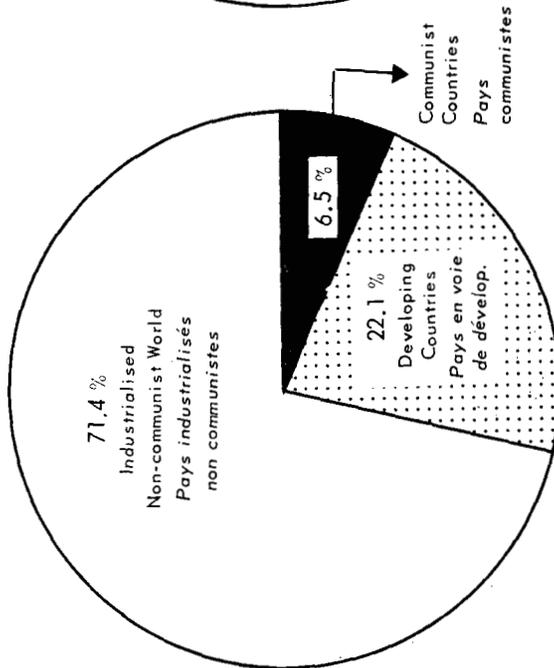
**GRAPH IX - GRAPHIQUE IX**

**DIRECTION OF LESS DEVELOPED COUNTRIES' EXPORTS  
DESTINATION DES EXPORTATIONS DES PAYS EN VOIE DE DEVELOPEMENT**

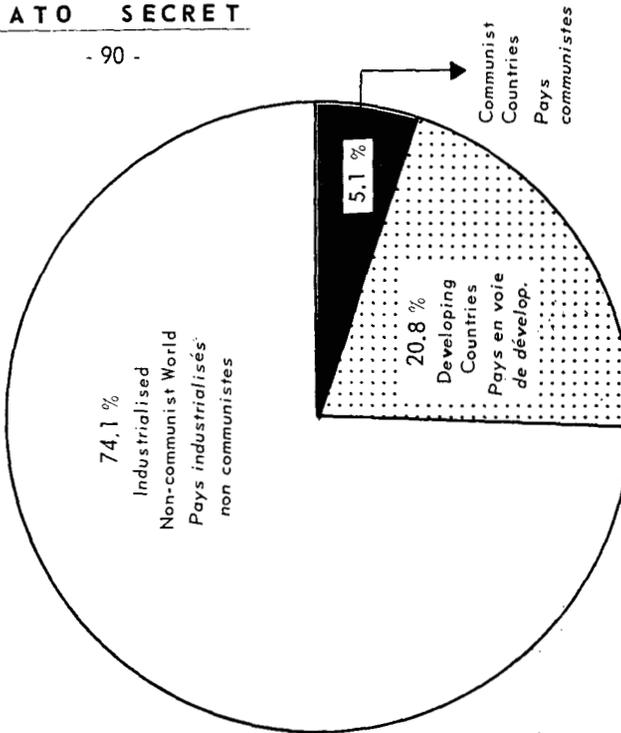
1953  
TOTAL EXPORTS :  
21,070 million US \$  
TOTAL DES EXPORTATIONS :  
21,070 millions de \$ US  
(1953 = 100)



1965  
TOTAL EXPORTS :  
36,510 million US \$  
TOTAL DES EXPORTATIONS :  
36,510 millions de \$ US  
(1965 = 173)



1968  
TOTAL EXPORTS :  
43,430 million US \$  
TOTAL DES EXPORTATIONS :  
43,430 millions de \$ US  
(1968 = 206)



149. The trade balances of the developing areas as a whole have been rapidly deteriorating since 1966. Trade between less-developed countries and industrialised Western countries has been, however, much more balanced than with Communist countries. Imports f.o.b. from Communist countries exceeded by increasing amounts exports f.o.b. to these countries, and the resulting trade deficit incurred by developing countries is quite out of proportion to their trade with the Communist world. During 1968, at least \$1 billion was added to this deficit, and this amount does not include the additional charges for freight costs of imports. Roughly one-quarter of the deficit can be explained by supplies of economic aid on credit terms, but military aid deliveries must obviously have contributed greatly to this deficit. Too little is known about balance of invisibles, services and transport and other transfers, and, on the other hand, the balance of payments situation differs too widely from country to country to allow any meaningful generalisation.

(b) The importance of developing areas in the total trade of Communist countries

150. Total Communist trade expanded steadily from a very low level in 1953 to reach a total of \$27 billion exports and \$26 billion imports in 1968, which represents an increase of 8.6% over the preceding year. However, since 1962, world trade generally had been growing nearly as rapidly, and in 1968 it rose by 11%. By the end of 1968, Communist trade accounted for about 11% in total world trade.

TABLE 9

Trade of the Communist Area  
(1964-1968) (billion US \$)

Year	Communist trade with world			of which: Trade Turnover with developing countries
	Exports	Imports	Total Turnover	
1964	20.27	20.03	40.30	4.59
1965	21.73	21.42	43.15	5.32
1966	23.20	22.32	45.52	5.57
1967	24.89	23.86	48.75	5.51
1968	27.03	25.87	52.90	5.69

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151. The overall expansion of Communist trade in 1968 was largely due to a 10% increase of intra-COMECON trade, which represents the lion's share of this trade (over 56%). Trade with industrialised Western countries grew more moderately (+6.7%), while that with the developing areas increased only slightly (+3.5%). Nevertheless, the overall export surplus in Communist trade, which doubled between 1965 and 1967, increased by more than \$1 billion in 1968, mainly because exports to developing countries continued to grow while imports have lagged since 1965, and even by the end of 1968 did not reach the level of the earlier year.

152. This general outline disregards, however, the great differences in the volume of trade of the various countries with the developing areas. In terms of total trade turnover with the developing countries, the USSR ranks first among the Communist countries.

TABLE 10

Communist trade with developing areas 1968

(billion US \$)

Country	Exports	Imports	Turnover	Balance
Soviet Union	1.40	0.86	2.26	+ 0.54
Eastern Europe	1.03	0.85	1.88	+ 0.18
Communist China	0.83	0.24	1.07	+ 0.59
Other Asian Communist countries	0.10	0.08	0.18	+ 0.02

The Soviet lead is largely due to the prominence of its exports. Whereas the Soviet Union is undoubtedly the main Communist source of supply to the less-developed countries, Eastern Europe constitutes as important an outlet for their products as the USSR. Communist China is a separate case: it sends a considerable part of its exports to developing countries of Asia, Africa and the Middle East, and purchases the bulk of its imports in industrialised Western and East European countries, while trade with the Soviet Union has been reduced to a negligible quantity.

153. The percentage share of the developing countries in total trade of the individual Communist countries during 1968 was as follows:

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TABLE 11

Share of Third World in Communist Trade

Communist China	31%
Soviet Union	11%
Czechoslovakia	10%
Rumania	8%
Poland	7%
Bulgaria	7%
Hungary	6%
Soviet Zone of Germany	5%

It may be noted that, as far as East European countries are concerned, this distribution confirms the relative efforts of economic aid(1).

(c) Evolution of Soviet trade with developing countries

154. Since the end of the last war, trade between the USSR and the less-developed countries has gone through three stages:

- from 1946-1953, trade with developing countries remained at a very low level (about \$130 million annually);
- from 1954-1962, this trade expanded at an extraordinary speed; its value increased twelve-fold (from \$130 million in 1953 to \$1,570 million in 1962);
- from 1963-1968, it continued to grow but at a more moderate rate: from \$1,570 million to \$2,260 million (or by about 45%).

155. The 1954 trade expansion drive coincided with the extension of the first economic aid credits. The Soviet Union presented itself as a new large scale market where developing countries would be able to sell their raw materials and agricultural products which could not find buyers in the non-Communist world. As these countries suffered from a chronic shortage of hard currencies, the USSR proposed to barter their surpluses for industrial equipment badly needed by the developing areas. Such deliveries of equipment on credit did, however, not reach significant levels until 1962, and the Soviet trade balance with developing countries showed slight, but constant, deficits. Indeed, by the end of 1960, the cumulative Soviet deficit balance with the developing countries since 1946 had grown to about \$670 million.

(1) See paragraph 38

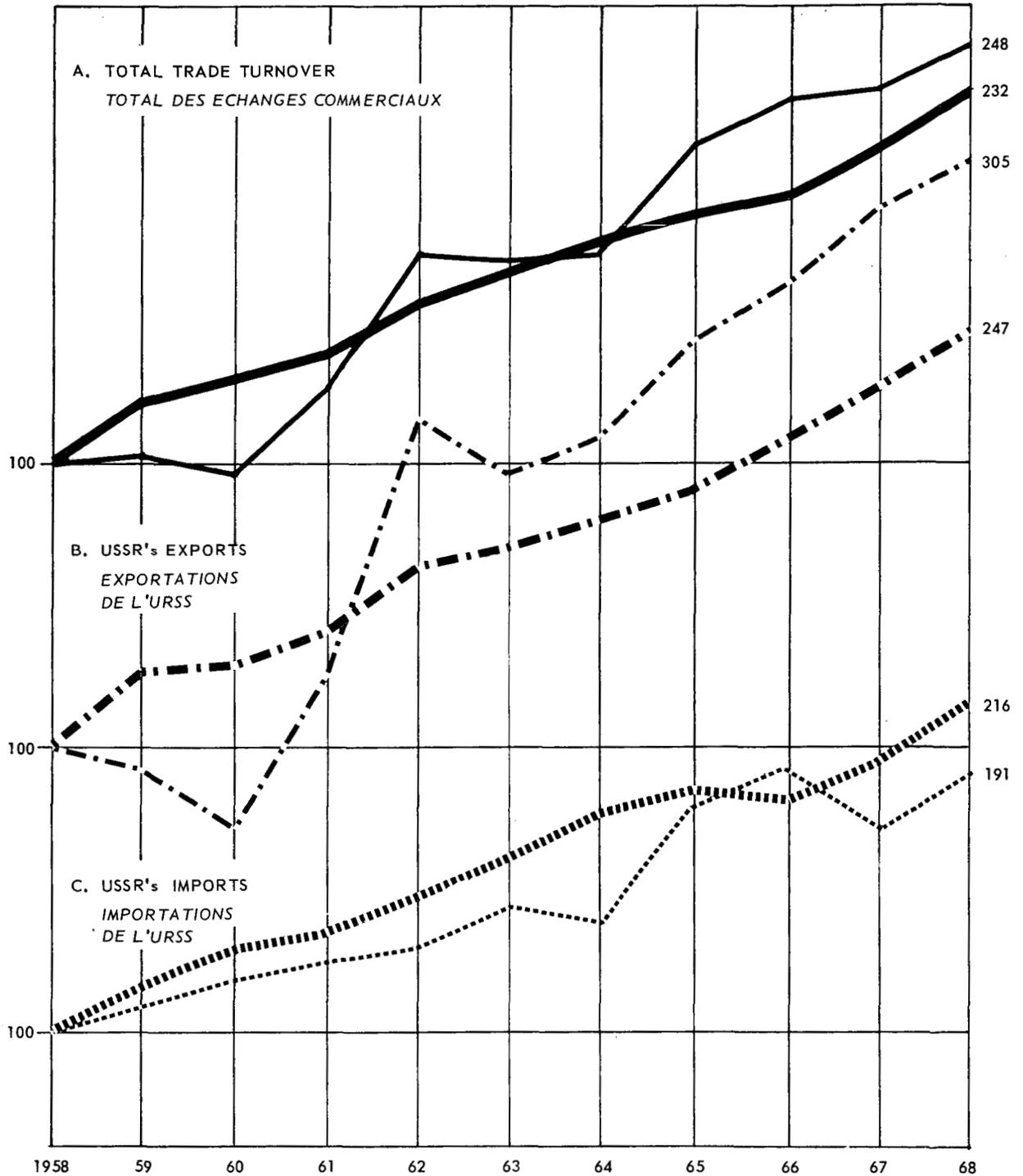
156. Since early 1962, the overall picture has changed. The rate of increase fell and the trade balance switched in favour of the Soviet Union. As the starting level was low, rates of increase seemed very high at first, although the absolute amounts involved were relatively small. The level of imports reached in the early 60s was more in line with what could be expected from a country such as the Soviet Union. It seemed that further increases would depend on the overall performance of the Soviet economy, which tended to advance more slowly in the 60s than in the 50s. Between 1962 and 1968, Soviet imports from developing countries rose from \$565 million (1961) to \$860 million (1968), an annual average rise of about 6.2%, but this progress was no longer uniform: in 1964, imports declined somewhat relative to 1963; in 1967, they fell below the level reached two years earlier, and in 1968 they had not regained their 1966 level.

157. During the 1962/68 period, Soviet exports to developing countries continued to increase at their earlier rate, i.e. more rapidly than imports (from \$585 million in 1961 to \$1,405 million in 1968, about 17% per annum). As a consequence, the Soviet trade balance with these countries became favourable. The accumulated deficit was soon transformed into a surplus, which, by the end of 1968, reached a cumulative total of \$2,100 million. Deliveries of capital goods on credit terms have played a rôle in this change, and the Soviet Union will gradually have to consider more carefully the problem of the economic usefulness of what it can obtain from the developing areas in exchange for its exports.

GRAPH X - GRAPHIQUE X

FOREIGN TRADE OF THE U.S.S.R.  
 COMMERCE EXTERIEUR DE L'U.R.S.S.

1958 = 100



KEY  
 LEGENDE

- Trade with developing countries  
Echanges avec les pays en voie de développement
- Trade with World  
Echanges internationaux

TABLE 12

USSR: Trade with the World and with less-developed countries  
(1946-1968)  
(million roubles)

Year	WORLD	Trade with less-developed countries				
	TOTAL Trade Turnover	Trade Turnover	Exports(1)	Imports	Trade Balance	
					Annual	Cumulative
1946	1,280.3	91.7	38.7	53.0	- 14.3	- 14.3
1947	1,364.0	75.8	19.4	56.4	- 37.0	- 51.3
1948	2,278.9	229.6	66.2	163.4	- 97.2	- 148.5
1949	2,642.8	173.4	64.0	109.4	- 45.4	- 193.9
1950	2,925.5	112.5	29.1	83.4	- 54.3	- 248.2
1951	3,853.4	151.8	66.0	85.8	- 19.8	- 268.0
1952	4,766.4	109.6	67.1	102.5	- 35.4	- 303.4
1953	5,148.1	117.1	45.1	72.0	- 26.9	- 330.3
1954	5,764.4	228.7	88.1	140.6	- 52.5	- 382.8
1955	5,838.5	304.0	127.8	176.2	- 48.4	- 431.2
1956	6,504.9	489.9	241.0	248.9	- 7.9	- 439.1
1957	7,487.3	699.2	326.6	372.6	- 46.0	- 485.1
1958	7,783.9	820.0	414.5	405.5	+ 9.0	- 476.1
1959	9,471.2	826.9	387.7	439.2	- 51.5	- 527.6
1960	10,072.9	784.8	303.7	481.1	- 77.4	- 605.0
1961	10,643.5	1,032.7	525.5	507.2	+ 18.3	- 586.7
1962	12,137.4	1,415.4	889.5	525.9	+ 363.6	- 223.1
1963	12,898.1	1,404.5	820.7	583.8	+ 236.9	+ 13.8
1964	13,877.9	1,431.8	868.0	563.8	+ 304.2	+ 318.0
1965	14,609.7	1,744.5	1,010.4	734.1	+ 276.3	+ 594.3
1966	15,078.6	1,874.1	1,090.6	783.5	+ 307.1	+ 901.4
1967	16,370.1	1,905.3	1,207.0	698.3	+ 508.7	+1,410.1
1968	18,039.9	2,037.1	1,263.1	774.0	+ 489.1	+1,899.2

Source: Soviet Statistical Yearbooks

(1) It is likely that military equipment is included in these exports

(d) Evolution of East European trade with developing areas

158. East European trade with developing countries has expanded rapidly over the last 15 years, though at a more uniform rate than similar Soviet trade, and more in line with the general rise in trade of East European countries. During the decade 1959-1968, the value of exports nearly trebled, while that of imports grew 2½-fold. East European trade turnover

with non-Communist developing countries, which amounted to some \$700 million in 1959, increased to \$1,880 million in 1968. In comparison with similar Soviet trade, that of Eastern Europe was more balanced, although exports have, on average, exceeded imports by about \$100 million annually during the decade under consideration.

159. Over the last decade, the relative importance of the individual East European countries has hardly altered. The situation in 1968 was as follows:

TABLE 13

Trade of individual East European countries with developing areas - 1968

Country	in million US \$			as % of total Eastern Europe
	Exports f.o.b.	Imports f.o.b.	Total Turnover	
1. Czechoslovakia	331	248	579	29%
2. Poland	211	191	402	20%
3. S.Z. Germany	199	166	365	18%
4. Rumania	167	90	257	12%
5. Bulgaria(a)	115	110	225	11%
6. Rumania	94	113	207	10%
<b>TOTAL</b>	<b>1,117</b>	<b>918</b>	<b>2,035</b>	<b>100%</b>

(a) Estimated by GATT

Source: International Trade - 1968 - GATT, Geneva 1969

Note: Figures in this table differ somewhat from those mentioned in paragraph 160, as the geographical definition of developing areas used by GATT includes inter alia also Cuba

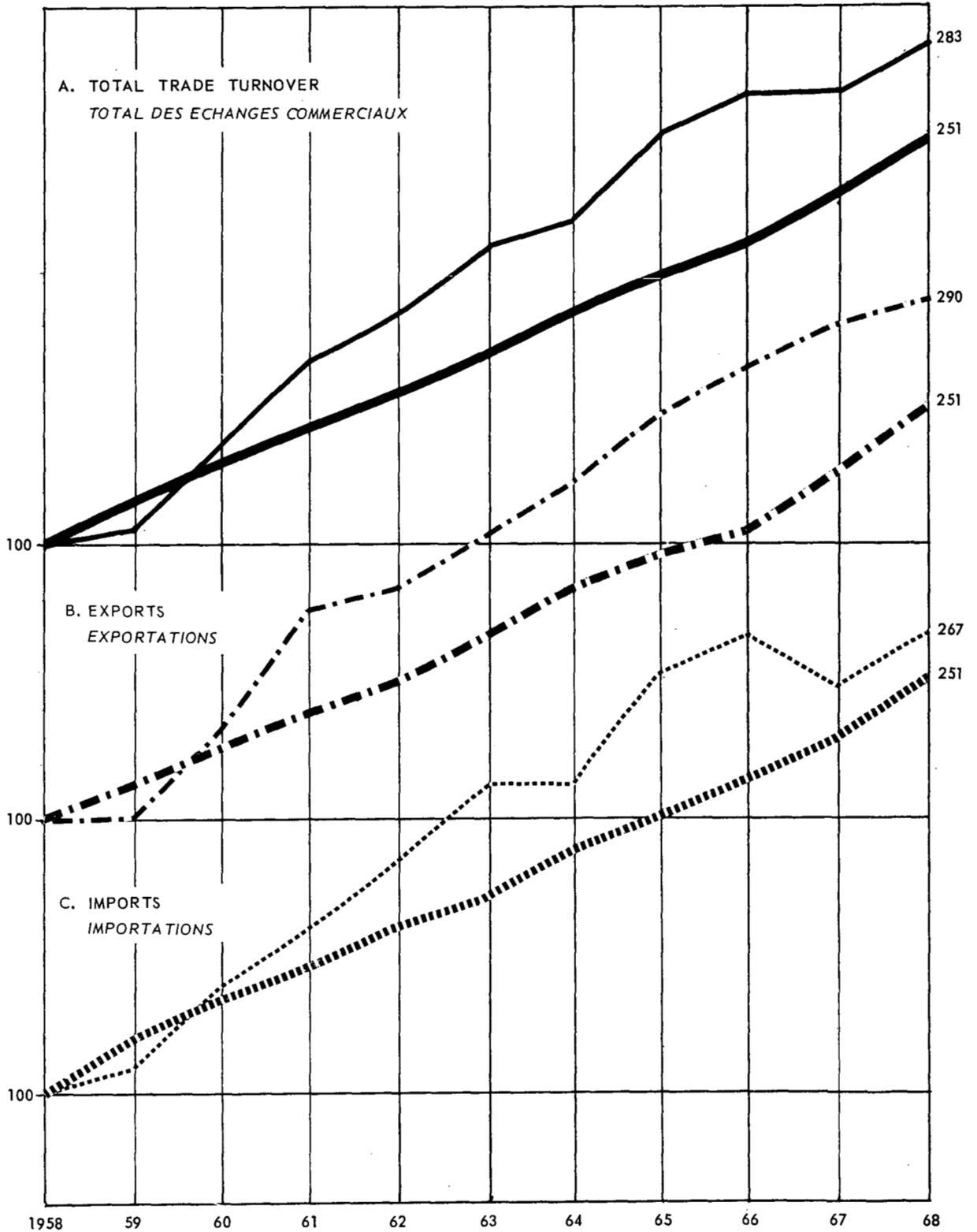
160. There has been little change in the proportion of the East European countries' trade with the developing countries. The figures for Czechoslovakia and Hungary were 13% and 10% respectively in 1956, and 10% and 6% in 1960. They remained thereafter practically unchanged. Comparable figures for the other countries are:

Poland	8%	in 1956,	7%	in 1960,	7%	in 1968
Soviet Zone	3%	" " "	4%	" "	5%	" "
Bulgaria	4%	" "	4%	" "	7%	" "
Rumania	7%	" "	5%	" "	8%	" "

GRAPH XI - GRAPHIQUE XI

FOREIGN TRADE OF EAST-EUROPEAN COUNTRIES  
 COMMERCE EXTERIEUR DES PAYS DE L'EUROPE DE L'EST

1958 = 100



KEY  
 LEGENDE

Trade with developing countries  
*Echanges avec les pays en voie de développement*  
 Trade with World  
*Echanges internationaux*

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It would appear from these figures that the smaller East European countries have not seen fit to expand their trade with the developing countries particularly. Only the Soviet Union has steadily increased the share which developing areas represent in its overall trade: in 1956, the Soviet Union devoted 5.5% of its total trade to these countries; this proportion rose to 8% in 1960 and to 11% in 1968.

(e) Trade of Communist China with the developing areas

161. Contrary to the case of East European countries and the Soviet Union, Communist Chinese trade with the developing areas did not show any constant upward trend over the period 1958/1968. Between 1958 and 1963 it declined by about 30%; it then regained some momentum until the "cultural revolution", which reduced the volume of trade in 1967 and 1968. These fluctuations closely follow the general trade pattern of Communist China during the decade in question. As was mentioned earlier(1), Chinese exports to less-developed countries greatly exceed imports, and the surplus offsets to some extent the deficit incurred in trade with Western industrialised countries which provide capital goods.

TABLE 14

Communist China's trade with the world and with the developing areas(a) (selected years)

(in million US \$)

Year	Total World Trade Turnover	Trade with developing areas		
		Exports f.o.b.	Imports f.o.b.	Total Trade Turnover
1958	3,675	508	244	752
1963	2,650	383	152	535
1966	4,180	837	388	1,285
1967	3,730	806	240	1,046
1968	3,400	830	240	1,070

(a) Estimates by the Secretariat based mainly on trading partner's statistics

(1) See paragraphs 152 and 153

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162. Trade with developing areas is a much more important element in the total trade of Communist China than in the case of other Communist countries (USSR and East European countries). In fact, in volume this trade almost equals that between China and the other Communist countries. However, contrary to the largely favourable trade balance with developing countries, Chinese imports from Communist countries (mainly East European) exceed exports to these countries.

(f) Prospects for the immediate future

163. Communist trade with developing countries is likely to continue to increase, but at a rate more in line with economic developments and trade generally. From preliminary information, it seems that in 1969 the total trade of COMECON countries increased by some 10% as against a 15% increase in the trade of the non-Communist industrialised countries. In 1969, developing countries probably increased their trade with the non-Communist industrialised countries more rapidly than with the Communist ones, benefiting from the continued rise in world production.

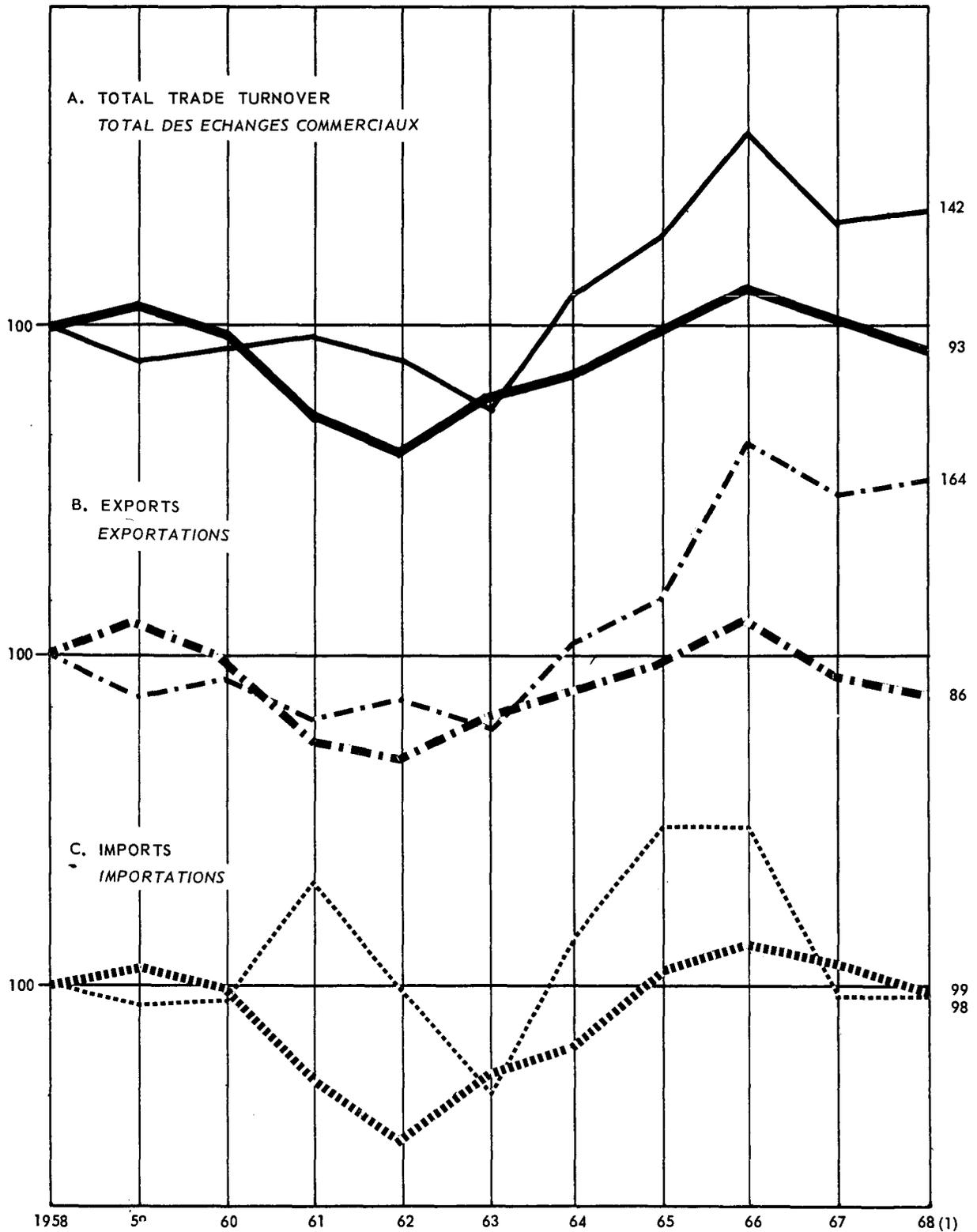
164. Prospects for 1970 are less satisfactory. The slowing down of economic growth in the United States during the first months of the year will probably reduce import demand in that country. On the other hand, the United Kingdom and Japan may increase their imports. In the Communist world, the unsatisfactory Soviet economic performance in 1969 and the slower rate of growth in foreign trade might be reflected in reduced exports to developing countries with whom large surpluses have been accumulated. It seems likely that Soviet imports from these countries during 1970 will increase more rapidly than exports, and the total trade turnover of the Soviet Union with the developing areas might increase 8-9%, i.e. a rate higher than that at which the trade of developing countries is expected to grow. It is possible that, because of their quality, manufactured goods from developing countries might find an easier market in Communist than in the industrialised countries.

165. Czechoslovakia's exports declined during the first half of 1969, and it seems unlikely that they will increase significantly during 1970. Minor increases in Czechoslovak imports will probably come mainly from industrialised Communist countries. Imports by Poland, Hungary and Rumania expanded rapidly during 1969, and the Soviet Zone of Germany increased both imports and exports by about 13%. Here again, overall increases in trade with developing countries might be linked with increased imports. Communist China, where political agitation seems to have abated, will probably continue to increase its trade with the developing countries rather rapidly, possibly at a rate between 10% and 15% per year, thus regaining the momentum lost during 1967/68.

GRAPH XII - GRAPHIQUE XII

FOREIGN TRADE OF COMMUNIST CHINA  
 COMMERCE EXTERIEUR DE LA CHINE COMMUNISTE

1958 = 100



KEY  
 LEGENDE :

- Trade with developing countries  
 Echanges avec les pays en voie de développement
- - - Trade with World  
 Echanges internationaux

(1) Provisional  
 Provisoire

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166. Should the rising trend in the prices of primary products be halted by the slowing down of economic activity in the industrialised countries, the trade balance of the less-developed areas, which are continually in need of imports, might be seriously affected. In these circumstances, they might be tempted to resort to barter deals with Communist countries as temporary expedients. A mere switch of trade would bring them no lasting benefit. For a long time to come they are likely to be mainly dependent on the prosperous markets in the industrialised countries. On the other hand, the rising demand in Communist countries for their products alongside Western demand would raise prices and make it feasible to industrialise gradually on rational lines.

B. DIRECTION OF COMMUNIST TRADE WITH DEVELOPING COUNTRIES

(a) From the point of view of the Communist countries

167. Since the 1954 trade expansion drive, the Communist countries have gradually spread their trade activities over an increasing number of developing countries in various parts of the world. Available trade statistics show that about 70 non-Communist developing nations outside Europe maintain trade relations with the Communist world: 33 in Africa, 15 in Latin America, 12 in Asia and 10 in the Middle East(1). However, in less than a dozen cases, trade turnover (imports plus exports) with the whole of the Communist world exceeds \$100 million per year. Given the geographical situation of the Communist countries, it is not surprising that their main trade partners should be found in Asia and the Middle East. These two areas account for nearly three-quarters of such trade. India and the United Arab Republic are by far the most outstanding trade partners, absorbing about one-third of Communist trade with developing areas. Other countries among the 15 most important trade partners in 1967 are:

- in Asia: Pakistan, Malaysia, Singapore, Indonesia, Ceylon and Afghanistan;
- in the Middle East: Iran, Syria and Iraq;
- in Africa: Morocco and Algeria;
- in Latin America: Brazil and Argentina.

168. During the past decade, Africa and, to a lesser extent, the Middle East have increased their respective share at the expense of Asia and Latin America. Moreover, there are differences in the geographical pattern of the trade of the USSR, Communist China and the East European countries, as the following table shows:

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(1) For a complete list, see Table IX at statistical Annex

TABLE 15

Geographical distribution of trade between the Soviet Union, Eastern Europe, Communist China and the developing areas outside Europe

(percentages)

Region	Soviet Union		Eastern Europe		Communist China	
	Exports	Imports	Exports	Imports	Exports	Imports
Africa	15	15	18	19	18	20
Asia	34	45	24	30	50	60
Middle East	48	30	45	27	31	17
Latin America	3	10	13	24	negl.	3
Third World Total	100	100	100	100	100	100
Sources: USSR: Soviet trade statistics for 1968 Eastern Europe and Communist China: mainly 1967 trade statistics of developing countries						

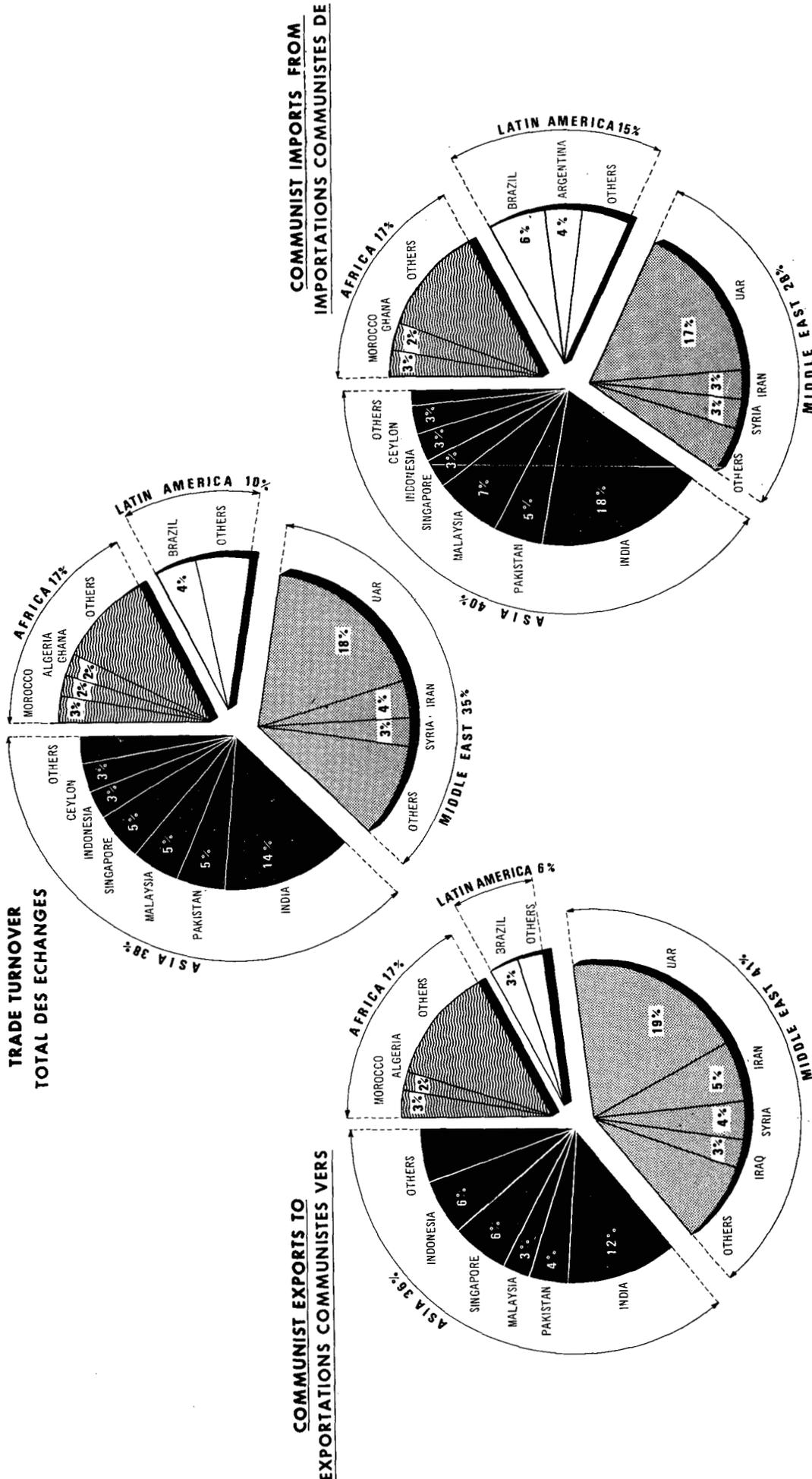
169. Before the Soviet Union started its trade expansion drive, it maintained trade relations with less than 20 non-Communist countries outside Europe, and in only four cases was this trade of any significance in 1954: Argentina (Soviet exports \$37 million; imports \$36 million); Iran (exports \$14 million; imports \$19 million); Ghana (Soviet imports \$20 million); Uruguay (Soviet imports \$20 million). In 1968, of the 53 non-Communist developing countries outside Europe listed in the Soviet Trade Returns, only in 15 cases did trade turnover amount to \$30 million, and for half the countries it was less than \$10 million.

170. The developing countries with which the USSR maintains a significant volume of trade can be divided into three groups:

- those where credits have contributed to the rapid expansion of Soviet exports and, where, consequently, in the recent years, the USSR has been accumulating substantial trade surpluses: the UAR, Syria, Iraq, Iran, Afghanistan, Pakistan, Algeria;
- those with which trade tends to be more or less balanced: India, Morocco, Ghana, Nigeria, Ceylon;
- those from which the USSR has traditionally imported raw materials and agricultural produce and for which it is prepared to pay in hard currency: Malaysia, Argentina, Brazil.

GRAPH XIII

**GEOGRAPHICAL DISTRIBUTION OF TRADE OF COMMUNIST COUNTRIES WITH DEVELOPING AREAS OUTSIDE EUROPE**  
**DISTRIBUTION GEOGRAPHIQUE DU COMMERCE DES PAYS COMMUNISTES**  
**AVEC LES REGIONS SOUS-DEVELOPPEES HORS DE L'EUROPE**



171. The trade of East European countries is more evenly spread over a larger number of developing non-Communist countries than Soviet trade. In the 1967 trade returns of 65 different developing countries, East European countries were mentioned. Normally, in the past, East European exports slightly exceeded imports; this trend has become more pronounced recently in African countries such as Algeria, Libya, Ethiopia and in most Middle East countries: Lebanon, Syria, the UAR. Increased imports from other African countries (Ghana, Guinea) contain an element of repayment of economic aid delivered earlier. This also applies to imports from India, Morocco, Ceylon. On the other hand, Latin American countries have mainly served as sources of supply rather than as markets for East European products. On the whole, the geographical pattern of East European trade does not differ significantly from that of the Soviet Union except for the much greater rôle played in the first case by Latin America.

172. Communist China's trade is primarily directed towards Asian countries. In 1967, Singapore, Ceylon, Malaysia, Pakistan and Indonesia were China's most important trade partners outside Europe. Trade, except in the case of Pakistan and Ceylon, where it is balanced, is a one-way flow of Chinese exports. It seems likely that part of these exports to Singapore and Malaysia, as in the case of Hong Kong, are re-exported to Western countries and provide some of the hard currency needed by China for its imports from industrialised non-Communist countries. In nearly all of these countries, and in Cambodia, Chinese exports exceed those of the Soviet Union and Eastern Europe combined. Chinese exports to Pakistan in 1967 were of the same order of magnitude as those of the USSR or Eastern Europe taken separately.

173. In recent years, Communist China has made determined efforts to penetrate African countries, and is thus openly competing with the USSR in trying to gain influence by means of trade. In 1966 and 1967, Chinese exports to Africa exceeded those of the USSR. In 1967, they equalled or exceeded the combined Soviet and East European exports to the following countries:

- Congo (Brazzaville)
- Dahomey
- Mali
- Mauritania
- Mauritius
- Niger
- Reunion
- Senegal
- Sudan
- Tanzania
- Togo

They equalled or exceeded those of the Soviet Union in:

Cameroon  
Chad  
Congo (Kinshasa)  
Ethiopia  
Ivory Coast  
Kenya  
Libya  
Nigeria  
Sierra Leone  
Uganda  
Zambia

The amounts involved are admittedly small, but, given the economic size of most of these African countries, these exports tend to play a more important rôle than their mere value would suggest.

174. In the Middle East (UAR, Syria, Iran, Iraq), where much larger volumes of trade (exports and imports) are involved, Communist China cannot compete with the USSR and Eastern Europe, although it holds its ground in Kuwait and Jordan. Communist China has practically no trade with Afghanistan or with India, and since 1966 its trade with Latin America has been minimal.

(b) From the point of view of the developing countries

175. Although the share of Communist countries in the total trade turnover of the developing Third World does not exceed 6-7%, a number of developing countries are economically much more dependent on their trade with the Communist countries than this figure would suggest.

TABLE 16

Share of the Communist countries in the trade turnover of those developing countries having more than 20% of their total trade with Communist countries  
(1967)

Country	Communist countries total	Soviet Union	Eastern Europe	China
Afghanistan	56	50	4	2
Yemen	50	49	1	n.a.
UAR	41	24	15	2
Guinea	35	11	24	negl.
Syria	30	12	13	5
Mali	30	13	3	14

n.a. = not available  
negl. = negligible

The pattern shown above has prevailed over the last 6-7 years.

176.

- Afghanistan is the non-Communist developing country which, over the last decade, has depended most heavily on the Soviet Union both for imports (more than half of the total comes from the USSR) and exports (about 40%).
- Yemen is the next most dependent country, but almost exclusively as regards imports, 60% of which in 1967 came from the USSR. Practically all its exports (over 95%) go to non-Communist countries, for the most part, neighbours.
- The United Arab Republic since 1958 has directed nearly half of its exports to Communist countries (mainly the Soviet Union and Eastern Europe) and purchased there between one-fifth and one-third of its imports.
- Guinea, in the early 1960s, obtained over 40% of its imports from the Communist countries. This share declined to about one-third after 1964, when imports from Communist China were practically halted, while that of East European countries drew level with that of the Soviet Union. The Communist countries have, however, never succeeded in replacing the Western countries as a market for the Guinean exports of raw material. It was only in 1967 that Guinea's exports to the Soviet Union and Eastern Europe reached about 35%. During the preceding years, it had seldom been more than 30%.

- Syria has steadily increased the share of its imports from Communist countries from about 4% in 1956 to 16% in 1965 and 31% in 1967. The importance of the Communist world as an outlet for Syrian products grew even more rapidly up till 1964, when over 40% of total Syrian exports went to Communist countries (mainly the USSR and Eastern Europe). This proportion subsequently declined, and was about 30% in 1967.
- Mali is the only country in which trade with Communist China has played a significant rôle, mainly as a source of supplies. In 1964, China absorbed about 10% of Malian exports and provided a similar percentage of total imports. Thereafter, Mali was able to purchase about one-fifth of its imports from that country, but its exports to China represented a negligible share of its total sales. This country, which directed up to 40% of its total exports to Communist countries in 1964, at a time when nearly half of its imports came from these countries, has since sought mainly in the non-Communist world markets for its products (only 12% of its exports were sent to Communist countries in 1966 and 1967) although its imports from Communist countries still accounted in 1967 for nearly 40% of total purchases.

177. The other countries where trade with Communist countries accounted for more than 10% of total turnover in 1967 were:

In Africa:	Sudan 16%
	Morocco 13%
	Somalia 12%
	Ghana 11%
	Tunisia 11%
In Asia:	Ceylon 18%
	Burma 14%
	Cambodia 13%
	India 13%
	Pakistan 11%

178. None in the Middle East nor in Latin America

In most of these countries' trade, the relative importance of Communist countries has been declining since 1965, both as an outlet for their products and as a source of supply. It is only in the case of Somalia, Tunisia and Pakistan that the share of Communist countries in total trade tended to rise. In Sierra Leone, Iraq and Jordan, imports from Communist countries exceeded 10% of total external purchase in recent years, but exports to these countries are negligible (less than 3.5%).

(c) Conclusions

179. Communist trade in general, and Soviet trade in particular, is concentrated on a relatively small number of countries, where it plays a larger rôle than the overall percentage share which Communist countries account for in total trade turnover of the Third World would indicate. Nevertheless, even in these countries (with the exception of Afghanistan), the industrialised Western countries still maintain a definite lead over Communist countries in trade with these developing countries. Afghanistan, whose percentage of trade with the Soviet Union and the East European countries in 1967 was comparable with that of Yugoslavia in 1947, has demonstrated that economic relations by themselves are insufficient to turn an independent country into a Communist satellite. Similarly, the dominant position of the West in the trade of developing countries is no guarantee that they would not turn to Communist countries for trade and aid if, for political reasons, they preferred to do so.

180. In the light of developments during the last decade, it seems most unlikely that the Communist countries could increase their own trade with the developing countries to the extent of depriving the industrialised West of its traditional sources of supply. During recent years, the Communist countries have been less capable of absorbing increasing amounts of products from developing countries than of offering alternative sources of supply to be repaid at a later date in the form of increased exports. This trend has been particularly marked in the Middle East and African countries, which continue to be the two main target areas of the Communist trade expansion efforts. It appears further from the available trade figures that the competition between the USSR and Communist China was particularly acute in Africa.

C: COMMODITY COMPOSITION OF COMMUNIST TRADE WITH DEVELOPING COUNTRIES(a) Imports by Communist countries

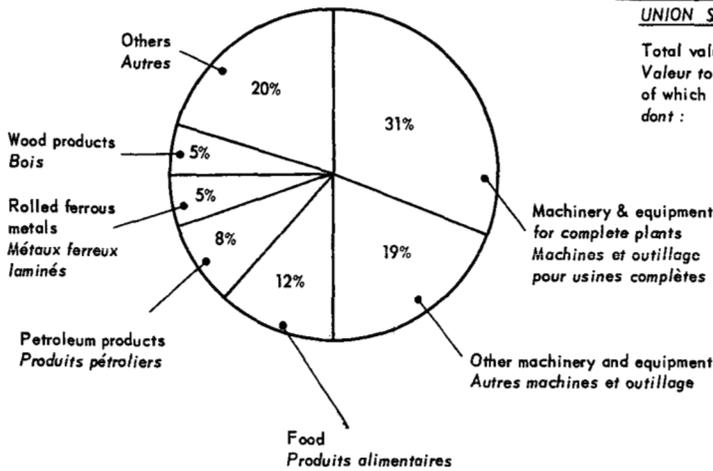
181. Little detailed and up-to-date information on the commodity composition of the trade of the developing countries is available. Communist purchases of raw materials (rubber, cotton, metals, ores) accounted for two-thirds of the total in 1953, three-quarters at the end of the 50s, since when the figure has fallen to 50%. The share of food products has fluctuated more widely according to the temporary needs of the Communist countries. Food represented about a quarter of total imports in 1953 and declined to one-fifth in 1959; it reached a peak in 1965/66, when over one-third of imports consisted of food and food products, a percentage which declined only slightly in 1967. Manufactured goods from developing countries have gradually gained in relative importance from less than 5% in 1953 to over double this figure in 1967.

GRAPH XIV

COMMODITY COMPOSITION - REPARTITION PAR PRODUITS  
OF COMMUNIST TRADE WITH DEVELOPING COUNTRIES  
DU COMMERCE DES PAYS COMMUNISTES AVEC CEUX EN VOIE DE DEVELOPEMENT  
- 1968 -

EXPORTS - EXPORTATIONS

\$ 952 million



(official trade statistics)  
(statistiques commerciales officielles)

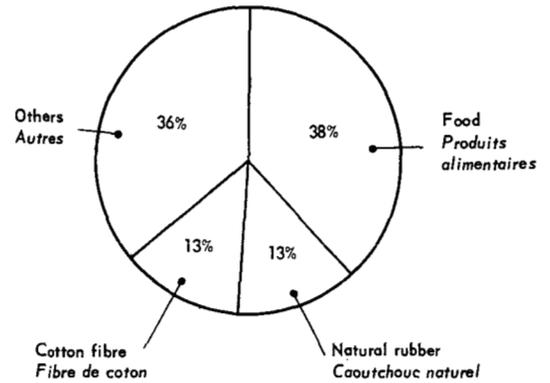
I. SOVIET UNION

UNION SOVIETIQUE

Total value :  
Valeur totale :  
of which :  
dont :

IMPORTS - IMPORTATIONS

\$ 884 million

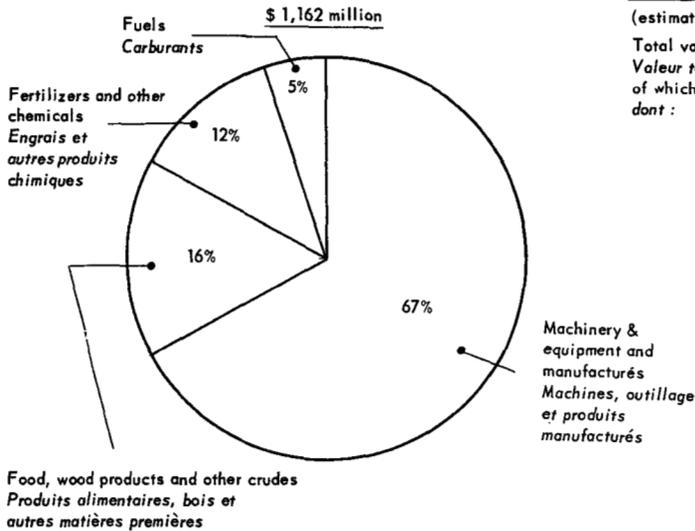


II. EASTERN EUROPE

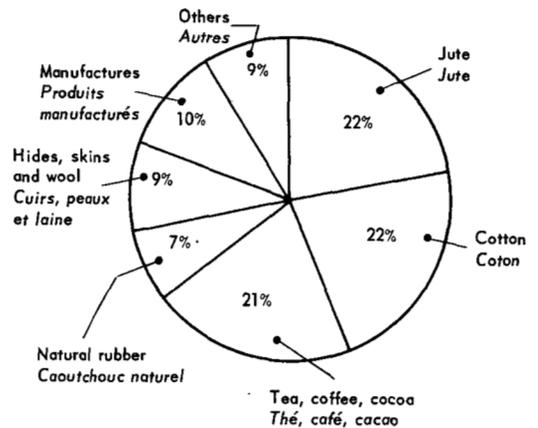
EUROPE DE L'EST

(estimates - estimations)

Total value :  
Valeur totale :  
of which :  
dont :



\$ 928 million

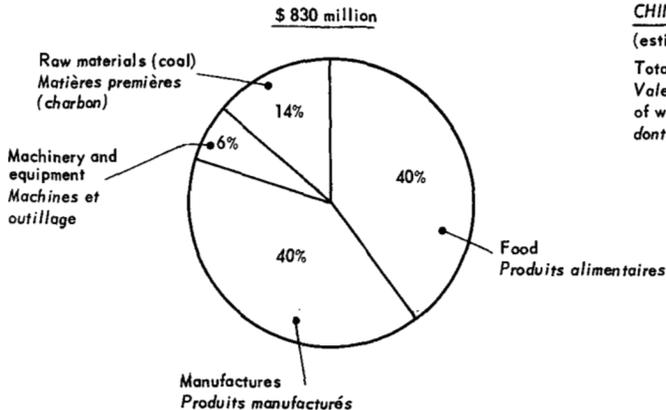


III. COMMUNIST CHINA

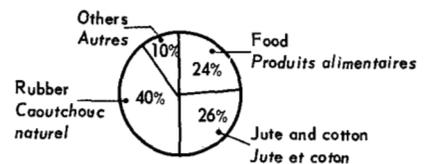
CHINE COMMUNIST

(estimates - estimations)

Total value :  
Valeur totale :  
of which :  
dont :



\$ 216 million



182. About half of the 1967 Soviet imports from developing countries consist of raw materials, among which natural rubber (15%) and cotton fibre (14%) played the leading rôle, followed by copper, nickel and iron ores, although the share of all these raw materials has been gradually shrinking since 1965. In 1968, they have apparently regained part of their lost importance. Food and food products (mainly wheat) accounted in 1967 for one-third of imports as against about 37% in 1964 and 26% in 1963. Manufactured goods from developing countries have gradually gained importance in Soviet imports from these countries as against 9% in 1963.

183. India supplies to the Soviet Union tea, coffee, jute, wool, leather, considerable quantities of packing material (jute), also footwear and clothing, nuts, spices, pepper and tobacco. There is less variety in imports from the UAR, which consists largely of raw cotton, materials and fabrics and considerable quantities of rice. Several other countries (Syria, Sudan) also supply cotton and wool; Pakistan jute and rice, while Iraq and Iran send dry fruits, Algeria oranges and wine. Brazil supplies a large variety of goods: coffee, cocoa, rice, cotton, leather and oils, while Argentina, which in 1967 sold 1.5 million tons of wheat, normally provides leather, wool. Imports from Malaysia consist almost exclusively of natural rubber supplemented by small quantities of tin.

184. Eastern Europe imports relatively less raw materials from developing countries than the Soviets, but more food and tropical fruits. The share of these two main categories was nearly equal in 1965, though that of food imports has apparently lost some ground since then in favour of imports of raw materials. Purchases of crude oil from developing countries has not yet reached any sizable fraction of the total imports. The importance of imported manufactured goods from developing countries is of about the same order as in the case of the Soviet Union.

185. Communist Chinese trade composition has been less stable than in the case of the Soviet Union or the East European countries. Food products and raw materials account for nearly the total of imports (over 90%) from developing countries. But the share which food represents in such trade has fluctuated widely according to temporary needs. China's purchases in 1964-1966 included about \$80 million worth of wheat annually from Argentina, but these imports were halted in 1967. Burma provides rice to China, Ceylon rubber, Morocco phosphates, Sudan, Syria and the UAR cotton. Manufactured goods (about 5%) have only started in 1965 to represent any sizable fraction of imports.

(b) Exports from Communist countries

186. The main commodities exported during the last three years from the Communist countries to the developing areas of the non-Communist world consist of machinery, capital goods and transport equipment, which represent over half of the total. About one-third is nearly equally divided between food products and raw materials, among which exports of fuel plays a major rôle. The rest consists of miscellaneous items, including chemicals. Before 1954, food was the most important export commodity, but its share in total exports has been gradually declining in favour of the rapidly growing place taken by capital goods, while manufactured products grew less rapidly in relative importance. The share of fuel in exports, petroleum products especially, rapidly expanded up to the end of the 50s, but has gradually declined since.

187. Machinery is the main item of Soviet exports to developing countries, especially to those benefiting from economic aid credits. In recent years (1965-68) machinery and equipment accounted for half the total Soviet exports (30% complete plants and 20% other machinery and equipment). Since the increased wheat shipments to the UAR in 1967 and larger exports of sugar and sunflower oil to various Arab countries (19% of total), food has regained part of the importance it lost in earlier years. In 1968, however, the share of food in total exports dropped again to about 12%. Petroleum exports in 1968 dropped to 8% of the total, mainly as a result of a sharp decline in shipments to India following the closure of the Suez Canal. Wood products and rolled ferrous metals accounted for another 10% of total Soviet exports to developing countries, the rest consisting mainly of various raw materials.

188. In the table below, some indication is given of the relative importance (in million roubles) of installations and other machinery in exports to countries benefiting from large scale credits. The figures refer to 1966/67 as the commodity/country distribution figures for 1968 are not yet available.

TABLE 17

Soviet exports to certain developing countries  
(commodity composition)

(million roubles)

	1966			1967		
	Machinery		Other than machinery	Machinery		Other than machinery
	Complete Installations	Other machinery		Complete Installations	Other machinery	
India	60	31	83	81	25	40
UAR	77	44	68	73	49	131
Iran	4	4	20	20	10	27
Afghanistan	41	4	21	26	5	20
Syria	5	5	10	9	15	7
Algeria	1.5	6.5	9	2.5	2	23.5
Iraq	4	9	17	4	13	16
Pakistan	5	18	12	4	18	14

189. The most important engineering exports not included in complete installations are motor transport, earth moving, power station equipment, in the case of the United Arab Republic agricultural, and for India aviation equipment. Exports other than machinery cover a wide range of products. Nearly all the countries mentioned in Table 17 took metallurgical products. In addition, the UAR imported coal and timber, India, Afghanistan, Syria and the UAR oil. Food products went mainly to the Arab countries.

190. In East European trade, manufactured goods are the most important products sold, accounting for about 40% of total exports to developing countries. Machinery and transport equipment account for about a quarter, and food products for about 15%. Crude materials and fuels represent another 10%, the remaining 10% consisting mainly of fertilisers and chemicals.

191. Communist Chinese exports comprise 80% food (rice) products and manufactured goods (textiles), each of these groups accounting for roughly half. The remaining fifth is represented mainly by raw materials, such as fuels (coal). Exports of machinery and transport equipment hardly exceed 5-6% of total Chinese exports to non-Communist developing countries.

D: ADVANTAGES AND DRAWBACKS OF TRADE BETWEEN COMMUNIST COUNTRIES AND THE DEVELOPING ONES(a) Rôle of trade with developing countries in the Communist economies

192. The rôle devoted to trade with the outside world in the Soviet type of centrally planned economy has traditionally been marginal. Apart from certain essential raw materials not locally available, Communist theory tends to regard imports from capitalistic countries merely as a means of filling a temporary gap left by the underfulfilment of the plan or of overcoming an unforeseen bottleneck, and exports are nothing more than ways of paying for such imports. Both the Soviet Union and Communist China are among the countries whose economies are the least dependent on foreign trade in the world. The share of imports as compared to national income is in both countries among the lowest recorded (less than 3% of GNP). The tendency towards national self-sufficiency is, in both cases, apart from its ideological and national security motivations, made economically plausible by the dimensions of the countries, their natural endowment with mineral and energy resources, and their agricultural potential.

193. The position of the smaller East European countries is, in this respect, basically different. They do not find within their boundaries either the natural resources needed for the functioning of their economies or markets large enough to permit proper economies of scale. In 1968, total imports of East European countries exceeded Soviet imports by more than 50%, although the sum of their gross national products was less than 40% that of the Soviet GNP. Even Poland, which, among East Europeans relies proportionally least on foreign trade, still imports about 25% more than Communist China, although its national income is probably only some 40% of that of the latter country.

194. Soviet Union. The first priority of the Soviet foreign trade planners is the strengthening of their economic links between COMECON partners. This preoccupation was reinforced after the 1968 invasion of Czechoslovakia. The Soviet Union has constantly attempted to make use of the industrially most advanced Communist countries as workshops for production tailored to Soviet needs. As regards the Western industrialised countries, notwithstanding the well-known limitations of such trade, imports of technically advanced equipment have traditionally played a crucial rôle in Soviet efforts to overcome the widening technological gap in various sectors of the civilian industrial output. Compared with this type of import, the developing Third World has apparently little to offer of vital economic interest by present Soviet standards.

Some raw materials and rare metals not locally available (Malayan rubber) or in insufficient quantities (Chilean and Rhodesian copper) or of an inadequate quality (Egyptian cotton), as well as the essential food products needed in an occasional emergency situation (Argentinian wheat after the disastrous harvest in 1963), have in the past been imported, even without fully compensating exports and, if need be, against payments in hard currencies. The other Soviet imports of consumer goods (cocoa, coffee, peanuts, bananas, cane sugar, wine, rice, tropical fruits and vegetables, wool, jute, hides and skins) or products manufactured by developing countries do not contribute significantly to the growth objectives of the economy but rather to the improvement of the living standards of the consumer. The economic implications of the increasing well-being of the population are, however, gradually in the process of being acknowledged in the Soviet Union.

195. This order of priorities is reflected in the geographical pattern of Soviet trade. Over the last three years, two-thirds was oriented towards Communist countries (56% to Eastern Europe and 8% to Cuba, Communist China and other Asian Communist countries). Of the remaining third directed towards non-Communist countries, the industrialised Western countries accounted for double (22%) the value of trade with developing countries (12%). Soviet exports to non-Communist developing countries represent an insignificant percentage (less than 0.5%) of the country's GNP. Since 1962, the Soviet Union seems to have realised that it could, without any undue strain on its economy, increase its trade with developing countries by expanding its exports, which could be repaid in coming years by growing imports. To maintain a steadily growing flow of trade with developing countries, the original drive, mainly based on expanding purchases, seemed to meet with some limitations and recent efforts aim at priming the pump by enlarged sales on credit.

196. The volume, direction and composition of Soviet trade result not from the free interplay of international competition on world markets but from a deliberate decision taken at governmental level with due regard to both economic and political implications. Primarily preoccupied with major domestic economic and political problems related to the internal and external security of their territory, the Chinese challenge in the outside world and the integrity of COMECON, it would seem that the Third World does not rate very high in the present order of priorities of the Soviet policy makers. The exception of the Mediterranean area and its Arab prolongations does not contradict this overall generalisation. Trade promotion efforts in Africa aim as much at challenging the growing Chinese influence as at reducing Western influence. Over the last 15 years, the Soviet Union has learned the limitations of using economic aid and trade as a means of furthering their purely political aims. Developments in a

number of countries that had established close economic relations with the Soviet Union (Guinea, Ghana, Mali, Indonesia, etc.) have calmed down the optimistic views according to which Communism would spread rapidly in the footsteps of the decolonisation process. The anticipated evolution of developing countries towards Communism in general and the Soviet Union in particular is at present officially presented as a long-term goal.

197. In recent years, Soviet efforts in the field of economic aid and trade have aimed more at gaining influence within the leading circles of the developing countries than at promoting social agitation. The national leadership in the Third World countries might indeed be strengthened by Soviet economic activities. The official Communist attitude is no doubt that the national leaders will eventually be compelled by internal circumstances to adopt policies more favourable to Communism. On the other hand, established economic links create obligations which cannot be disrupted unilaterally by the Soviet Union without considerable losses in both economic and political terms, and the Chinese challenge has added a new dimension to this struggle for influence in the developing areas of the non-Communist world.

198. Eastern Europe. Eastern Europe is a concept used in this paper to simplify the multiplicity of problems which trade with developing countries poses. In fact, the countries belonging to this group do not together constitute an entity in the economic sense. In Communist quarters, it was thought that COMECON could serve as a medium for co-ordinating trade of the East European countries in general, and with the developing countries in particular. There is so far no evidence that these attempts at co-ordination have met with great success. For instance, in May 1965, the Permanent COMECON Commission for Monetary and Financial Questions considered ways and means of utilising the COMECON Bank as a vehicle for promoting the establishment of joint enterprises in developing countries. At the Moscow conference in May 1969, the problem was raised again, and it was decided to set up a new COMECON Investment Bank. However, so far not one developing country is reported to have put into effective use the envisaged multilateral clearing and investment system. The Soviet Union seems still more concerned with direct control rather than using the COMECON institutions for such co-ordinating purposes. The East European countries have occasionally been used as spearheads for Soviet economic penetration as they appeared to the developing nations (Middle East, Latin America) as more acceptable trade partners.

199. This is not to say that there is no specialisation among East European countries in the type of products exported to developing areas. Polish exports consist primarily of shipyard equipment, small power plants, furniture factories and cement plants. East Germany sends to the Third World mainly printing presses, cellulose factories, film producing units, factories of optical instruments and measuring devices. Czechoslovakia supplies complete installations in the electrical fields. In comparison to Soviet sales abroad, East European exports to developing countries comprise small and medium plants not requiring high capital investment. Such countries as Poland and Czechoslovakia have occasionally acted as sub-contractors of large scale Soviet deals. However, it seems that this lack of competition between East European countries is due more to specialisation in production among the East European countries rather than to any agreed deliberate division of foreign markets among the COMECON partners.

200.. Over recent years the East European countries have reasserted their own national economic interest in the context of their economic relations with developing areas of the non-Communist world. Less-developed countries could be regarded as alternative sources of supply for various raw materials which East European countries at present import from the USSR. Thus, trade with developing countries could be considered by COMECON countries as a means of reducing somewhat their economic dependency on the Soviet Union. However, from the figures available(1), it appears that, since 1960, only Rumania and Bulgaria have expanded their trade with developing countries more rapidly than their overall trade. In fact, Czechoslovakia, which has always played a leading rôle in this particular field, has since 1960 somewhat reduced the share of its trade with the non-Communist developing countries. The developing countries could offer an interesting outlet for various East European manufactured and capital goods, but the circumstances for selling their products to Eastern Europe have not been particularly favourable, and the East European countries are generally not in a position to permit developing ones to accumulate considerable outstanding trade debts whose repayment possibilities might be uncertain.

201. Since the invasion of Czechoslovakia, it seems that the Soviet Union has tightened its control over trade development with the developing areas outside the Communist camp. For instance, there is some evidence that the November 1968 commercial negotiations between Czechoslovakia and Iran for the delivery of crude petroleum against the supply of Czechoslovak investment goods to a total of \$200 million had to be approved by the Soviet Union. Nevertheless, provided that such relations grow gradually and do not alter fundamentally the economic dependence of COMECON countries on the Soviet Union (particularly in terms of exports

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(1) See paragraph 160

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of equipment required by the USSR) it is in the interest of the Soviet Union that East European countries, drawing on their long standing experience in foreign trade matters, expand their economic relations with developing areas at the expense of Western countries. Over recent years, the USSR has repeatedly insisted that East European countries should invest in the development of the Soviet Union's natural resources, especially of the raw materials which are exported to the European COMECON partners. The Soviet Union is probably less interested in exporting such materials, as a means of controlling these countries economically, than in maintaining its imports from East European countries.

202. The East European countries can, nevertheless, be regarded as having a certain amount of autonomy, i.e. entitled to take relatively independent decisions regarding their foreign trade with developing countries, so long as the geographical pattern set agreed with the Soviet Union is maintained. As a consequence, these countries have in their aid and trade relations with developing countries attached more significance to economic considerations than to prestige motivations which play an important rôle in similar Soviet trade. This was reflected, for instance, in the terms attached to their credit commitments (higher interest rates, shorter maturity periods) until the time when these were brought in line with Soviet practice. Another consequence has been the wider geographical dissemination of their trade relations over a larger range of countries, and the relatively greater diversity of goods imported from developing areas according to their needs. It would seem that if industrialised countries such as Czechoslovakia, Poland and Hungary felt free to do so, they could significantly increase their exports of capital and manufactured goods to developing countries and import from them surplus commodities and raw materials. Their economic structure is clearly more complementary to that of the less-developed countries than that of the Soviet Union. It is, therefore, difficult to explain in merely economic terms the fact that the share of their trade with developing countries is smaller than the Soviet share.

203. Communist China. Among the Communist countries, Communist China is the one where the motivations of economic aid are the most clearly distinct from those of trade: in the former case, political considerations are decisive, in the latter, economic interests prevail. The stage of industrialisation reached by China does not allow this country to compete with the developed countries in deliveries of capital goods for economic development purposes. The Chinese denounce both Soviet and Western aid and trade alike, as means used by industrialised countries to exploit the more backward nations. In fact, Communist China needs precisely the kind of commodities and equipment which the other, non-Communist, developing countries require and has, in turn, little to offer them that the less-developed countries could not find in other developing areas (textiles, food products, light manufactures).

204. Since the interruption of Soviet economic aid deliveries, trade between the USSR and Communist China has rapidly declined and came, by 1967, to a virtual standstill(1). Communist China consequently sought in the East European countries and in the West alternate sources of supply for equipment and technology denied by the Soviet Union, but China needs to earn hard currencies to buy Western capital goods. Obviously, trade with Hong Kong plays the decisive rôle as a convertible currency earner, but Chinese exports to such countries as Singapore, Malaysia, Kuwait might conceivably contribute to this end. Even during critical years, China kept up its trade relations with Asian and African countries which provide some essential commodities: rubber from Ceylon - phosphates from Morocco, and turned towards Argentina for part of its grain imports to overcome temporary food shortages. The need for such imports has sometimes promoted additional trade relations with third countries, as in the typical case of triangular trade whereby China has been buying Burmese rice with which it pays its rubber imports from Ceylon.

205. Apart from this need for a few basic commodities, trade with developing countries obviously plays a less important rôle in Chinese foreign trade than that with industrialised countries. But, on the whole, the inward looking tendency which is typical for all Communist countries is even more evident in the Chinese example than in the Soviet Union. Its politically motivated exports on easy credit terms of capital goods to developing countries, though small in size and value, constitute a costly type of propaganda, given the internal needs of the country. They may, however, by merely challenging Soviet aid efforts, exert an influence on the volume of deliveries by the other Communist countries in some African countries where the competition for influence is particularly acute.

(b) The rôle of Communist trade from the point of view of the developing countries

206. From the point of view of the developing countries, Communist trade, apart from the economic advantages resulting from the possibility of finding occasional markets for its surplus traditional commodities that could find no other buyers, has also offered opportunities to nations to assert independence vis-à-vis their traditional Western trading partners. It can, however, be assumed that, on the whole, the less-developed countries would prefer to buy products in the industrialised Western countries if they could pay for them

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- (1) Sino-Soviet trade, according to Soviet trade statistics, fell from 1,849 million roubles (Soviet exports: 859 million; Soviet imports: 990 million) in 1959 to 96 million roubles in 1967 and 86 million roubles in 1968 (Soviet exports: 53 million; Soviet imports: 33 million)

with their exports. Malaysia and Rhodesia are examples of this attitude. Communist purchases of crude natural rubber, in the one case, and copper, in the other, were paid for in hard currencies and did not lead to corresponding Malaysian and Rhodesian imports of Communist products. It is also well known that various less-developed nations have occasionally tried, albeit without success, to obtain convertible currencies in payment of their exports to Communist countries.

207. The volume of exports from developing countries destined to Communist countries has generally been too small to exert a serious influence on the world market prices of these products. Indeed, the relative improvement in the terms of trade in favour of the developing countries noted during recent years resulted mainly from the growing demand for basic materials in the industrialised Western countries. Exports to Communist countries hardly contributed to this development. Communist buyers tend to play a passive rôle in the setting of the price level of such goods since they can only rely on the prevailing world market prices as indicators of the relative value of the exchanged products(1).

(c) Characteristics of Communist trade

208. State-controlled trade. The set-up of state-controlled trade, whose specialised organs are dealing on the account of the global needs of a country, acting as a single purchasing unit, favours the conclusion of grouped large scale deals such as the purchase of the total surpluses of a crop or raw material(2) in a given country. Sales by developing countries to Western ones are generally made through a large number of competing buyers whose individual purchases are limited and thus less impressive than the Communist deals. The organizational structure of Communist foreign trade and the hierarchy of state officials working in this field allow the governments to use trade as a tool for their overall foreign policy whenever they so wish. Communist countries, and the USSR in particular, have indeed stepped in on several occasions to make significant deals with developing countries which met with difficulties in marketing their primary products.

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- (1) See paragraphs 216 and following
  - (2) More than 60% of total annual Egyptian cotton exports were currently absorbed by the USSR and East European countries during the first half of the 60s. Similarly, roughly 25% of Burmese rice exports went to the USSR and 20% to other Communist countries. During several years, 20% of the annual cocoa crop of Ghana was purchased by the USSR. Over half of Yemeni coffee exports are currently sold to the Soviet Union. The recent purchase of 5 million hectolitres of Algerian wine - about three-quarters of Algeria's current annual output - are of the same vein

209. Bilateral barter deals. Communist countries have shown a marked preference for bilateral barter deals in their trade relations with developing countries. Their convertible currency and gold reserves are not very large(1) and are used almost exclusively for paying vital capital goods imported from the industrialised Western countries. Developing countries on their part suffer from the same chronic shortages of hard currency. This makes it difficult to settle balances which arise in the course of this trade, neither side being willing to allocate scarce convertible currency. The system of imports being paid for by exports to the other partner denies the exporting country freedom to choose among suppliers. Even within COMECON, Communist currencies are not convertible, so that Polish zlotys earned by a developing country cannot be used to purchase, say, Czechoslovak products. This problem has preoccupied the COMECON countries for a long time and was brought once more into the limelight in the early months of 1970. So far, however, no satisfactory answer could apparently be given to this question, largely as a result of the contradictory interests involved.

210. Government trade and payment agreements. Within the framework of their five-year plans, the planners forecast the imports required to meet the fixed targets and allocate resources to meet their export commitments. The system requires for long periods in advance detailed specification of sources of supply, volume and value of products to be imported, hence the Communist preference for long-term trade and payment agreements. This practice meets, to some extent, the requirements of the developing countries which have generally their own economic development planning and sometimes governmental bodies for foreign trade. Such trade agreements used to be made for one year and were normally renewable, but the Communist countries have sought to extend the duration to two, three or five years. Since 1954, more than 200 agreements have been concluded with developing countries, and the bulk of Communist trade is carried out within this framework. They often are completed with payment agreements and other collateral pacts providing for swing credits and additional clearing agreements.

211. In most cases, such agreements are merely declarations of intent; they provide a framework for trade but do not amount to formal commitments. Experiences show that the quotas proposed are seldom achieved. Subsequent negotiations as regards the actual goods and the precise quantities to be delivered are necessary. Nevertheless, these trade agreements are exploited for propaganda purposes, both when the initial pact and the yearly protocols are signed, and they also justify the posting of trade commissions in various developing areas. East Germany and Communist China, in their quest for official recognition, have often used trade agreements as much for their political as for their commercial value.

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(1) In the case of the Soviet Union, estimates range from \$1.5 billion to \$2 billion

(d) The 'Quality' Problem

212. During recent years, the technological lead of the Western industrialised countries over the East European countries in general and the USSR in particular has been increasing. This technological gap, which is noticeable in all sectors of civilian production, is particularly marked as regards manufactured goods. The Communist economic system is mainly oriented towards quantitative production and inferior quality has often been quoted as an obstacle to trade expansion between East and West. Some West European countries, in order to fulfil their quotas, have occasionally imported manufactured goods from Communist countries which were not suited to the internal market. These goods were re-exported to developing nations, where they compete with direct imports from the Communist countries concerned.

213. Soviet equipment and industrial machinery, which constitutes the bulk of goods delivered to developing countries by the USSR, generally enjoys a reputation for ruggedness. Less sophisticated than comparable Western products, capital goods from Communist countries require less delicate handling and maintenance. Soviet equipment can stand a certain amount of rough usage by personnel lacking the required skill for precise technical operating of the machinery and whose overall training is still rudimentary. To some extent, the Communist countries have been able to derive some benefit from their relative technological backwardness in their relations with countries where cheap labour has no industrial tradition. Soviet advantage over the West in this respect was demonstrated in the case of the Indian steelmills, where the much more simple Soviet plant was put into operation with less trouble than the technically highly advanced steel-mill set up with West German assistance. It may be recalled in this connection that attempts have been made in Western industrialised countries to organize sales to developing countries of industrial equipment which had become obsolete in the advanced countries but which could still be considered economically valid in countries where the labour costs were low. These attempts have apparently met with little success; transport costs have been high and the developing countries have tended, for prestige reasons, to consider second-hand equipment as unworthy. Soviet equipment might be of no better quality, but at least it is new and the best that the Soviets can offer. On the other hand, Soviet equipment has occasionally proved unsuitable under the climatic conditions prevailing in the importing countries, repairs have taken longer, as the delivery of spare parts from the Soviet Union has not been particularly fast. The lack of after sales services constitutes another major handicap to Communist sales promotion.

214. Generally speaking, there are no complaints as to the quality of the supplies of raw material from Communist countries. There is one important exception to this general appreciation: Soviet crude oil, which contains a high percentage of sulphur, can create troubles unless treated in refineries specially adapted to this type of raw material. The high degree of waste and impurities in bulky agricultural products and mineral raw materials delivered by Communist countries has occasionally been noted.

215. The developing countries are well aware of the considerable advantages offered by Western products as far as quality is concerned. From time to time, complaints were reported about deliveries of Communist exports (faulty packing of cement delivered during the monsoon, irregular shipments of coking and gas coal, high maintenance costs of civilian aircraft, timber deliveries not in accordance with specifications). On the whole, however, the performance of Communist countries as trading partners has not been considered unsatisfactory by the developing nations.

(e) The 'Price' Problem

216. Prices in Communist countries, resulting from arbitrary decisions taken at government level, do not necessarily reflect real production costs or factors such as relative scarcity of supply or intensity of demand. Hence the Communist negotiators cannot use their own prices to calculate the relative advantages of the exchange of goods envisaged. It is a well-known paradox that, even in trade among COMECON partners, the prevailing prices on the 'capitalist' world market are used as a starting point for negotiations. Similarly, in buying from developing countries, the Communist negotiators generally use fictitious prices which are supposed to correspond to the 1960-1964 world average of market prices of the commodities in question. They claim that these 'stable' prices, freed from the speculative fluctuations which are a feature of the free market, provide the developing countries with steady and reliable earnings.

217. This alleged stability is advantageous to the developing countries only where fluctuations cause their terms of trade to deteriorate, as was indeed the case up to 1964. The average price of primary producers' exports, after rising somewhat between 1964 and 1966, dropped by 1% in 1967, but recovered in 1968, improving the terms of trade of developing countries(1). This overall tendency obviously conceals divergent trends in the prices of particular commodities.

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(1) See paragraph 145

Rubber prices, after a sharp drop in 1967, recovered in 1968. Cotton prices, on the contrary, rose rapidly during the 1967/68 campaign, but dropped by 18% in 1968. Metal prices, which rose 20% in 1966, dropped by 7% in 1967, and, apart from a short-lived increase in copper prices at the end of the year, continued to drift downward in 1968. Prices of foodstuffs rose during 1967, but declined again in 1968. It is difficult to forecast these fluctuations, but, admittedly, the long-term prospects are rather discouraging for the developing countries.

218. Communist propaganda often argues that Western industrialised countries are exploiting the economically weaker 'liberated countries'<sup>(1)</sup> by raising the prices of their own manufactured products while paying less for the primary commodities bought in developing countries. If this were indeed the case, by adopting these prices in their own commercial dealings, the Communist countries would simply be perpetuating, to their advantage, the exploitation they condemn. Furthermore, by promoting price inflexibility, they hinder the basic rôle of the market price mechanism in which price fluctuations serves as an indicator of the profitability of production. In developing countries, fixed prices can easily create the illusion that there is no urgency in diversifying production and modernising the economy. Although the Communist countries argue that the developing nations need to overcome excessive specialisation on certain basic products inherited from their colonial past, they do not hesitate to use this legacy in order to obtain raw materials at world market prices while keeping their internal markets insulated from prices utilised in their foreign trade.

219. Practically all trade agreements signed by Communist countries stipulate that the prices for goods to be exchanged are to be fixed on the basis of world market prices, and the five-year agreements generally provide for annual negotiations to determine the price levels to be applied. Thus, in practice, the so-called 'stability' of prices is more apparent than real, and is reviewed each year. The fact that, by and large, the quality of Communist products does not correspond to that of comparable Western goods complicates the problem of valuing them at world prices. This is not the case of the primary export commodities of developing countries which are also on sale in other parts of the world. The developing country, acting as buyer, is faced with the task of evaluating the price of sophisticated Communist equipment for which comparison with similar goods from other sources is not always easy.

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(1) Communist terminology prefers to use this term rather than 'developing countries', although the latter wording has recently been gaining some respectability in Communist publications

220. In their competition with the industrialised Western nations, the Communist countries, when entering certain new markets, have occasionally taken advantage of their arbitrary price fixing system to sell at prices below those of Western countries. The problems met by the West in competing with the East on the markets of developing countries have been analysed in the OECD. With the exception of a few cases (i.a. electric light bulbs and lighting appliances in Ghana and Saudi Arabia) this form of competition does not seem, however, to have hampered seriously Western exports.

221. In trade with Communist countries, prices as such play only a rôle to the extent that imports are not balanced by equivalent exports. Trade agreements provide generally for the settling of clearing accounts in either roubles or the national currencies of the trading partners, the actual exchange rates of which are not always easy to determine. In addition, they occasionally mention the alternative solution of settling in a mutually agreeable currency, which may make it possible for the Communist country that builds up a credit in its trade balance to ask for payment in US dollars, £ sterling, or Swiss francs. However, this latter solution has seldom been applied, although the inclusion of such a clause in trade agreements provides the Communist country with a potential means of pressure on developing nations buying Communist products.

222. In the Communist concept, prices are mainly accounting units allowing to add up different kinds of goods. As most of the trade between Communist and developing countries is barter, balances are small and prices, therefore, have only limited importance. The Communist countries, when acting as buyers, could offer fictitiously higher prices and compensate their apparent loss by selling their products at similarly inflated prices(1). Developing countries that export large quantities of their goods are in a weak bargaining position when negotiating the prices of the Communist commodities to be delivered for settling their credit in the annual clearing accounts. It must, however, be noted that the system works both ways. The Russians have had to use some complicated artificial expedients to maintain their trade with India in some kind of balance. Early in 1968 they agreed to buy over the next seven years about 40,000 railway wagons built in India, whose suitability to Soviet conditions and climate is doubtful.

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(1) It has been argued by Western specialists that this procedure helps to inflate artificially the size of intra-Communist trade in relation to trade with the non-Communist world

E: ASSESSMENT AND LONGER TERM PROJECTIONS OF COMMUNIST TRADE WITH DEVELOPING COUNTRIES

(a) Assessment

223. The Communist trade drive was launched at a time (1954-1958) when the Communist countries constituted a monolithic bloc under the undisputed leadership of the Soviet Union. Economic progress in the USSR over the past decade had been impressive. Deterred from using military aggression to reach their goal by the NATO determination to defend the territorial integrity of its members, the Soviet official spokesmen resorted to 'peaceful coexistence' as an indirect means of achieving world leadership. Within this context, trade and aid were to be used as non-military weapons to penetrate, influence and, ultimately, win over the developing countries outside the NATO protected area. The growing importance of the Third World in this strategy was further enhanced by the Communist conviction that the decolonisation process, once initiated, would be irreversible and would precipitate the industrialised Western world into the major economic crisis long predicted by Communists. Fast development of Communist trade with developing nations, sustained by aid offers, was expected to hasten this process by depriving Western countries of their traditional sources of supply of essential raw materials and primary commodities, and of an important part of their markets. Economic progress in the Communist countries would be used as the demonstration of the efficiency of the Communist economic system presented as the sole model, to be copied by developing nations, of a short cut to prosperity.

224. To the newly independent nations, Communist trade was presented as a means of rapidly achieving economic independence from the ex-colonial powers. The capacity of most of the developing countries to earn the hard currency needed for their industrialisation largely depended on their export of a few primary and agricultural products for which outlets were limited by the lack of elasticity of demand in the industrial countries. Calling attention to the steady deterioration of the terms of trade of the developing countries in their dealings with the industrialised Western world, the Communist countries seemed able to offer:

- new, vast and expanding, stable and remunerative outlets for their surplus primary products;
- alternative sources of supply of industrial equipment and complete plants to be delivered on long-term credit, with low interest rates, repayable in local currencies(1).

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(1) See GATT report on International Trade 1957/1958

225. After more than a decade of widely publicised economic activities of the Communist countries in the developing areas, the glamour of novelty has worn off. Developing nations have rapidly realised that if Communist offers could occasionally strengthen their bargaining position in order to obtain some concessions from the West, this situation has its drawbacks as the rôle of Communist trade remains marginal in comparison to the much larger offer and demand of the industrialised West. Developing countries that diverted for a period of time rather large shares of their traditional exports to Communist countries met with difficulties when they attempted to re-enter the markets of their former free world clients.

226. In the early years of the Communist economic 'offensive', trade between developing and Communist countries expanded more rapidly than total trade of the developing countries. Since the 1960s, however, the effect of acceleration of economic growth in the West, coupled with the deceleration in Communist countries, was that Communist trade with developing countries did not develop much more rapidly than similar Western trade. Given the size of the countries belonging to the Communist camp, which accounts for nearly one-third of world population, the share of the developing countries' trade absorbed by the Communist world, 15 years after they started their trade offensive, must seem disappointing to the developing nations compared with the expectations aroused by the Communist announcements. In fact, both the Soviet Union and Communist China remain basically inward-looking. They have their own less-developed areas which they seek to develop and industrialise and whose output occasionally competes with that of developing countries (raw materials, metal ores, sugar, tea, cotton, rice, etc.). As the share of the Communist countries in total trade of developing areas in 1968 was still extremely modest(1), there obviously remains large scope for expansion, but recent experience has shown that the speed of this growth does not necessarily exceed that of Western trade.

227. Some developing countries (such as Algeria, Afghanistan, Brazil, India, Morocco) may have gained the impression over the last few years that most COMECON countries offer fairly stable and even expanding outlets for their export products. This does not, however, apply to Communist China, as the cultural revolution gathered momentum, foreign trade suffered, including imports from developing countries. The alleged 'stability' of Communist markets proved disappointing to a large number of developing countries. For instance:

- Nigerian exports to Communist countries as a whole in 1966 dropped by 57% compared to 1965;

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(1) See Graphs IX and X

- exports from Uganda declined by 72% between 1965 and 1967, and those from Burma by 66% between 1964 and 1967;
- the value of Sinhalese exports to Communist countries was reduced by 26% in 1967 compared to 1966;
- Argentina's exports fell by 70% between 1966 and 1967;
- Mexican exports in 1966 were 69% below their 1965 level;
- Uruguay exports in 1965 dropped by 53% as compared to the preceding year(1).

228. In Western practice, export-import trade is conducted through a wide variety of individual firms. The overall economic performance is obviously the main determining factor of offer and demand, but the multiplicity of buyers and sellers, acting independently, tends to mitigate somewhat short-term fluctuations. Communist foreign trade, on the contrary, being centrally determined by government decisions, influenced by political considerations, consists of massive transactions, and thus results occasionally in wild fluctuations. Clear-cut and firm long-term commitments to purchase certain goods are seldom included in Communist trade agreements.

229. Finally, Communist trade negotiators have proved just as eager to, and as capable of, defending their commercial interests as their Western colleagues, and exports to Communist countries appeared to be no more remunerative than those to the industrial West. The benefits of bilateral barter deals were often difficult to evaluate, but their limitations were directly felt by the developing nations. Even if Communist countries occasionally offered temporary relief to countries caught with otherwise unsaleable surpluses, cases have been reported where Communist countries have purchased more than they were ready to absorb internally and resold part of their imports from developing countries on free world markets (Cuban sugar, Egyptian cotton, Ghanaian cocoa, South American coffee).

230. By the end of the 1960s, trade with Communist countries, still relatively small in size and quite out of proportion with the expectations raised, showing little sign of rapid improvement, occasionally subject to ups and downs from year to year, based mainly on strict bilateral barter deals, appeared to the developing nations to be not much more attractive than traditional trade relations with the rest of the world. The schism between China and the Soviet Union,

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(1) For absolute figures, see Table X at Annex

growing assertion of the national interests of countries belonging to COMECON, the invasion of Czechoslovakia, the slowing down of economic growth in Communist countries, have all blurred the image of a Communist economic system presented as a unique model for economic development. Discussions about economic reforms in the Communist world must have been viewed by developing nations as an indication that, since improvements are required, the system is not at present working as it should. In fact, developing countries are at present faced with a wide variety of Communist 'models' for development to be copied: Cuban, Chinese, Russian, Hungarian, and have come to realise that, to solve their own economic problems, they cannot rely on a single, universally valid blueprint. Indeed, the Chinese and the Soviets are engaged in bitter competition to win the favour of the developing countries, and the latter have thus an interest in this antagonism.

(b) Longer Term Projections

231. There is nothing to prevent a centrally directed economy of the Soviet type from planning increased trade with developing countries. However, the central planners must view foreign trade with non-planned economies as a complicating factor: they can project their import needs, but may find it difficult to determine in advance the volume of exports necessary to pay for these imports. The Soviet Union has occasionally taken advantage of international forums to announce its intentions as regards future imports. For instance, at the UNCTAD meeting, the USSR mentioned that it might, during the decade 1970-1980, increase over four times its present imports of citrus fruit, treble those of cocoa beans, coconut oil, palm oil and other fats, double its purchases of coffee. The Soviet Union indicated that it would also increase its imports of: cotton fibre, wool, tea, bananas, pineapples, spices, some mining products and raw materials for the chemical industry. It stressed its intention to increase purchases of manufactured goods and semi-finished products in repayment of drawn credits. Czechoslovakia, Hungary and Poland gave similar indications. No doubt, if the Communist countries so wished, they could increase considerably their imports from developing countries and further expand their exports of capital goods to these countries. The theoretical potential of markets grouping 1.1 billion individuals is a fascinating prospect for exporters from both industrialised and developing non-Communist countries.

232. It can, however, be easily calculated that, even if during the decade 1970-1980 the developing countries trebled their exports to Communist countries while those of the rest of the world continued to grow at the average rate of the last 15 years (about 5½% per year), by 1980 the share of exports to

Communist countries would still represent only about 9% of total exports as against 71% for the industrialised West and 20% for the other developing non-Communist countries. Moreover, the validity of Communist forecasts providing for a trebling of their trade with the Third World remains highly questionable.

233. Chinese trade developments are hardly predictable. The anarchic tendencies of the system will probably continue to keep the expansion of commercial relations within limits. As an underdeveloped country, China can be expected to give priority to imports of technological value, but the restoration of internal stability should help to improve trade relations with non-Communist developing countries. Chinese economic aid offers will be limited to countries already politically oriented towards Communist concepts and will be the result rather than the cause of political change.

234. It seems at present unlikely that the Soviet Union would favour a more rapid expansion of trade between Communist and developing countries than between COMECON members, as this might lessen the control which the USSR still retains over the East European COMECON partners. The future fate of trade with developing countries depends largely on the evolution of the Sino-Soviet relations and on the internal economic developments within the Soviet Union.

235. If the next Soviet five-year plan (1971-1975) were to be essentially oriented towards more rapid economic growth so as to redress the prestige of the Soviet Union, with the defence effort maintained at the present level, this would imply an effort to reduce the technological gap that has been widening in recent years between the Soviet Union and the West. High priority would once more be attached to expansion of trade within COMECON and growth oriented imports from the West, leaving only a narrow margin for imports of consumer goods which contribute relatively little to the expansion in a Communist economy. In addition, such imports would have to be paid for by increases of capital goods, which would, therefore, not be available for development purposes within the country. If, on the contrary, the main attention were to be given to the improvement of the standard of living of the consumer, increased imports from developing countries could help to accelerate significantly this trend. It is difficult at the present juncture to foresee which course the Soviet leaders will choose for the coming years, as there are many ways in which the various claims on resources could be balanced.

230. In any case, it seems reasonable to assume that trade between the Communist countries as a whole and the developing Third World will probably continue to expand at a rate of about 9%-10% per annum, with Communist imports increasing more rapidly than exports during the next five years in order to redress the trade balance. By 1980, the Communist countries might be absorbing between 7% and 8% of total exports from the developing countries. However, by concentrating their main trade effort on a few selected areas (Mediterranean, Africa: Algeria might be an example), the Communist countries could hope to gain further influence at the expense of the West, although the target countries will obviously not become Soviet satellites for merely commercial reasons. Past experience (Yugoslavia, China) must have made it clear to the Soviet leaders that the use of economic pressure and the threat to curb trade are generally counterproductive.

**TABLE I - TABLEAU I**  
**ECONOMIC AID EXTENDED BY COMMUNIST COUNTRIES**  
1954-1969  
**AIDE ECONOMIQUE ACCORDEE PAR DES PAYS COMMUNISTES**  
1954-1969

YEAR ANNEE	USSR URSS	BULGARIA BULGARIE	CZECHO- SLOVAKIA TCHECO- SLOVAQUIE	HUNGARY HONGRIE	POLAND POLOGNE	RUMANIA ROUMANIE	SOV. ZONE OF GERMANY ZONE SOV. D'OCCUP. ALL.	COMM. CHINA CHINE COMM.	TOTAL
1954	5.8	-	5.0	-	-	-	-	-	10.8
1955	110.9	-	10.0	5.7	-	-	11.6	16.2	154.4
1956	250.8	-	30.9	-	2.3	1.0	5.7	40.2	330.9
1957	255.1	-	21.1	-	-	-	2.3	15.8	294.3
1958	334.8	-	24.9	0.9	41.7	10.1	27.2	34.4	474.0
1959	853.0	-	72.9	-	8.2	-	-	1.2	935.0
1960	596.8	-	55.4	19.2	44.8	-	5.0	73.5	794.7
1961	553.8	10.6	142.6	62.0	73.7	100.9	2.4	163.0	1,109.0
1962	75.9	4.5	57.4	11.2	122.0	-	-	16.3	287.3
1963	261.9	7.5	5.6	-	8.0	-	1.8	89.3	374.1
1964	1,015.7	-	132.2	1.3	99.0	40.0	65.9	312.3	1,666.4
1965	409.2	57.6	103.6	54.0	107.0	116.0	199.3	117.4	1,164.1
1966	968.1	15.0	58.9	51.0	3.5	-	16.4	102.8	1,215.7
1967	125.9	36.9	75.0	10.0	14.0	22.5	-	55.5	339.8
1968	310.9	30.2	206.0	40.0	5.0	82.0	2.5	59.8	736.4
1969(1)	309.0	8.4	38.0	11.2	5.0	31.9	156.3	(-)	559.8
TOTAL 1954-69	6,437.6	170.7	1,039.5	266.5	534.2	404.4	496.4	1,097.7	10,447.0

(1) Provisional  
Provisoire

For a detailed description of individual credits and grants see AC/89-WP/274  
 Pour le détail des crédits et dons accordés à chaque pays, voir AC/89-WP/274

TABLE II - TABLEAU II

ESTIMATED ANNUAL DRAWINGS BY DEVELOPING COUNTRIES  
ON ECONOMIC AID EXTENDED BY COMMUNIST COUNTRIES  
DURING THE PERIOD 1967-1968  
(ANNUAL AVERAGE)

ESTIMATION DES TIRAGES ANNUELS EFFECTUES PAR LES PAYS EN VOIE DE DEVELOPPEMENT  
SUR L'AIDE ECONOMIQUE OCTROYEE PAR DES PAYS COMMUNISTES  
AU COURS DE LA PERIODE 1967-1968  
(MOYENNE ANNUELLE)

(Million US \$ - en millions de \$ US)

DRAWN - TIRAGES EFFECTUES BY - PAR	ON CREDITS EXTENDED BY SUR DES CREDITS OCTROYES PAR			TOTAL
	USSR URSS	EAST. EUROPE EUROPE DE L'EST	COMM. CHINA CHINE COMM.	
<b>AFRICA - AFRIQUE</b>				
1. Algeria - Algérie	7.2	0.5	4.7	12.4
2. Cameroon - Cameroun	0.1	-	-	0.1
3. Central African Rep. - Rep. Centrafricaine	-	-	0.2	0.2
4. Congo (Brazzaville)	1.0	-	1.5	2.5
5. Ethiopia - Ethiopie	1.0	-	-	1.0
6. Ghana	-	2.0	-	2.0
7. Guinea - Guinée	3.0	1.8	6.2	11.0
8. Kenya	0.5	-	-	0.5
9. Mali	2.2	0.2	4.5	6.9
10. Mauritania - Mauritanie	-	-	0.1	0.1
11. Morocco - Maroc	0.5	-	-	0.5
12. Nigeria	-	-	-	-
13. Senegal	-	-	-	-
14. Sierra Leone	0.4	-	-	0.4
15. Somalia - Somalie	5.2	0.3	0.8	6.3
16. Sudan - Soudan	3.0	-	-	3.0
17. Tanzania - Tanzanie	0.2	0.5	9.8	10.5
18. Tunisia - Tunisie	3.5	0.9	-	4.4
19. Uganda - Ouganda	0.5	-	1.0	1.5
20. Zambia - Zambie	-	-	0.1	0.1
<b>Total AFRICA - Total AFRIQUE</b> (as % of total - en % du total)	28.3 (10)	6.2 (6)	28.9 (44)	63.4 (14)
<b>ASIA - ASIE</b>				
21. Afghanistan	40.5	0.6	2.5	43.6
22. Burma - Birmanie	0.4	1.2	0.3	1.9
23. Cambodia - Cambodge	1.3	0.2	4.7	6.2
24. Ceylon - Ceylan	2.2	1.1	4.5	7.8
25. India - Inde	42.2	19.4	-	61.6
26. Indonesia - Indonésie	2.9	10.0	-	12.9
27. Laos	-	-	-	-
28. Nepal	0.8	-	11.3	12.1
29. Pakistan	12.3	1.1	9.3	22.7
<b>Total ASIA - Total ASIE</b> (as % of total - en % du total)	102.6 (38)	33.6 (31)	32.6 (50)	168.8 (37)
<b>MIDDLE EAST - MOYEN-ORIENT</b>				
30. Iran	25.5	9.2	-	34.7
31. Iraq	6.8	0.5	-	7.3
32. South Yemen - Sud Yémen	-	-	-	-
33. Syria - Syrie	15.0	18.3	-	33.3
34. United Arab Rep. - Rép. Arabe Unie	85.5	34.7	-	120.2
35. Yemen - Yémen	8.1	2.8	3.7	14.6
<b>Total MIDDLE EAST - Total MOYEN-ORIENT</b> (as % of total - en % du total)	140.9 (52)	65.5 (61)	3.7 (6)	210.1 (48)
<b>LATIN AMERICA - AMERIQUE LATINE</b>				
36. Argentina - Argentine	0.7	0.7	-	1.4
37. Brazil - Brésil	-	1.6	-	1.6
38. Chile - Chili	-	-	-	-
39. Colombia - Colombie	-	-	-	-
40. Ecuador - Equateur	-	-	-	-
41. Peru - Pérou	-	-	-	-
42. Uruguay	-	-	-	-
<b>Total LATIN AMERICA - Total AMERIQUE LATINE</b> (as % of total - en % du total)	0.7 (-)	2.3 (2)	-	3.0 (1)
<b>GRAND TOTAL - TOTAL GENERAL</b> percentage - pourcentage	272.5 (100)	107.6 (100)	65.2 (100)	445.3 (100)
(as % of total - en % du total)	(61)	(24)	(15)	(100)

TABLE III - TABLEAU III

ESTIMATED DRAWINGS BY DEVELOPING COUNTRIES  
ON ECONOMIC AID COMMITMENTS UNDERTAKEN BY COMMUNIST COUNTRIES

1954-1969

EVALUATION DES TIRAGES EFFECTUES PAR LES PAYS EN VOIE DE DEVELOPPEMENT  
SUR LES ENGAGEMENTS PRIS AU TITRE DE L'AIDE ECONOMIQUE  
PAR DES PAYS COMMUNISTES

1954-1969

YEAR ANNEE	USSR URSS	EASTERN EUROPE EUROPE DE L'EST	COMMUNIST CHINA CHINE COMMUNISTE	TOTAL	CUMULATIVE OUTSTANDING CREDITS CREDITS CUMULATIFS NON UTILISES
1954	1	-	-	1	10
1955	2	1	-	3	161
1956	7	6	19	32	460
1957	30	15	7	52	702
1958	97	22	6	125	1,051
1959	112	14	26	152	1,834
1960	109	29	11	149	2,480
1961	187	44	10	241	3,348
1962	258	87	14	359	3,276
1963	354	57	23	434	3,216
1964	371	113	66	550	4,332
1965	357	89	80	526	4,970
1966	327	83	90	500	5,686
1967	292	97	76	465	5,561
1968	252	119	55	426	5,871
1969(1)	262	103	45	410	6,022
TOTAL	3,018	879	528	4,425	
as % of total en % du total	(68)	(20)	(12)	(100)	
TOTAL extended TOTAL octroyé	6,438	2,860	1,098	10,447	

(1) Preliminary - Préliminaire

TABLE IV - TABLEAU IV

ECONOMIC AID EXTENDED BY COMMUNIST COUNTRIES  
AND DRAWINGS BY DEVELOPING COUNTRIES

TOTAL : 1954 - MID 1969

AIDE ECONOMIQUE DES PAYS COMMUNISTES - ENGAGEMENTS  
ET TIRAGES EFFECTUES PAR LES PAYS EN VOIE DE DEVELOPPEMENT

TOTAL : 1954 - MI 1969

(Million US \$ - en millions de \$ US)

RECIPIENT BENEFICIAIRE	DONOR DONATEUR	POPULATION mid 1968 estimates mi-1968 évaluation (millions)	EXTENDED BY : OCTROYEE PAR				TOTAL DRAWN (Estimated) TOTAL UTILISE (Evaluation)
			USSR URSS	EAST. EUROPE EUROPE DE L'EST	COMM. CHINA CHINE COMM.	TOTAL	
AFRICA - AFRIQUE							
1. Algeria - Algérie		12.9	233.1	72.2	52.0	357.3	67.0
2. Cameroon - Cameroun		5.6	7.8	-	-	7.8	0.2
3. Central African Rep. - Rep. Centrafricaine		1.5	-	-	4.0	4.0	2.8
4. Congo (ôrazzaville)		0.9	11.9	-	30.2	42.1	15.0
5. Ethiopia - Ethiopie		24.2	101.8	17.0	-	118.8	21.8
6. Ghana		8.4	93.0	104.1	42.0	239.1	60.0
7. Guinea - Guinée		3.8	106.4	31.7	58.7	196.8	135.0
8. Kenya		10.2	48.7	-	18.1	66.8	6.8
9. Mali		4.8	70.0	22.6	62.2	154.8	89.0
10. Mauretania - Mauritanie		1.1	3.3	-	4.7	8.0	0.5
11. Morocco - Maroc		14.6	43.6	35.2	-	78.8	6.5
12. Nigeria		62.7	-	14.0	-	14.0	-
13. Senegal		3.7	10.0	-	-	10.0	-
14. Sierra Leone		2.5	28.0	-	-	28.0	1.7
15. Somalia - Somalie		2.7	63.2	3.4	23.2	89.8	45.0
16. Sudan - Soudan		14.8	23.0	46.8	-	69.8	17.5
17. Tanzania - Tanzanie		12.5	20.0	6.7	54.4	81.1	39.0
18. Tunisia - Tunisie		4.7	34.1	73.1	-	107.2	25.0
19. Uganda - Ouganda		8.1	15.6	-	15.0	30.6	5.5
20. Zambia - Zambie		4.1	5.6	-	16.8	22.4	2.0
Total AFRICA - Total AFRIQUE			919.1	426.8	381.3	1,727.2	540.3
ASIA - ASIE							
21. Afghanistan		16.1	697.4	11.0	28.0	736.4	553.0
22. Burma - Birmanie		26.4	13.7	26.5	84.0	124.2	40.6
23. Cambodia - Cambodge		6.6	24.9	5.4	92.3	122.6	78.0
24. Ceylon - Ceylan		12.0	30.6	52.1	41.0	123.7	67.0
25. India - Inde		523.9	1,602.8	354.7	-	1,957.5	964.1
26. Indonesia - Indonésie		113.6	372.2	291.0	123.4	786.6	301.2
27. Laos		2.8	7.6	-	6.5	14.1	6.5
28. Nepal		10.7	20.8	-	65.0	85.8	58.0
29. Pakistan		121.8	203.1	56.0	109.0	368.1	122.4
Total ASIA - Total ASIE			2,973.1	796.7	549.2	4,319.0	2,190.8
MIDDLE EAST - MOYEN-ORIENT							
30. Iran		27.0	525.9	432.1	-	958.0	120.0
31. Iraq		8.6	309.0	118.0	-	427.0	152.8
32. South Yemen - Sud Yémen		1.2	13.3	-	12.0	25.3	-
33. Syria - Syrie		5.7	233.8	165.0	16.3	415.1	180.6
34. United Arab Rep. - Rep. Arabe Unie		31.7	1,011.1	565.5	105.7	1,682.3	883.1
35. Yemen - Yémen		5.0	93.0	14.0	42.1	149.1	107.5
Total MIDDLE EAST - Total MOYEN-ORIENT			2,186.1	1,294.6	176.1	3,656.8	1,444.0
LATIN AMERICA - AMERIQUE LATINE							
36. Argentina - Argentine		23.6	44.0	23.7	-	67.7	41.0
37. Brazil - Brésil		88.2	103.0	186.4	-	289.4	31.5
38. Chile - Chili		9.4	54.8	5.0	-	59.8	0.5
39. Colombia - Colombie		19.8	2.5	-	-	2.5	-
40. Ecuador - Equateur		5.7	-	10.0	-	10.0	0.1
41. Peru - Pérou		12.8	-	6.0	-	6.0	-
42. Uruguay		2.8	20.0	10.0	-	30.0	-
Total LATIN AMERICA - Total AMERIQUE LATINE			224.3	241.1	-	465.4	73.1
GRAND TOTAL - TOTAL GENERAL			6,302.6	2,759.2	1,106.6	10,168.4	4,248.2

TABLE V - TABLEAU V

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NON MILITARY TECHNICAL ASSISTANCE PERSONNEL  
FROM COMMUNIST COUNTRIES IN THE DEVELOPING AREAS  
(at work during the first half of 1969)

PERSONNEL NON MILITAIRE ENVOYE AU TITRE DE L'ASSISTANCE TECHNIQUE  
PAR LES PAYS COMMUNISTES DANS DES REGIONS EN VOIE DE DEVELOPPEMENT  
(en poste pendant le premier semestre 1969)

(Number of persons) (a)

TO - A	COUNTRY OF ORIGIN - PAYS D'ORIGINE			TOTAL
	USSR URSS	EAST EUROPE EUROPE DE L'EST	COMM. CHINA CHINE COMM.	
AFRICA - AFRIQUE				
1. Algeria - Algérie	2,000	720	100	2,820
2. Burundi	10	-	-	10
3. Cameroon - Cameroun	5	-	-	5
4. Central African Rep. - Rép. Centrafricaine	10	-	-	10
5. Chad - Tchad	20	-	-	20
6. Congo (Brazzaville)	150	15	140	305
7. Congo (Kinshasa)	-	20	-	20
8. Ethiopia - Ethiopie	90	105	-	195
9. Ghana	-	80	-	80
10. Guinea - Guinée	350	270	400	1,020
11. Kenya	30	-	-	30
12. Libya - Libye	-	1,970	-	1,970
13. Mali	400	100	880(b)	1,380
14. Mauritania - Mauritanie	15	-	120	135
15. Morocco - Maroc	70	180	-	250
16. Nigeria	15	105	-	120
17. Sierra Leone	15	-	-	15
18. Somalia - Somalie	100	10	60	170
19. Sudan - Soudan	55	220	-	275
20. Tanzania - Tanzanie	100	110	690(c)	900
21. Tunisia - Tunisie	210	1,430	-	1,640
22. Uganda - Ouganda	15	-	-	15
23. Zambia - Zambie	10	-	300	310
Total AFRICA - Total AFRIQUE	3,670	5,335	2,690	11,695
ASIA - ASIE				
24. Afghanistan	900	80	130	1,110
25. Burma - Birmanie	30	-	-	30
26. Cambodia - Cambodge	110	5	100	215
27. Ceylon - Ceylon	85	50	15	150
28. India - Inde	1,100	330	-	1,430
29. Indonesia - Indonésie	100	30	-	130
30. Nepal	80	-	560	640
31. Pakistan	150	5	1,000(d)	1,155
Total ASIA - Total ASIE	2,555	500	1,805	4,860
MIDDLE EAST - MOYEN-ORIENT				
32. Iran	1,100	285	-	1,385
33. Iraq	500	540	-	1,040
34. Kuwait - Koweït	-	5	-	5
35. South Yemen - Sud Yémen	5	10	-	15
36. Syria - Syrie	545	200	10	755
37. United Arab Rep. - Rép. Arabe Unie	800	400	-	1,200
38. Yemen - Yémen	100	60	400	560
Total MIDDLE EAST - Total MOYEN-ORIENT	3,050	1,500	410	4,960
LATIN AMERICA - AMERIQUE LATINE				
39. Argentina - Argentine	-	10	-	10
40. Brazil - Brésil	-	25	-	25
41. Chile - Chili	5	-	-	5
42. Colombia - Colombie	-	10	-	10
43. Mexico - Mexique	5	5	-	10
Total LATIN AMERICA - Total AMERIQUE LATINE	10	50	-	60
GRAND TOTAL - TOTAL GENERAL	9,285	7,385	4,905	21,585

(a) Number of persons present for a period of at least one month. Estimates are rounded to the nearest five. Nombre de personnes présentes pendant au moins un mois. Evaluation arrondie au plus proche multiple de cinq.

(b) Including 30 North Vietnamese and 50 North Koreans. Y compris 30 Nord-vietnamiens et 50 Nord-coréens.

(c) Including 5 North Koreans. Y compris 5 Nord-coréens.

(d) Nearly all at work on the road construction between North-East Kashmir and Sinkiang. This figure may be an underestimation. Presque tous travaillent à la construction de la route qui doit relier le Cachemire Nord-oriental au Sinkiang. Ce chiffre est peut-être inférieur à la réalité.

TABLE VI - TABLEAU VI

COMMUNIST NON-MILITARY TECHNICIANS IN LESS-  
DEVELOPED COUNTRIES

TECHNICIENS COMMUNISTES NON MILITAIRES DANS DES PAYS  
ECONOMIQUEMENT MOINS DEVELOPPES

YEAR ANNEE	TOTAL	USSR URSS	EASTERN EUROPE EUROPE DE L'EST	COMMUNIST CHINA CHINE COMMUNISTE
1958	2,725	1,740	930	55
1959	4,935	3,150	930	855
1960	6,210	4,205	1,045	960
1961	7,680	5,330	1,530	820
1962	9,465	6,975	2,065	425
1963	11,885	8,850	2,565	470
1964	14,475	8,705	3,610	2,160
1965	17,810	9,385	4,060	4,365
1966	22,205	11,730	5,340	5,135
1967	21,170	10,790	5,685	4,695
1968	20,920	9,810	7,170	3,940
1969(1)	21,575	9,285	7,385	4,905

(1) First half - Premier semestre

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TABLE VII - TABLEAU VII

"GROSS DRAWINGS" AND "NET FLOWS" OF COMMUNIST AID  
(ESTIMATES)

"TIRAGES BRUTS" ET "MONTANTS NETS" DE L'AIDE COMMUNISTE  
(EVALUATIONS)

## I. SOVIET-UNION - UNION SOVIETIQUE

YEAR ANNEE	DRAWINGS BY DEVELOPING COUNTRIES TIRAGES DES PAYS EN VOIE DE DEVELOPPEMENT	REPAYMENTS OF PRINCIPAL REMBOURSEMENT DU CAPITAL	PAYMENT OF INTERESTS PAIEMENT D'INTERETS	"NET FLOW" OF AID "MONTANT NET" DE L'AIDE	NET RECEIPTS BY DEVELOPING COUNTRIES MONTANTS NETS REÇUS PAR LES PAYS EN VOIE DE DEVELOPPEMENT
1	2	3	4	(5)=(2)-(3)	(6)=(5)-(4)
1955	3	-	-	3	3
1956	7	-	-	7	7
1957	30	-	-	30	30
1958	97	-	-	97	97
1959	112	7	3	105	102
1960	109	19	6	90	84
1961	187	22	8	165	157
1962	258	30	10	228	218
1963	354	45	15	309	294
1964	371	64	21	307	286
1965	357	83	27	274	247
1966	327	109	36	218	182
1967	292	125	40	167	127
1968	252	135	45	117	72
1969	272	140	50	132	82
TOTAL:	3,028	779	261	2,249	1,988

## II. EASTERN EUROPE - EUROPE DE L'EST

1955	1	-	-	1	1
1956	6	-	-	6	6
1957	15	-	-	15	15
1958	22	-	-	22	22
1959	14	(1)	(1)	13	12
1960	29	3	1	26	25
1961	44	6	2	38	36
1962	87	8	3	79	76
1963	57	13	4	44	40
1964	113	18	6	95	89
1965	89	24	8	65	57
1966	83	30	10	53	43
1967	97	38	12	59	47
1968	119	45	15	74	59
1969	108	50	18	58	40
TOTAL:	884	236	80	648	568

## III. COMMUNIST CHINA - CHINE COMMUNISTE

1955	-	-	-	-	-
1956	19	-	-	19	19
1957	7	-	-	7	7
1958	6	-	-	6	6
1959	26	-	-	26	26
1960	11	-	-	11	11
1961	10	-	-	10	10
1962	14	1	-	13	13
1963	23	2	-	21	21
1964	66	4	-	62	62
1965	80	6	-	74	74
1966	90	8	-	82	82
1967	76	10	-	66	66
1968	55	10	-	45	45
1969	65	10	-	55	55
TOTAL:	548	51	-	497	497

TABLE VIII - TABLEAU VIII

THE "NET" FLOW OF ECONOMIC AID TO DEVELOPING COUNTRIES  
MONTANT "NET" DE L'AIDE ECONOMIQUE AUX PAYS EN VOIE DE DEVELOPPEMENT

COMPARISON BETWEEN COMMUNIST AND NATO COUNTRIES' AID  
COMPARAISON ENTRE L'AIDE COMMUNISTE ET CELLE DES PAYS OTAN

1968

DONOR COUNTRIES PAYS DONATEURS	POPULATION UN estimates mid 1968 (in 1,000)  POPULATION Evaluation ONU mi-1968 (en milliers)	GNP current market prices PNB Prix du marché		NET FLOW OF ECONOMIC AID				MONTANT NET DE L'AIDE ECONOMIQUE				
		Billion US \$ milliards de dollars	Per capita in US \$ par tête en dollars	PUBLIC SECTOR SECTEUR PUBLIC		TOTAL Development Aid (million \$) TOTAL de l'aide économique (en millions de \$)	Flow of financial resources from PRIVATE SECTOR (million \$) Montant de l'aide financière en provenance du SECTEUR PRIVE (en millions de \$)	TOTAL : Public + Private (million \$) TOTAL : Public + Privé (en millions de \$)	AID AS % OF GNP AIDE EN POURCENTAGE DU PNB		AID IN \$ PER INHABITANT AIDE EN \$ PAR HABITANT	
				to non-communist countries (million \$) à des pays non-communistes (en millions de \$)	to communist developing countries (million \$) à des pays communistes en voie de développement (en millions de \$)				to non-communist countries (%) aux pays non communistes %	TOTAL to communist and non-communist TOTAL aux pays communistes et non communistes	to non-communist (\$) aux pays non communistes (\$)	TOTAL to communist and non-communist TOTAL aux pays communistes et non communistes (\$)
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(4) as % of (2) (4) % de (2)	(8) as % of (2) (8) % de (2)	(4) divided by (1) (4) divisé par (1)	(8) divided by (1) (8) divisé par (1)
<b>A. Communist countries - Pays Communistes</b>												
1. Bulgaria - Bulgarie	8,370	7.4	884	5	-	5		5	0.07	0.07	0.60	0.60
2. Czechoslovakia - Tchécoslovaquie	14,362	22.7	1,581	20	30	50		50	0.09	0.22	1.39	3.48
3. Hungary - Hongrie	10,256	11.6	1,131	9	8	17		17	0.08	0.15	0.88	1.66
4. Poland - Pologne	32,205	31.2	969	20	15	35		35	0.06	0.11	0.62	1.09
5. Rumania - Roumanie	19,721	16.5	837	5	5	10		10	0.03	0.06	0.25	0.51
6. Soviet Zone Germany - Zone d'occupat. Sov. en All.	17,084	27.5	1,610	15	25	40		40	0.05	0.15	0.88	2.34
Eastern Europe Total - Total pour l'Europe de l'Est	101,998	116.9	1,145	74	83	157		(207)	0.06	0.18	0.73	2.05
7. Soviet Union - Union Soviétique	237,798	396.0	1,665	132	315	447		(912)	0.03	0.23	0.56	3.84
8. Communist China - Chine Communiste	730,000	85.0	116	45	95	140		(170)	0.05	0.20	0.06	0.23
Communist World Total - Total pour le monde communiste	1,069,796	597.9	559	252	493	745		(1,289)	0.04	0.22	0.23	1.20
<b>B. NATO countries - Pays OTAN</b>												
1. Belgium - Belgique	9,619	21.7	2,256	88		88	150	243	0.41	1.12	9.15	25.26
2. Denmark - Danemark	4,870	12.4	2,546	29		29	45	74	0.23	0.60	5.95	15.20
3. France	49,920	126.6	2,536	855		855	628	1,483	0.68	1.17	17.13	29.71
4. Federal Republic of Germany République Fédérale d'Allemagne	60,165	132.2	2,197	554		554	1,040	1,635	0.42	1.24	9.21	27.18
5. Italy - Italie	52,750	74.8	1,418	(165)		(165)	(356)	(506)	0.22	0.68	3.13	9.59
6. Netherlands - Pays-Bas	12,743	24.9	1,954	134		134	142	276	0.54	1.11	10.52	21.66
7. Norway - Norvège	3,819	9.0	2,357	26		26	35	58	0.29	0.64	6.81	15.19
8. Portugal	9,465	5.0	528	(42)		(42)	(32)	(74)	0.84	1.48	4.44	7.82
9. United Kingdom - Royaume Uni	55,283	102.1	1,847	428		428	417	845	0.42	0.83	7.74	15.28
NATO Europe Total - Total Europe OTAN	258,634	508.7	1,967	2,321		2,321	2,845	5,194	0.46	1.02	8.97	20.08
10. Canada	20,772	62.3	2,999	175		175	94	307	0.28	0.49	8.42	14.78
11. United States - Etats-Unis	201,152	865.7	4,304	3,347		3,347	2,071	5,676	0.39	0.66	16.64	28.22
NATO Donors Total - Total des pays OTAN donateurs	480,558	1,436.7	2,990	5,843		5,843	5,010	11,177	0.41	0.78	12.16	23.26
TOTAL DAC countries - TOTAL des pays CAD	615,900	1,661.6	2,698	6,471		6,471	5,905	12,855	0.39	0.77	10.51	20.87

See notes on verso  
Voir notes au verso

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Notes and Sources: Table IXColumn (0): Donor Countries

DAC countries: include all NATO donor countries and, in addition: Australia, Austria, Japan, Sweden and Switzerland.

Column (1): Population

Source: United Nations Monthly Statistics, November 1969.

Columns (2) and (3): GNP

Eastern Europe: The figures used are based on US estimates as recorded in: "US Congress - Joint Economic Committee publication 'Soviet Economic Performance 1966-67' p. 119 updated to 1968. In the Congress publication estimates of GNP in the East European countries are made in dollars using US prices so as to make these estimates comparable with GNP in USA. In order to arrive at estimates of GNP in Eastern Europe more nearly comparable with those of the NATO European countries it would be necessary to calculate them in West European prices. In this case a conversion factor has been used, the effect of which is to provide estimates of GNP calculated in West German prices subsequently converted to dollars at the official rate. If higher estimates were to be used for GNP, they would only reduce further the corresponding percentages of GNP devoted to economic aid and thus reinforce the argument in favour of Western countries.

Soviet Union and China: GNP estimates in  $\text{\$}$  of purchasing power equivalence. These estimates are calculated in dollars using US prices and are thus comparable with the GNP of the United States.

Source: US Research Memorandum REU-69 (December 9 1969) "Indicators of Comparative East-West Economic Strength - 1968".

NATO Countries: GNP at current market prices converted at the official exchange rate as reported in REU-69.

Column (4): Flow of Public Development Aid to non-Communist Countries

From Communist Countries: Western estimates of drawings less reimbursement of capital (see Table VIII) on the basis of schedules for repayment and, whenever known, subsequent debt rescheduling agreements.

From NATO Countries: Source: OECD Paris "Development Aid - 1968" an advanced summary of which was published as an OECD Press communiqué on 11th July 1969. Figures between brackets are provisional.

Column (5): Flow of Public Development Aid to Communist Countries

Communist Countries: Albania, Cuba, Mongolia, North Korea and North Vietnam.

No economic aid was extended to these countries by NATO countries.

Column (7): Flow of financial resources from the Private Sector

From Communist Countries: In Communist countries there exists no private sector that could provide economic aid.

From NATO Countries: Under this item are included:  
 Private investment and lending, net  
 Direct investment  
 New direct investment  
 Reinvested earnings  
 Bilateral portfolio investment & other  
 Multilateral portfolio investment  
 Private export credits, net  
 Over 1 to and including 5 years  
 Guaranteed  
 Non-guaranteed  
 Over 5 years  
 Guaranteed  
 Non-guaranteed

Column (8): Total flow, Private and Public

From Communist Countries: Special financial assistance to Cuba (see para. 45 of this paper) is included although such aid is not extended for strictly development purposes. No breakdown by individual East European country is available of special financial assistance to Cuba. This aid is, however, included in the estimated total for East European countries.

From NATO Countries: Discrepancies between the total under "Private and Public" and the separate figures under columns 6 and 7 result from the inclusion in the total of public assistance funds put at the disposal of developing countries outside the framework of official aid programmes for economic development (see OECD: Development Aid 1968).

TABLE IX

GEOGRAPHICAL DEFINITION OF THE AREAS AND LIST OF COUNTRIES WHERE TRADE STATISTICS INDICATE SOME TRADE WITH THE COMMUNIST COUNTRIES

DEFINITION GEOGRAPHIQUE DES REGIONS ET LISTE DES PAYS DONT LES STATISTIQUES COMMERCIALES MENTIONNENT UN CERTAIN VOLUME D'ECHANGES AVEC LES PAYS COMMUNISTES

1. Communist Countries:

Soviet Union  
Eastern Europe (Bulgaria, Czechoslovakia, Hungary, Poland, Soviet-occupied Zone of Germany, Rumania)  
Communist China

2. Africa:

Algeria, Angola, Cameroon, Chad, Congo(B), Congo(K), Dahomey, Ethiopia, Gabon, Ghana, Guinea, Ivory Coast, Kenya, Libya, Malagasy Republic, Mali, Mauritania, Mauritius, Morocco, Mozambique, Niger, Nigeria, Reunion, Rhodesia, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Tunisia, Uganda, Zambia.

3. Asia:

Afghanistan, Burma, Cambodia, Ceylon, India, Indonesia, Laos, Malaysia, Nepal, Pakistan, Singapore, Thailand.

4. Middle East:

Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Saudi Arabia, South Yemen, Syria, United Arab Republic, Yemen.

5. Latin America:

Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guyana, Honduras, Mexico, Nicaragua, Peru, Uruguay, Venezuela.

TABLE X - TABLEAU X

## COMMUNIST TRADE WITH SELECTED DEVELOPING COUNTRIES

ECHANGES COMMERCIAUX ENTRE LES PAYS COMMUNISTES ET CERTAINS  
PAYS EN VOIE DE DEVELOPPEMENT

		(million US \$)						
Communist imports from and exports to		1962	1963	1964	1965	1966	1967	1968
<b>AFRICAN COUNTRIES</b>								
Imports	<u>Algeria</u>	0.6	4.2	9.7	18.4	22.8	28.8	56.6
Exports		0.8	5.1	59.1	29.3	25.8	55.2	61.4
Imports	<u>Ghana</u>	28.3	35.6	33.9	56.9	47.7	44.1	29.6
Exports		26.9	41.5	53.1	109.5	41.2	22.0	22.2
Imports	<u>Libya</u>	0.4	0.8	0.6	0.4	0.2	6.1	2.4
Exports		5.7	13.2	13.2	23.2	31.0	39.2	54.4
Imports	<u>Mali</u>	6.9	3.0	7.5	2.6	1.6	2.0	3.3
Exports		11.6	15.7	17.6	21.0	20.2	23.7	20.7
Imports	<u>Morocco</u>	25.0	33.2	53.7	48.8	53.6	56.5	62.1
Exports		29.0	35.4	86.1	71.2	64.4	68.7	61.4
Imports	<u>Nigeria</u>	5.2	5.1	12.8	21.6	9.2	18.9	33.9
Exports		19.6	22.1	28.8	33.9	33.4	45.5	42.5
Imports	<u>Sudan</u>	31.4	45.1	24.2	40.1	33.0	34.1	46.9
Exports		28.8	34.8	28.1	26.8	32.3	35.2	48.8
Imports	<u>Tanzania</u>	1.2	12.8	11.2	14.8	15.8	14.0	16.2
Exports		1.7	1.7	2.5	7.3	14.9	11.9	17.8
Imports	<u>Tunisia</u>	6.2	7.8	10.3	11.0	14.1	18.4	34.4
Exports		6.4	13.2	16.3	17.2	24.4	22.4	17.5
Imports	<u>Uganda</u>	1.7	11.7	11.1	21.6	12.6	6.1	7.4
Exports		0.1	1.3	1.7	4.9	7.1	5.6	6.8
Imports	<u>Zambia</u>	-	-	11.4	5.5	16.0	18.0	10.0
Exports		-	-	0.3	0.4	0.8	3.5	4.7
<b>ASIAN COUNTRIES</b>								
Imports	<u>Afghanistan</u>	25.8	26.6	27.0	22.0	22.1	25.3	32.6
Exports		40.0	50.1	51.9	58.2	79.8	64.1	50.5
Imports	<u>Burma</u>	35.5	32.5	45.7	33.9	21.8	14.0	3.1
Exports		40.0	44.0	47.4	45.9	26.5	23.7	14.1
Imports	<u>Ceylon</u>	46.2	38.9	59.0	70.0	70.1	51.6	58.9
Exports		30.5	60.1	89.1	61.3	88.0	68.1	68.6
Imports	<u>India</u>	160.3	185.5	275.3	302.7	303.8	300.8	317.0
Exports		217.6	317.6	349.9	343.1	324.1	288.7	319.1
Imports	<u>Indonesia</u>	83.6	85.7	88.5	82.2	54.8	49.4	40.1
Exports		121.8	113.5	163.2	149.4	79.1	64.1	58.2
Imports	<u>Malaysia and Singapore</u>	183.6	175.3	105.3	150.6	202.8	161.5	193.9
Exports		121.8	122.1	110.4	116.4	167.8	234.3	251.5
Imports	<u>Pakistan</u>	13.6	31.1	30.3	67.6	80.2	86.2	73.3
Exports		17.3	17.5	36.7	49.5	88.4	106.6	115.2
<b>MIDDLE EASTERN COUNTRIES</b>								
Imports	<u>Iran</u>	29.3	34.3	39.7	39.1	41.5	58.7	70.9
Exports		26.6	40.1	47.5	41.6	75.2	120.7	102.0
Imports	<u>Iraq</u>	10.1	11.8	8.7	10.1	12.5	11.9	11.2
Exports		86.5	79.4	84.1	114.5	101.1	82.0	100.3
Imports	<u>Lebanon</u>	0.4	5.8	7.5	6.5	8.3	9.1	8.6
Exports		15.4	31.9	28.5	42.4	50.1	54.0	56.6
Imports	<u>Kuwait</u>	-	-	-	-	0.1	0.3	0.3
Exports		11.3	2.9	7.9	29.4	36.8	44.7	54.0
Imports	<u>Syria</u>	42.0	62.0	72.5	58.6	61.3	46.4	43.0
Exports		32.3	32.3	45.4	42.4	86.8	93.5	120.5
Imports	<u>U.A.R.</u>	170.5	245.6	273.6	353.9	329.7	279.4	298.0
Exports		210.2	239.6	256.5	338.9	392.1	448.6	354.4
Imports	<u>Yemen</u>	1.5	1.6	1.1	1.0	1.6	0.7	0.6
Exports		2.3	3.3	3.2	8.0	11.8	10.7	6.4
<b>LATIN AMERICAN COUNTRIES</b>								
Imports	<u>Argentina</u>	75.3	60.0	159.8	186.5	247.7	73.2	62.2
Exports		23.2	12.9	18.1	33.9	23.1	19.2	12.2
Imports	<u>Brazil</u>	70.0	95.8	89.0	93.2	106.0	102.9	124.6
Exports		63.6	68.0	65.4	57.1	64.1	74.7	89.7
Imports	<u>Mexico</u>	8.2	9.0	22.4	61.5	18.8	18.2	15.5
Exports		1.2	2.5	4.3	5.8	4.2	5.1	7.6
Imports	<u>Peru</u>	7.9	8.3	12.7	17.6	21.2	19.4	21.2
Exports		1.5	1.4	1.6	2.1	3.1	3.0	6.0
Imports	<u>Uruguay</u>	26.6	12.6	18.7	8.7	19.3	11.4	7.1
Exports		2.9	1.8	5.4	2.8	2.8	5.2	2.7

TABLE XI - TABLEAU XI

DIRECTION OF COMMUNIST TRADEMAIN TRADE PARTNERS IN THE DEVELOPING AREAS OUTSIDE EUROPE

(figures between brackets indicate % share of each country in total trade with developing countries)

DISTRIBUTION GEOGRAPHIQUE DU COMMERCE DES PAYS COMMUNISTESPRINCIPAUX PARTNERS COMMERCIAUX DES REGIONS EN VOIE DE DEVELOPPEMENT HORS D'EUROPE

(les chiffres entre parenthèses représentent les pourcentages du commerce total des pays communistes avec ceux des pays en voie de développement)

SOVIET UNION (1968)		EAST EUROPEAN COUNTRIES (1967)		COMMUNIST CHINA (1967)	
Exports	Imports	Exports	Imports	Exports	Imports
U.A.R. (23)	India (23)	U.A.R. (15)	India (17)	Singapore (19)	Pakistan (16)
India (21)	U.A.R. (21)	India (14)	U.A.R. (17)	Malaysia (10)	Ceylon (14)
Iran (10)	Malaysia (12)	Lebanon (13)	Brazil (10)	Indonesia (7)	Singapore (14)
Iraq (6)	Iran (5)	Brazil (7)	Argentina (6)	Ceylon (6)	U.A.R. (9)
Syria (5)	Afghanistan (4)	Iran (5)	Iran (4)	Pakistan (5)	Indonesia (5)
Afghanistan (4)	Argentina (4)	Syria (5)	Pakistan (4)	U.A.R. (4)	Burma (4)
Pakistan (4)	Brazil (3)	Pakistan (4)	Morocco (3)	Iraq (3)	Zambia (4)
Algeria (4)	Algeria (3)	Indonesia (3)	Indonesia (3)	Nigeria (3)	Morocco (4)
Morocco (2)	Nigeria (3)	Iraq (3)	Peru (3)	Sudan (3)	Tanzania (4)
Sudan (2)	Syria (3)	Libya (3)	Syria (3)	Kuwait (3)	Syria (4)
43 Other developing countries (19)	43 other developing countries (20)	55 other developing countries (30)	55 other developing countries (32)	41 other developing countries (39)	41 other developing countries (23)