

TALKING POINTS ON US AND SOVIET ECONOMIC AND MILITARY
PROGRAMS IN LESS DEVELOPED COUNTRIES

The following observations apply to Soviet and US programs in general, but the specific comparisons cover transactions over the past five years (1982-86).

Economic Aid

The USSR has never tried to compete with Western economic aid programs. It has been targeted on a few key countries, with the aim of supporting allies and maintaining access to decisionmakers in a few influential LDCs.

- . Nearly three-fourths (\$35 billion) of the USSR's economic pledges went to Communist LDCs over the past five years; another 10% (\$4.5 billion) went to six LDCs with Marxist governments (Afghanistan, Angola, Ethiopia, Mozambique, Nicaragua, and South Yemen). Of the remaining \$9 billion, some \$3.2 billion went to oil producers and other high income LDCs to finance equipment sales; \$3.5 billion was allocated to India, which has a special relationship with Moscow; and only about \$2.3 billion was left for the other 140 Free World developing countries.
- . Only about \$30 billion of the Soviet assistance shown on the attached charts qualifies as aid by international definitions: nearly 40% of the total shown here was provided to Communist LDCs in the form of price subsidies -- discounts on Soviet oil exports and other products and artificially

high payments for Cuban sugar and nickel. The USSR counts these subsidies into its aid totals, but this type of flow does not enter Western aid computations, even though many Western countries subsidize LDC economies. Deducting the subsidies means that the USSR has provided only about half the actual assistance provided by the US over the period 1982-86 (\$29.5 billion compared with \$62 billion in US aid).

- . Again leaving out subsidies, Soviet grant aid has amounted to only \$1.3 billion, compared to Washington's \$34.5 billion in outright gifts to LDCs. Grants have accounted for less than 5% of total Soviet economic aid transfers, and have gone mostly to Marxist LDCs. In contrast, nearly 60% of the US program consisted of grants to more than 85 countries.
- . At the same time, Soviet trade credits provided on harder terms with the aim of selling equipment have absorbed nearly half of Moscow's program in the past five years. The trade credit ratio for the US program is less than 20%. Soviet trade credits are tied exclusively to the procurement of Soviet equipment, and most require repayment in hard currency. We believe that this tightening of credit reflects the USSR's determination to use its economic aid to (a) remain competitive on international hard currency equipment markets by funding purchases of equipment that LDCs

generally find less desirable than that from Western sources; and (b) boost flagging hard currency revenues both from the initial equipment sale, and follow-on services and spares, which are always current account items.

- . Soviet technical services to projects are almost never provided free of charge. We estimate that non-Communist LDCs pay at least \$150 million in hard currency annually for Soviet technicians. Even Moscow's poorest recipients are required to pay some part of the technical services charges in hard currency. The US, on the other hand, provides about \$1.5-\$2 billion worth of free technical services to LDCs every year.

Military Transfers

Even more unflattering comparisons emerge in the area of military transfers. Reflecting the USSR's use of military equipment sales as its major foreign policy instrument in LDCs, Soviet military transfers to LDCs outstrip economic flows by substantial amounts.

- . In the past five years, while economic disbursements rose somewhat above previous levels to \$23.2 billion, military transfers reached an unprecedented \$77.8 billion. For non-Communist LDCs, which buy most of the arms, the contrast was even more extreme -- \$7.3 billion in economic disbursements against \$70 billion in military deliveries.

During that same period, the US provided \$62 billion in economic aid compared with \$39 billion in military transfers. In fact, some \$7 billion of the US transfers were for construction projects that contributed to infrastructural development, while Soviet deliveries consisted almost entirely of weaponry, transport equipment, ammunition, and spares.

Moscow's heavy concentration on building the military establishments of non-Communist LDCs has caused some severe economic dislocations in recipient countries.

- . The economies of Angola, Ethiopia, and Nicaragua, which depend on equipment and services from the USSR are in shambles. Long-term Soviet recipients such as Guinea and Mali, staggering under heavy debts to Moscow, are beginning to reorient their economies toward the West.
- . According to our estimates, non-Communist LDCs owe the USSR about \$35 billion in hard currency for weapons delivered in the last 10 years. This equals \$14.50 in arms debt for each man, woman and child in all non-Communist developing countries. For the 20 countries that owe the most, the burden on their populations is \$34 per person.

Since Moscow began its aggressive campaign to sell arms to developing nations in the 1950s, it has been a major supplier to every significant LDC military conflict: the Suez crisis,

the Arab-Israeli wars, Afghanistan's border dispute with Pakistan, the India-Pakistan crisis, Indonesia's conflict with Malaysia, the Ethiopian-Somali war, the Iran-Iraq war, and Nicaragua's military actions against its Central American neighbors. This has permitted Moscow to inject itself into peace negotiations all over the globe, with the price paid in hard currency by the arms recipients themselves. We estimate that the USSR earns up to \$5 billion a year in hard currency from arms sales, its second largest source of hard currency after oil.

USSR and US: Economic and Military Assistance to LDCs(a), 1977-86 Million US \$

	Economic Aid				Military Transfers			
	USSR		US (b)		USSR		US	
	Commitments	Gross Disbursements	Commitments	Gross Disbursements	Agreements	Deliveries	Agreements	Deliveries
1977	3,810	3,930	8,730	7,080	na	7,000	5,100	5,025
1978	7,160	4,680	10,885	8,630	na	8,500	4,490	5,635
1979	8,545	5,365	12,215	8,025	na	14,500	9,445	6,045
1980	8,175	6,510	10,115	10,955	na	13,900	8,955	4,280
1981	7,630	7,710	10,445	9,530	na	14,200	4,455	4,965
1982	8,260	8,190	11,790	12,510	na	15,950	14,310	6,680
1983	9,595	8,055	10,635	11,420	na	16,580	7,265	9,385
1984	9,785	8,175	13,255	12,600	na	16,000	12,145	7,370
1985	9,870	8,415	12,160	12,720	na	13,670	9,465	7,995
1986	11,160	9,505	12,705 (c)	12,630 (c)	na	15,560	6,735	7,750

a. Includes Communist and Non-Communist developing countries.

b. Includes an average of \$2 billion (in the 1980's) of flows to multilateral organizations that have no parallel in the Soviet program.

c. Preliminary estimate.

USSR and US: Economic Credits and Grants Extended to LDCs(a), 1977-86

Million US \$

	USSR				US (b)		
	Total Commitments	Of Which		Grants	Total Commitments	Of Which	
		Subsidies	Trade Credits			Trade Credits	Grants
1977	3,810	2,235	290	55	8,730	2,435	2,260
1978	7,160	2,810	510	80	10,885	3,945	2,590
1979	8,545	3,010	1,655	80	12,215	5,035	3,425
1980	8,175	3,240	1,375	560	10,115	3,650	3,605
1981	7,630	3,510	2,375	125	10,445	3,240	3,870
1982	8,260	3,820	2,115	250	11,790	3,560	4,660
1983	9,595	3,225	3,160	340	10,635	1,175	5,615
1984	9,785	3,630	3,050	230	13,255	2,780	6,285
1985	9,870	3,650	2,125	260	12,160	1,880	8,000
1986	11,160	4,790	3,315	215	12,705 (c)	1,835	9,870

(a) Includes Communist and Non-Communist developing countries.

(b) Includes an average of \$2 billion (in the 1980's) of flows to multilateral organizations that have no parallel in the Soviet program.

(c) Preliminary estimate.

USSR: Economic Credits and Grants Extended to LDCs, 1977-86

Million US \$

	Communist LDCs				Non-Communist LDCs		
	Total Commitments	Of Which		Grants	Total Commitments	Of Which	
		Subsidies	Trade Credits			Trade Credits	Grants
1977	3,375	2,235	290	50	435	..	5
1978	4,160	2,810	285	50	3,000	225	30
1979	4,745	3,010	455	50	3,800	1,200	30
1980	5,555	3,240	745	50	2,620	630	510
1981	6,785	3,510	1,795	50	845	580	75
1982	6,840	3,820	1,305	50	1,420	810	200
1983	6,410	3,225	1,415	50	3,185	1,745	290
1984	6,665	3,630	1,350	50	3,120	1,700	180
1985	6,965	3,650	1,525	50	2,905	600	210
1986	8,200	4,790	3,035	50	2,960	280	165