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DCI BRIEFING

16 May 1961

BLOC FOREIGN AID PROGRAM

- I. Bloc trade and aid offensive continues to be a primary weapon for promoting Communist image and encouraging neutralism in underdeveloped countries.
 - A. Since 1954 Bloc has extended about \$4 billion in economic assistance. Military aid totals about \$2 billion, but down payments and "discounts" reduce credit extended for this part of program to about \$1 billion.
 1. 1960 was biggest year ever for bloc foreign aid with new obligations of more than \$1.5 billion.
 - B. As many as 8,000 bloc economic and military technicians now at work in nonbloc areas and nearly 12,000 nationals from underdeveloped countries have received military or economic training in the bloc since 1955.
 - C. New African states featured prominently in growing list of recipients. Cuba has become key part of program in Latin America and Brazil is likely to accept substantial bloc aid in near future. Pakistan and Mali both accepted bloc aid offers for first time this year.
 - D. Nevertheless, bloc aid remains highly selective with almost 60 percent of all aid commitments made to three countries--the UAR, Indonesia, and India.

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- E. Moscow still provides about three quarters of all bloc aid and apparently directs program with close cooperation from the European satellites. Peiping plays a rather independent role and while the Chinese contribution is relatively small, it is concentrated where opportunities for promoting Communism are best.
- II. Variety of political and economic motives prompt underdeveloped countries to seek and accept bloc aid.
- A. Sometimes bloc aid sought chiefly as demonstration of neutralism.
 - B. Attractiveness of bloc aid usually lies in low interests rates, (2-2 1/2 percent) long-term repayment provisions, (10-12 years) and bloc's willingness to accept repayment in local commodities or currency.
 - 1. The Chinese Communist penchant for grants and interest-free loans is a notable variation.
 - C. As opening wedge, bloc offers to provide whatever aid, economic or military, most desired or least obtainable from Western sources.
 - 1. Initial enthusiasm often tempered when bloc officials prove every bit as hard-headed and practical as their Western counterparts during stages of implementation.
- III. Moscow emphasizes aid for industrial projects--steel mills, dams, railroads, and small factories. Bloc often builds hospitals and educational centers, and is now participating more widely in agricultural and urban development schemes.

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- A. Bloc also favors aid pacts with low priority but highly desired projects such as atomic reactors, athletic stadiums, and hotels.
 - B. Soviet aid to civil air programs expanded considerably last year with emphasis on sales of high-performance IL-18 turboprop transports, primarily to West African states.
 - 1. Moscow's terms include use of bloc aircrews and maintenance personnel until local nationals are trained.
- IV. Bloc military aid accounts for only about one-third of all bloc aid, but the arms usually are delivered much faster than economic assistance. Capacity of recipient to utilize equipment not necessarily factor in Moscow's willingness to supply it.
- A. About 75 percent of all bloc military aid extended to just two countries--the UAR and Indonesia.
 - 1. Iraq, Afghanistan, and Cuba also have received substantial military assistance, and bloc arms in smaller quantities have been supplied to Morocco, Guinea, Yemen, and to the Algerian rebels.
 - B. Acceptance of bloc arms aid results in reliance on bloc for spares, ammunition, and replacements. Arms agreements usually include stationing of bloc technicians in country for local training, and military facilities within the bloc are made available to train the recipient's personnel.

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C. Recent military aid activity includes:

1. Large-scale deliveries to Cuba starting last September.
2. Major new agreements with Indonesia for supply of land armaments, modern jet aircraft, and naval vessels.
3. Supply of advanced jet fighters to Iraq and the UAR as part of recent deliveries.
4. Occasional shipments to West Africa, chiefly for Guinea, but also for transshipment to dissident forces in other countries.

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