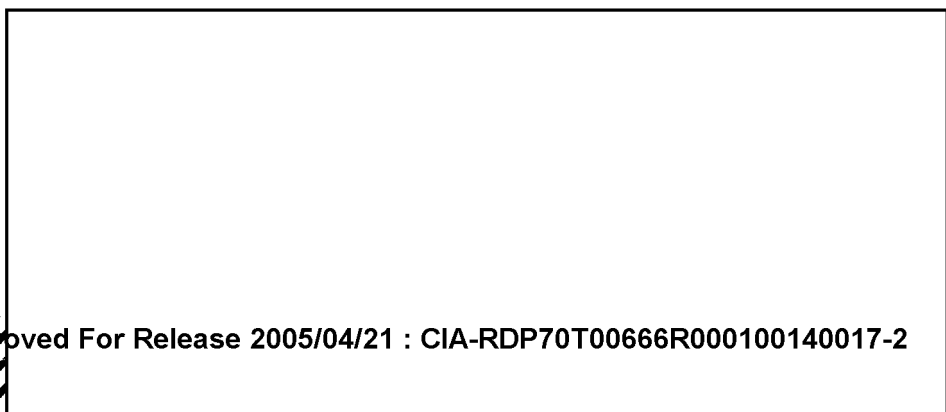


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15 October 1962

COMMUNIST CHINA'S GRAIN IMPORTS

I. Deliveries of grain from the West have totaled about 10 million tons since 1961, valued at about \$650 million.

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B. Peiping has claimed "slightly better" harvests this year but tight food situation expected to require further food imports in 1963.

II. Chinese successfully meeting payments for unprecedented grain imports.

A. Have stemmed depletion of foreign exchange holdings by:

1. sharp cutback in non-food imports;
2. substantial short-term credits from Western grain suppliers;
3. expansion of exports to the West; and
4. Selling silver.

III. Soviets have given Chinese little aid.

A. Soviets loaned Chinese 500,000 tons of sugar and have exchanged grain shipments where mutually convenient.

B. Chinese have had to cut back sharply on imports of Soviet equipment in order to pay for Western grain imports.

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Communist China: Grain Imports from the West

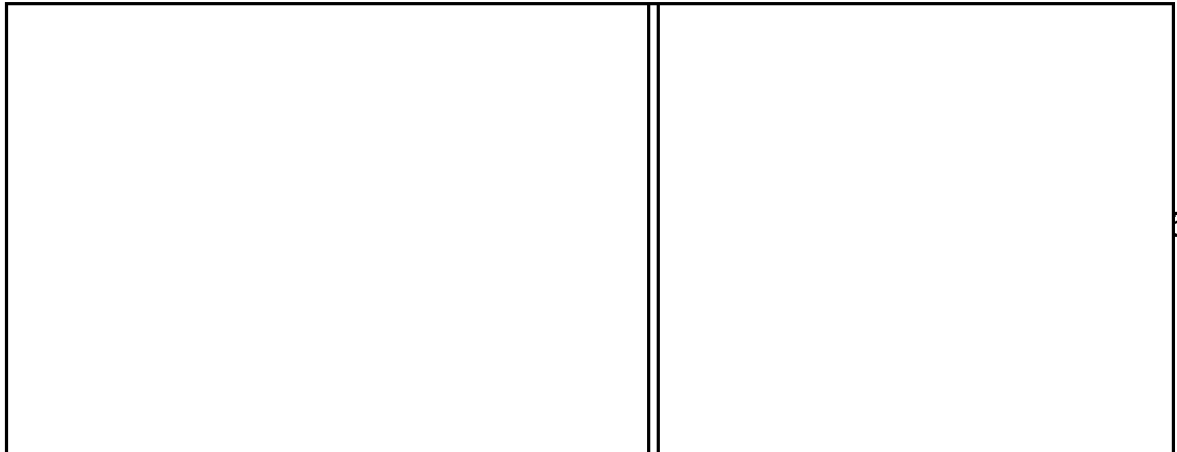
<u>Country</u>	<u>1960-1961</u> <u>(thousand tons)</u>	<u>1962</u> <u>(thousand tons)</u>
Argentina	45	600
Australia	2,510	1,405
Burma	370	200
Canada	2,410	2,150
France	300	400
Rhodesia	---	350
Union of S. Africa	---	650
West Germany	180	69
TOTAL	<u>5,815</u>	<u>5,824</u>

15 October 1962

BLOC MILITARY AND ECONOMIC ASSISTANCE TO INDONESIA

- I. The Bloc has extended more credit assistance to Indonesia than to any other non-bloc underdeveloped country in the world.
- A. The bulk of this has been in the form of military aid.
1. More than \$1 billion in arms aid credits have been granted to Indonesia, of which 80 to 90 percent has already been supplied.
- B. Bloc economic aid -- in the form of credits -- has been substantial, amounting to more than \$350 million.
1. Most of this assistance, however, still is to be delivered.
- C. Indonesia now is deeply indebted to the Bloc financially, if not morally as well.
1. Djakarta's repayments for Bloc aid this year amount to \$65 million.
 2. These repayments will rise to more than \$100 million by 1965 and then gradually decline to no less than about \$25 million a year from 1970 to 1980.
- II. Indonesia, in addition to receiving more Bloc arms aid than any other underdeveloped country, was the first to be promised guided missiles, TU-16 bombers, MIG-21 fighters and a variety of other materiel including a heavy cruiser.
- A. Prior to the Bloc's recent upsurge in arms aid to Cuba, Indonesia had received faster delivery of equipment than any other nation.

1. In an effort to arm Indonesia as much as possible before its final showdown with the Dutch over West New Guinea, Moscow speeded up deliveries of arms to the point that the equipment was arriving in Indonesia before personnel had been trained to operate it.
2. Training programs both in the USSR and Indonesia also were greatly accelerated. The Soviet equivalent of a MAAG mission, headed by an Admiral, also was established in Indonesia. There are well over 1,000 Soviet military technicians there at present.



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5. Deliveries of Bloc arms, many of which are naval vessels, are still being made to Indonesia.

III. Little of the Bloc's economic aid commitments to Indonesia has been implemented thus far, largely because the normal lack of speed in such programs and because of Djakarta's preoccupation with the West New Guinea issue.

- A. Mikoyan's visit to Indonesia in late August apparently was partly devoted to planning the use of the available Soviet aid credits.

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1. [redacted] Moscow also offered an additional \$100 million credit to satisfy immediate Indonesian needs.

B. Other Bloc countries, particularly Rumania, Poland and Czechoslovakia, have recently made efforts to carry out their economic aid programs.

IV. Indonesia, now deeply indebted to the Bloc (largely because of the arms aid), asked Moscow earlier this month to reduce and extend the annual installments for arms.

A. This year's payment is \$32 million. The payments will rise to almost \$100 million by 1965, then will gradually decrease through 1980.

B. Although the USSR apparently wants to be paid on time for its aid, it appears likely Moscow will make some accommodation for Indonesia rather than force Djakarta into a position of feeling it has to default on its obligations to the USSR.

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15 October 1962

BLOC AID TO CAMBODIA

- I. Since 1956 the bloc has extended over \$65,000,000 in economic assistance to Cambodia, the majority of which has been grant aid provided mainly by China and the USSR.
 - A. Although the bloc has not provided Cambodia with any military aid to date, there are indications that some limited form of military assistance may be extended -- particularly by Communist China.
 1. Earlier this month Vice Premier Chen Yi informed Cambodia that an outstanding arms offer of several years ago was still valid.
 2. Peiping's gesture comes at a time when Cambodia is re-examining its position on foreign military aid in connection with Sihanouk's efforts to obtain international guarantees of Cambodia's neutrality.
- II. The bloc has made modest progress under its economic aid program.
 - A. China has completed the construction of a textile factory, a plywood factory and a paper factory. Chinese technicians have completed its geological survey, begun in 1957, as well as the survey of the Phnom Penh-Sihanoukville railroad. Preliminary work on the iron and steel mill to be built with Chinese assistance has been finished but there is no indication as to when construction will begin.
 - B. The USSR finished construction of a hospital at Phnom Penh

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and Soviet construction of a technological institute is progressing rapidly.

C. After prolonged negotiation an implementing agreement was reached with Czechoslovakia for the construction of three small factories -- a tire factory, a sugar refinery and a tractor assembly plant.

III. In spite of some difficulties with bloc assistance, its aid has received wider and more favorable publicity in official statements and in the Cambodian press than has Western aid.

A. Nevertheless, Cambodia is at the present time dependent on foreign grant aid -- mainly from the US -- for balance of payment support and for development.

1. For 1962, the US has offered \$23,900,000 in the form of grant economic aid and technical assistance, bringing the total US economic aid program to Cambodia since 1951 to \$251,400,000.

2. The US is also providing almost \$11,000,000 in military assistance this year to Cambodia.

a. Cambodia has expressed dissatisfaction over the extent and delivery of US military equipment and the prospect of the withdrawal of the US military mission has just been raised by the Cambodian Defense Minister.