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## Current Support Brief

POSSIBLE YUGOSLAV IMPLEMENTATION  
OF SOVIET-FINANCED PROJECT IN EGYPT



CIA/RR CB 63-64

8 August 1963

**CENTRAL INTELLIGENCE AGENCY**

Office of Research and Reports

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POSSIBLE YUGOSLAV IMPLEMENTATION  
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Recent reporting from Cairo states that the new Alexandria shipyard will be built by Yugoslavia under the \$175 million Soviet line of credit of 1958. 1/ If actually undertaken, this would be the first known instance of Yugoslav implementation of a Soviet-financed economic project in an underdeveloped country. A recent report from Ethiopia that the Soviet Counselor there has invited a Yugoslav firm to participate in the construction of a Soviet-financed oil refinery in Assab is supporting evidence of a probable new economic relationship between the USSR and Yugoslavia in regard to the underdeveloped countries. 2/

A January 1959 protocol to the 1958 Soviet-Egyptian credit agreement specifically committed the USSR to draw up blueprints and provide machinery and equipment, as well as technical assistance, for a shipyard project in Alexandria. 3/ Initiation of the project has been reported and denied alternately for several years, but now an announcement has been made that the ceremony for laying the cornerstone is scheduled for October 1963. 4/

Implementation of projects in Egypt by European Satellites under Soviet credits has become commonplace in the past few years; the involvement of Yugoslavia in such a subcontract may be a concrete example of the "specialization and cooperation in production" promised in a USSR-Yugoslav protocol of 10 April 1963. Shipbuilding was one of the fields specified in the agreement, and Yugoslav shipyards figured prominently in the itinerary of the Soviet delegation that formulated the accord. 5/ It is conceivable that the USSR would pay Yugoslavia for Egyptian projects in hard currencies. Perhaps more likely, however, the USSR would provide Yugoslavia with commodities it normally imports from the West thereby reducing any further growth in the considerable short-term and medium-term debt of Yugoslavia to hard currency countries.

Economic and political ties between Egypt and Yugoslavia have been notably close throughout the period of changing Yugoslav-Soviet relations.

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Yugoslav involvement in a Soviet-sponsored project, however, could be a new phase in the development of Egyptian-Bloc relations. President Nasser and Marshal Tito held their 13th meeting in May of this year, and a Yugoslav newspaperman alleged that one of Nasser's chief purposes was to seek Tito's advice on obtaining assistance from the Bloc. 6/ The Nasser-Tito meeting immediately followed the third session of the UAR-Yugoslav Mixed Committee for Economic Cooperation which resulted in (a) a supplementary trade protocol calling for increased trade and industrial cooperation, (b) a new agreement on cooperation in the peaceful uses of nuclear energy, and (c) an accord on a common approach to the forthcoming UN Conference on Trade and Development.

Developments in Yugoslav-Egyptian trade provide evidence of growing cooperation. In 1962, Yugoslav exports to Egypt were valued at \$21 million, an increase of 26 percent over 1961; Egyptian exports to Yugoslavia totaled \$11.8 million, or 49 percent more than in 1961. 7/ Yugoslav exports to Egypt include large quantities of transport equipment, motors, well-drilling equipment, and other machinery. Much of this material apparently represents drawings on Yugoslav credits to Egypt, and this procedure would account for the bulk of the trade imbalance. 8/ The Central Exchange Control in Cairo reported \$12.4 million obligated as of 28 February 1963 under the \$20 million Yugoslav credit extended in January 1961. 9/ Belgrade currently is engaged in a number of irrigation and construction projects in Egypt and is reported to be providing both equipment and technicians for the Egyptian missile-development program. 10/ Yugoslavia assisted in construction of the nuclear research facilities at Inchas, and Yugoslav technicians are continuing to assist the Egyptians in their nuclear program. 11/

Educational assistance to Egypt also has been forthcoming. For example, Belgrade Radio reported the arrival of 160 Egyptian technical trainees on 10 March 1963, and one Egyptian reportedly is working at a Yugoslav missile testing center in preparation for a similar assignment at home. 12/

The Yugoslav-Egyptian accord on the UN Conference on Trade and Development consisted of a common draft reply to the Secretary General

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containing measures and solutions recommended for adoption at the forthcoming conference. This draft is to be submitted to all developing countries, along with suggestions for a meeting of experts from the developing countries prior to the world conference. A major Yugoslav policy aim in recent months has been to persuade developing countries of the merits of a common policy on the agenda items of the conference. Agreement with the Egyptians is expected to strengthen the Yugoslav position with other nonaligned Asian and African countries on this question. 13/

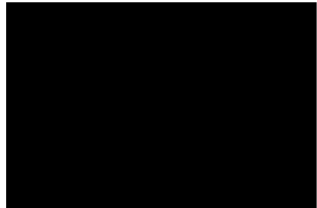
Although none of the above relationships is a completely new departure, they all indicate a growing closeness between the Egyptian and Yugoslav regimes. Implementation by Yugoslavia of a Soviet aid project, however, would inject a wholly new factor into this relationship.

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Analyst:



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Coord:

Sources:

1. State, Cairo. Airgram A-609, 7 Feb 63. C. 25X1C
2. [REDACTED]
3. State, Cairo. Dsp 669, 9 Mar 59. U.
4. [REDACTED] 25X1C
5. State, Belgrade. Airgram A-1052, 13 Apr 63. OFF USE.
6. Ibid., Airgram A-1212, 22 May 63. OFF USE.
7. Ibid., Airgram A-1145, 8 May 63. OFF USE.  
FDD. No 4741, Insurgency 34, 17 Jun 63. C.
8. FDD. No 4329, 21 Feb 63. C.  
FDD. No 4483, 3 Apr 63. C.  
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9. State, Cairo. Airgram A-821, 11 May 63. OFF USE. 25X1C  
State, Belgrade. Dsp 459, 16 Jan 61. C.
10. [REDACTED]
11. [REDACTED] 25X1C
12. [REDACTED]
13. State, Belgrade. Airgram A-1145, 8 May 63. OFF USE.

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9 Aug 63

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*13 Aug 63*

*23 Aug 63*

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*27 Aug 63*

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*CIA Lt. for OALSI/Army*

*17 Jan 64*

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115 - 123	Navy, Director ONI, Room 5B659, Pentagon
124 - 133	HQ USAF, Attn: AFCIN-3DI, Room 4B137, Pentagon
134 - 140	Ass't. Secretary of Defense, USA, Room 4D325, Pentagon
141 - 144	USIA, Warren Phelps, IRR/D, Room 701, Walker Johnson Building, 1735 New York Avenue, N.W.
145 - 153	State, INR Communications Center, Room 7B13, State Dept. Bldg.
154 - 160	DIA, DIASA-2C, Room 2D233, Pentagon
161 - 162	Dr. Neilson Debevoise, NSC, Room 365, Executive Office Building
163 - 223	St/P/C, Room 4F41, Hq. (held in St/P/C, 8 Aug 63).
224 - 235	Records Center

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	Date	Initials	Remarks	
I. <u>IN</u>  Unedited draft Edited draft Other	9 Aug 63	W/B	Clearance memo sent to [redacted]	25X1A
II. <u>SECURITY</u>  a) Text check b) Sources to be checked	23 Aug 63	W/B	Revisions [redacted] Remove "NFD" on front and back cover. Remove page 4.	25X1C
<div style="border: 1px solid black; padding: 5px; transform: rotate(-45deg); display: inline-block;">           Release authorized Releasable to         </div> 25X1C c) [redacted]				
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