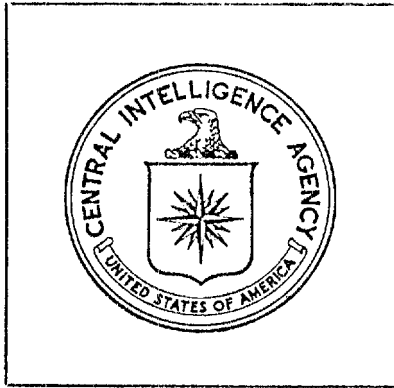


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*Communist Aid and Trade Activities
in Less Developed Countries, October 1975*

Secret

ER RP 75-33
December 1975

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(October 1975)

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COMMUNIST AID AND TRADE ACTIVITIES
IN LESS DEVELOPED COUNTRIES
OCTOBER 1975

IRAN-USSR ECONOMIC RELATIONS CONTINUE TO WARM

Soviet-Iranian economic relations are entering a new phase as Tehran, with its increased wealth, is shedding its client status. A recent agreement calls for cooperative efforts to undertake, in both countries, projects whose estimated eventual cost could run as high as \$3 billion. Tehran also became an aid donor, when it recently agreed in principle to provide credits for a paper complex in the USSR.

Soviet Economic Aid to Iran, 1963-75

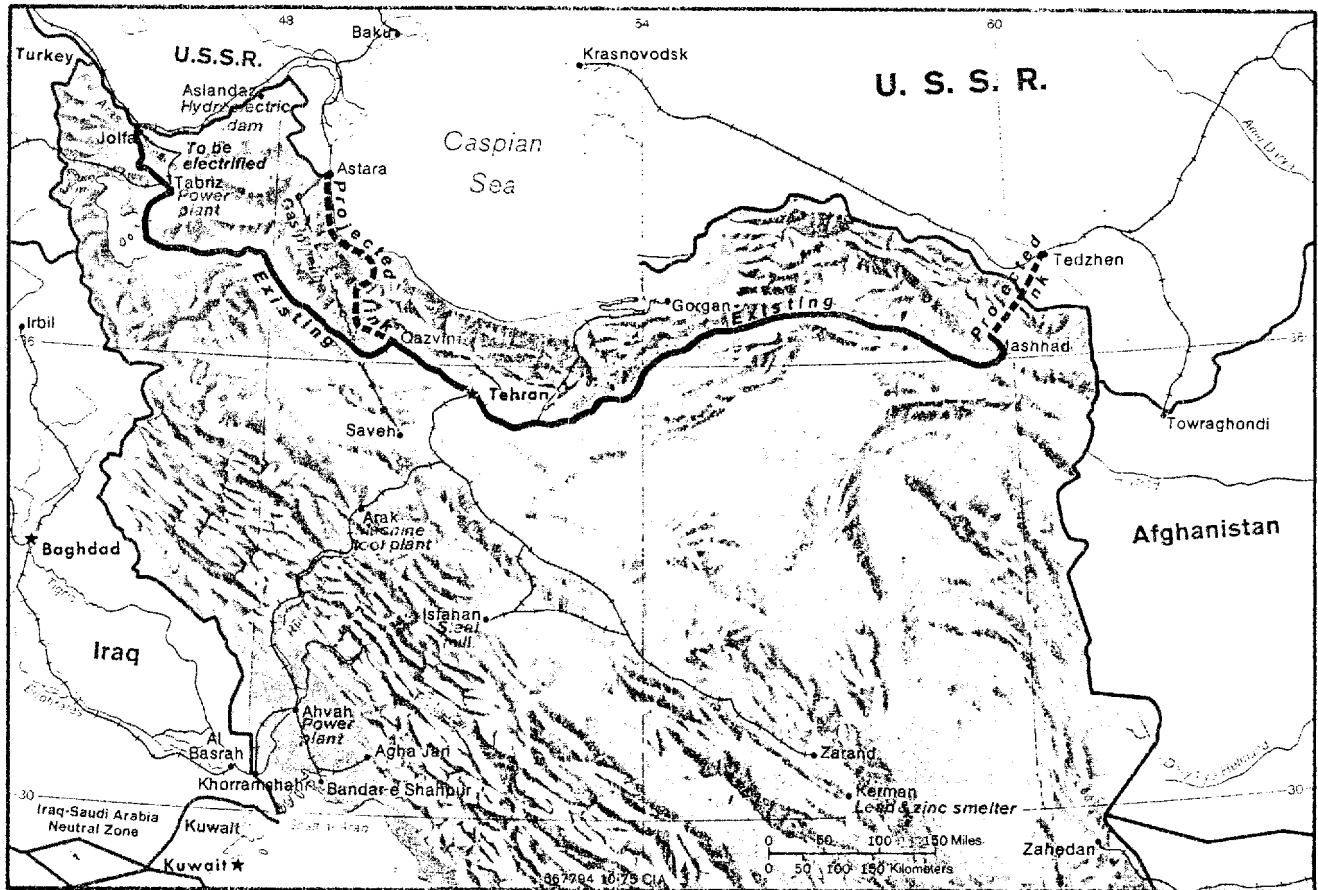
The changing relationship is built on more than a decade of mutually beneficial arrangements made possible by their common border. Beginning with an agreement in 1963 to build a border dam, Soviet aid has expanded to about \$800 million and includes a steel mill, a gas pipeline, and smaller industrial and agro-industrial facilities (see the map).

The dam's power and water for irrigation is allocated in equal shares to Iran and the USSR. The gas pipeline from the Iranian gas fields to the Soviet border enables Iran to sell a former waste product to service its economic and military debt to the USSR. Moscow is using the gas to meet the growing energy requirements in Azerbaijan and the Transcaucasus while saving the costs of transporting gas from distant fields. The gas deal also allows the release of some Soviet gas for sale at higher prices in Western Europe. The steel mill was provided by the Soviets at a time when no other country was willing to finance it. Projects contemplated under the 15-year cooperation agreement signed in 1972 are a further expression of their mutual economic interests. A second border dam and gas pipeline are planned, and capacity at the steel mill is to be nearly tripled by 1978; September protocols provide for electrifying a 90-mile line from Tabriz in Iran to Jolfa on the Soviet border and for studies to build a 100-mile railroad from Mashad in Iran to Tedzhen in the USSR. Negotiations also are in progress for another 200-mile line from Qazvin to Astara, on the Soviet border. These transport links will help accommodate the growing Soviet-Iranian trade as well as the increasing amount of East European goods being shipped to Iran through the USSR.

Some of these new projects will likely be covered by the \$250-\$300 million in aid still outstanding under old credits. Moscow has usually carried through with its aid pledges despite changing circumstances and will be willing to accept payment in

natural gas. Some will likely be financed by Iran or jointly, but the Soviets will continue to provide the equipment and technical assistance.

Soviet Aid Projects In Iran



Soviet-Iranian Trade*

The rising trade between the two countries has reflected the expanding Soviet aid program. By 1973, trade had risen to eight times the 1962 level; total trade shot up another 75% in 1974. For the first time in three years the USSR ran a nonmilitary trade surplus—\$47 million (see the tabulation)—as increased exports of machinery and equipment, building materials, chemicals, and edible oils exceeded expanding imports.

	Million US \$	
	1973	1974
Soviet exports	185	351
Soviet imports	188	304
Natural gas	91	175
Other	97	129
Nonmilitary trade balance	-3	+47

* Data are from official Soviet foreign trade yearbooks.

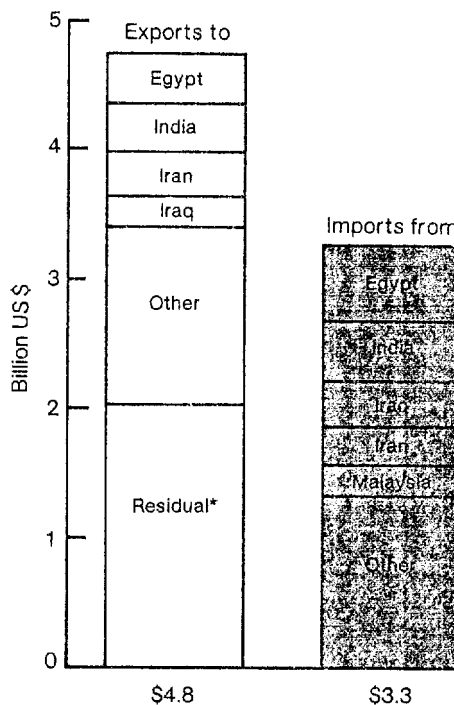
The trade is small when viewed as part of each country's total foreign trade. It is less than 3% of both Soviet exports and imports and 1% and 5% in the Iranian case. Iran in 1974, nevertheless, was the USSR's third largest trading partner in the developing world. (Secret). ■

* * * *

SOVIET TRADE WITH LESS DEVELOPED COUNTRIES, 1974

Soviet-LDC trade increased in 1974 but at a slower pace than in 1973. Most of the growth resulted from higher prices rather than volume gains. Soviet 1974 imports from LDCs reached \$3.3 billion (see the chart and the table), up more than a third from the previous year mainly because of rising prices for oil and other primary products. Exports rose more slowly, up 17% to \$4.8 billion, as a consequence of reduced military deliveries. These trends caused the Soviet trade surplus with the LDCs to shrink from \$1.7 billion in 1973 to \$1.5 billion in 1974. As in previous years the main ingredient of the Soviet surplus was military sales. In 1974 the Soviets ran a \$0.5 billion deficit in nonmilitary goods sales to the LDCs, which was offset by nearly \$2 billion in military goods deliveries.*

Soviet Foreign Trade with LDCs, 1974



*Difference between total reported Soviet exports to LDCs and the summation of identified Soviet exports to LDCs.

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Moscow's Trading Partners

LDCs accounted for about 15% of Soviet trade in 1974, the same as in 1973. The Soviet share in LDC global trade, however, fell slightly to 2%.

* Soviet exports cannot be fully identified by either type of commodity or destination. A large difference exists between what the Soviets report as total exports to LDCs and the total derived by adding amounts they list for individual LDCs. We believe this export residual includes mostly military goods.

Soviet Exports to and Imports from LDCs¹

	Million US \$			
	1973		1974	
	Exports	Imports	Exports	Imports
Total trade ²	4,063.8	2,410.8	4,761.4	3,272.0
Unallocated residual ³	2,156.8	35.9	2,028.8	32.2
LDC total	1,907.0	2,374.9	2,732.6	3,239.8
Africa	284.6	267.3	445.9	335.0
Algeria	87.3	70.3	145.6	81.0
Cameroon	0.9	4.7	1.3	14.9
Central African Republic	0.5	....	0.7	....
Congo	1.6	3.5	2.6	2.6
Dahomey	1.8	2.8	2.1	....
Ethiopia	2.2	3.0	3.4	4.8
Ghana	13.1	37.8	33.4	32.5
Guinea	56.4	2.6	29.6	6.5
Ivory Coast	5.3	8.4	11.4	25.9
Kenya	0.3	....	0.5	0.8
Libya	19.0	41.0	37.6	....
Malagasy Republic	....	0.4	....	0.9
Mali	3.6	0.7	5.5	0.9
Morocco	38.2	35.2	71.4	43.6
Nigeria	14.8	39.0	28.4	92.9
Rwanda	0.4	0.5	1.0	....
Senegal	6.6	....	21.5	....
Sierra Leone	1.6	2.0	1.4	....
Somalia	15.5	1.5	22.2	2.6
Sudan	3.4	....	5.0	3.2
Tanzania	0.8	3.4	3.0	3.7
Togo	1.9	....	2.2	....
Tunisia	7.8	7.3	10.7	11.9
Uganda	1.2	3.2	1.2	6.3
Zambia	0.4	....	4.2	....
Europe	42.0	14.3	170.9	38.1
Malta	1.5	....	1.6	1.2
Portugal	....	....	8.3	0.8
Spain	40.5	14.3	161.0	36.1
East Asia	18.8	144.4	23.2	305.6
Burma	2.6	0.7	4.1	0.4
Indonesia	3.6	5.7	10.6	26.3
Malaysia	1.2	130.5	0.9	248.2
Singapore	8.6	4.3	5.9	17.8
Thailand	2.8	3.2	1.7	12.9
Latin America	34.1	367.0	144.0	408.9
Argentina	6.1	97.5	7.9	173.6
Bolivia	5.4	16.5	5.4	15.0
Brazil	12.5	157.3	118.8	147.8

Soviet Exports to and Imports from LDCs¹
(Continued)

	Million US \$			
	1973		1974	
	Exports	Imports	Exports	Imports
Latin America (Continued)				
Colombia	1.1	12.5	1.3	5.7
Costa Rica	0.3	6.9	0.8	2.1
Dominican Republic	....	21.1	....	....
Ecuador	0.3	0.9	0.7	5.8
El Salvador	....	5.0	....	....
Guatemala	....	5.8	....	....
Guyana	....	9.3	0.3	5.9
Jamaica	....	5.3	....	12.5
Mexico	0.7	0.1	1.4	1.7
Peru	5.8	20.8	6.1	6.2
Uruguay	1.1	7.2	1.0	32.6
Venezuela	0.8	0.8	0.3	....
Near East and South Asia	1,527.5	1,581.9	1,948.6	2,152.2
Afghanistan	45.5	48.3	81.6	80.0
Bangladesh	58.7	13.2	52.8	23.9
Cyprus	10.3	6.9	14.2	11.9
Egypt	374.2	356.3	397.7	563.4
Greece	57.5	49.4	117.5	87.0
India	300.8	494.1	355.6	456.8
Iran	185.4	188.5	350.8	303.5
Iraq	191.0	257.3	240.6	357.4
Jordan	3.4	....	3.2	....
Kuwait	10.7	....	6.2	....
Lebanon	15.5	10.3	33.7	9.8
Nepal	0.9	0.4	2.8	....
North Yemen	4.6	0.3	11.2	0.1
Pakistan	17.0	32.1	39.9	32.5
Saudi Arabia	3.9	....	3.7	....
South Yemen	15.5	0.1	19.9	0.1
Sri Lanka	8.5	9.2	29.3	15.8
Syria	97.3	63.0	92.5	135.0
Turkey	126.8	52.5	95.4	75.0

1. Data are from the official Soviet foreign trade yearbook for 1974, converted at \$1.35 per ruble for 1973 and \$1.32 per ruble for 1974.

2. Greece, Malta, Portugal, and Spain have been added to the LDC total shown in the yearbook.

3. Residuals are computed by subtracting the summation of trade for individual less developed countries from the total for Soviet-LDC trade listed in the foreign trade yearbook.

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India, Egypt, Iran, and Iraq together accounted for about a half of Soviet 1974 trade with the Third World. Egypt relied most heavily on this exchange as 25% of its trade was with the USSR: India's share was 8%, Iraq's 6%, and Iran's 3%. Moscow ran nonmilitary trade deficits with all these countries, except for Iran.

Elsewhere, rising prices accentuated Soviet deficits with major raw materials suppliers. Moscow's traditionally large deficit with Malaysia grew as rubber prices spiraled. Although Moscow was able to ease its Latin American deficit through oil sales to Brazil, the deficit remained at more than \$250 million because of large agricultural purchases from Argentina and Brazil.

Price increases also affected traditional trading patterns. Soviet nonmilitary trade with Syria showed a deficit for the first time because of higher prices paid for Syrian oil and cotton. Nigeria was propelled into second place among African partners because of a 65% increase in the price of cocoa beans. Algeria, which imported more Soviet building materials and edible oils at higher prices, remained Moscow's largest African trading partner. Petroleum exports to Morocco helped to increase the USSR's usual surplus with Africa. (Unclassified)■

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OTHER ACTIVITIES

Economic

Africa

General. Romanian economic relations with the Third World focused on African countries. Bucharest signed its first trade and cooperation agreements with Guinea-Bissau and signed an annual trade protocol with Guinea. Increased Romanian economic activity is envisioned under protocols signed with Sudan and Mali. In Sudan, Romania will participate in developing machine building, chemical, mining, and timber industries, presumably to be financed under a 1971 \$75 million credit agreement. A series of joint ventures in mining, petroleum, light industry, and agriculture are planned in Mali. A team of Romanian geological experts is expected soon in the Ivory Coast, following October discussions on mining cooperation. (Unclassified)

During October, the USSR inaugurated service on a new shipping line serving East African ports. (Unclassified)

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Algeria. Under a \$68 million contract, Czechoslovakia and East Germany will jointly build a factory to produce pumps for water, chemical processing, and petroleum. The terms of the contract are probably commercial. (Unclassified)

Congo. Bulgaria agreed early in October to provide \$10 million in credits for Congolese development projects. Contracts were signed for feasibility studies on stock-breeding complexes, and a joint company was established for exploration and exploitation of phosphates and other minerals. (Unclassified)

Gabon. On 21 October, China agreed to provide \$25 million in credits to Gabon for agricultural machinery and light industrial projects. The terms are somewhat harder than for most recent Chinese agreements - 5 years' grace followed by 10 years for repayment. (For Official Use Only)

Guinea. Guinea has terminated its bilateral clearing account arrangements with Bulgaria, Czechoslovakia, and Romania and plans to renounce all of its remaining clearing agreements. A hard currency trade and payments agreement signed with Romania on 2 October is expected to serve as a prototype for agreements with other Communist trading partners. Guinean trade officials claim that its exports to Communist countries have been undervalued and that hard currency settlements will enable it to maximize the benefits from that trade. (For Official Use Only)

Liberia. The USSR told the Liberians it was willing to finance a fishing venture, a citrus processing plant, and an animal feed plant. The fishing project includes trawlers, modification of docking facilities, and construction of a processing plant. Liberian officials are expected to veto the Soviet proposals. (Secret)

Libya. The October visit of the Czech premier to Libya apparently dealt largely with political issues. The only economic agreement calls for establishing an interministerial commission to study means to broaden industrial cooperation. (Confidential)

A Libyan oil delegation in Bucharest signed agreements to obtain Romanian equipment and technical assistance for oil drilling and exploration and for the construction of petrochemical and fertilizer plants. The terms of the agreements were not revealed. (Unclassified)

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Malagasy Republic. The USSR and the Malagasy Republic signed an economic cooperation agreement in October under which the USSR will provide a 150-kw transmitter, educational equipment and technical assistance, a feasibility study for a cement plant, and assistance for mining research. The USSR also agreed to study Malagasy proposals for a dam, agro-industrial projects, and road construction. A trade agreement signed at the same time calls for establishing a Soviet commercial office in Tananarive to expand trade between the two countries. (Confidential)

Nigeria. A team of Chinese technicians arrived in Lagos to assist in the development of small-scale metal, woodworking, and leather industries in Nigeria. (Unclassified)

Rwanda. A Rwandan delegation was in Peking in early October, probably to discuss procurement of commodities under Rwanda's \$22 million Chinese credit. (Unclassified)

Somalia. Somalia and Hungary signed their first long-term trade agreement and a technical assistance agreement during the visit of the Hungarian President to Mogadiscio. Hungary has promised aid in agriculture, animal husbandry, and technical training. (Unclassified)

East Asia

Burma. A 21-member Burmese government industrial delegation arrived in China on 24 October, probably to discuss Chinese economic assistance proposals reportedly made to the Burmese Foreign Minister in September. (Confidential)

Indonesia. A team of Soviet engineers recently completed a study for a hydroelectric plant in Indonesia, the first of six projects planned under an economic agreement concluded last December. A contract is expected to be signed by the end of the year. (Confidential)

Philippines. The Philippines announced that a Soviet delegation is expected in Manila in November to continue negotiations on the establishment of diplomatic relations. (Unclassified)

Singapore. An official trade delegation departed for a two-week visit to China at the invitation of Chinese trade officials. Members include government officials and representatives of Singapore's manufacturing, trading, and banking sectors. (For Official Use Only)

Latin America

Argentina. The East German Foreign Trade Minister arrived in Argentina on 14 October for talks on expanding trade. Formal trade exchanges between the two countries were renewed last year following a 12-year hiatus. (Unclassified)

Brazil. Romania has offered petrochemical plants to Brazil under 12-year credits similar to the \$150 million credit extended earlier this year for steelmaking equipment. (Unclassified)

Mexico. On 1 October Mexico and the USSR signed an agreement on joint research in nine fields, including energy, geology, and oceanography. (For Official Use Only)

Peru. On 30 September, East Germany announced the purchase of \$28 million of Peruvian metals, including copper, silver, and zinc, the first major order under a May agreement to expand trade. (For Official Use Only)

Hungary recently extended Peru a \$10 million suppliers credit for wheat and other food. Repayment is due two years after delivery at 7% interest. (Unclassified)

Near East and South Asia

Afghanistan. The USSR and Afghanistan recently signed contracts for Soviet project surveys that will be financed under a 1975 aid agreement. Surveys will be made for four bakeries, a large grain silo in Mazar-i-Sharif, and two flour mills. (Unclassified)

Cyprus. On 1 October Cyprus announced its first economic and technical cooperation agreement with the USSR. The new accord puts no dollar value on the assistance, but is a general framework agreement under which Moscow will extend credits for specific projects after studies are completed. Projects mentioned include dams and a new airport at Nicosia. Earlier this year Cyprus bought two fertilizer plants from the USSR under long-term credits. (Unclassified)

Egypt. On 30 September Hungary extended \$25 million in five-eight year credits for machinery and equipment for Egyptian development projects. Egypt and Hungary also agreed to settle their trade accounts in hard currency beginning 1 January 1976. (Unclassified)

India. The Soviet Union will begin delivery in 1976 of \$20 million worth of equipment for the Mathura oil refinery. Financing for the 120,000 b/d plant is from a 1966 Soviet credit. (Unclassified)

Iran. A 4 October protocol provided for the Bulgarian sale to Iran of railroad passenger cars, 400 freight cars, and various agricultural products. The two sides also plan to cooperate in agro-industrial enterprises in Iran under \$20 million in previously extended Bulgarian trade credits. A delegation will visit Tehran soon to discuss these projects, including poultry raising, dairies, and canning plants. (Unclassified)

Prague has agreed to supply equipment to expand the Czech-built Tabriz machine tool plant and construct several agricultural projects. In return, Tehran will sell machinery and possibly gas to Prague. A joint ministerial commission will meet later this year for further discussions on these projects. It also will consider new Czech proposals to set up a brass factory and cement and power plants in Iran. (Confidential)

Under a Polish-Iranian agreement signed in October annual trade is expected to rise to \$100 million through increased exchanges of Iranian industrial goods and Polish agricultural products, fertilizer, and ships. Poland also agreed to set up projects in Iran, including textile and sugar mills and a tin concentration plant. A Polish delegation is expected in Iran soon to discuss additional project proposals including a cheese factory in Iran and a paper mill in Poland. Tehran reportedly agreed to provide a \$200 million advance payment to obtain needed Polish goods. (Unclassified)

Iraq. The Chairman of the Polish State Council paid a mid-October visit to Iraq to discuss Polish economic aid for various projects presumably under a 1972 \$100 million credit. The joint Iraqi-Polish Commission will continue these discussions at its annual meeting in early December. (Unclassified)

The USSR and Iraq recently signed a contract for exploitation of the Luhais oil field in southern Iraq, expected to produce at least 50,000 barrels of crude a day. The USSR has done exploratory work in the field under credits extended in 1969 and also will help construct a gas separation unit, a pumping station, storage tanks, a power plant, and a 50-60-mile pipeline connecting the new field with other Iraqi pipelines. Financing arrangements for the estimated \$50 million program were not announced. (Unclassified)

Jordan. On 19 October Romania signed further agreements to expand the Az-Zarga oil refinery. The two sides also discussed Romanian participation in oil and water prospecting, a new oil refinery, a cement plant, and several agricultural projects, probably on commercial basis. (Unclassified)

Kuwait. Kuwait has concluded two agreements with Poland, one on economic and technical cooperation, the other on trade and payments. Poland will cooperate in developing Kuwait's petrochemical industries, presumably with a view to securing long-term supplies of Kuwaiti oil. (Unclassified)

Pakistan. An aid protocol signed in late October portends increased Romanian participation in Pakistan's industrial development under \$56.5 million of credits extended in July 1973. Romania will help set up a dairy, textile mills, and food preservation and storage plants and will drill for oil near Rawalpindi. Romania also expressed interest in helping construct an oil refinery at Multan and conducting phosphate exploration in the Hazara district. (Unclassified)

South Yemen. The USSR and South Yemen recently signed contracts for Soviet aid for petroleum exploration. Moscow will prospect for oil in the east and conduct an aerial geophysical survey, under a 1972 \$40 million credit agreement. (Unclassified)

Military

Africa

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Morocco. The USSR made deliveries in October of rocket launchers, [redacted] trucks, and small arms [redacted] (Confidential)

Tanzania. Peking currently is helping Tanzania to construct a military and political academy at Munduli. The school, scheduled for early 1976 completion, has a planned enrollment of 960 cadets. (Unclassified)

Near East and South Asia

Syria. The USSR concluded a major new arms agreement with Syria, during President Asad's October visit to Moscow. Asad was seeking MIG-25 reconnaissance aircraft, as well as additional MIG-23 jet fighters and surface-to-air missile equipment. Acquisition of the MIG-25 Foxbat would be a feather in Asad's political cap both as a demonstration of Syrian strength and of Soviet support for its policies. (Confidential)

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