

17ET

~~SECRET~~

Nº 54

QUARTERLY REPORT  
to the  
COUNCIL ON FOREIGN ECONOMIC POLICY

SINO - SOVIET BLOC  
ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS

1 October 1957 - 31 December 1957

NUMBER 3

PREPARED JOINTLY BY  
THE CENTRAL INTELLIGENCE AGENCY  
AND  
THE DEPARTMENT OF STATE

~~SECRET~~

**WARNING**

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, U.S.C., SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

S-E-C-R-E-T

SINO-SOVIET BLOC ECONOMIC ACTIVITIES  
IN UNDERDEVELOPED AREAS  
1 OCTOBER - 31 DECEMBER 1957

1. Principal Developments.

With new boldness, the Sino-Soviet Bloc attempted, during the quarter ending 31 December 1957, to exploit its prestige in the underdeveloped countries, a prestige heightened by recent Soviet scientific achievements. These attempts were climaxed in late December at the unofficial Asian-African Solidarity Conference held in Cairo, where the USSR made a dramatic offer of economic assistance to underdeveloped countries. This offer was as much a challenge to the economic superiority of the US as it was a proposal that economic development in Asia and Africa should be supported by the USSR. The principal Soviet speaker at the conference also recommended that other underdeveloped countries follow the lead of Indonesia and Egypt in nationalizing foreign-owned industry in order to obtain funds needed for economic development. The conference established permanent headquarters in Cairo. With Russians and Chinese Communists represented in its secretariat, this organization may well become a center for further Communist permeation of Asia and Africa.

The Soviet Bloc has not slackened its efforts to move forward with its economic aid program. In addition to expanding its efforts in countries that have already accepted considerable Bloc aid, the USSR made attractive new offers to countries that have heretofore been reluctant to take assistance from Communist nations. The USSR presented a proposal for a general development program to Iran as well as a plan for a joint company for the exploitation of petroleum resources in Northern Iran. Khrushchev suggested to the Ceylonese Ambassador in Moscow that Soviet technicians could be used to expand rubber output in Ceylon and that the USSR would take all of the increase in production. The USSR offered economic assistance to Sudan and indicated a willingness to make large purchases of Sudanese cotton at a time when Sudan's sales to Western buyers were lagging. Even in Latin America, where the Bloc previously has had little success, attractive offers were made to Brazil and Uruguay.

S-E-C-R-E-T

## S-E-C-R-E-T

2. Egypt.

During a November visit to Moscow the Egyptian Minister of Defense tentatively arranged an economic aid agreement in which the USSR is to provide a credit of about \$175 million to be used in Egypt's 5-year industrial development program. In addition, new arrangements have been made under which the USSR will continue sending military items to Egypt. Also in November, it was announced that a Czechoslovak loan of \$56 million had been extended to Egypt in September. This loan will be used to finance projects that are included in the industrial development program of Egypt.

3. Syria.

The USSR agreed in October to furnish on credit to Syria additional military supplies and equipment worth \$30 million. It is believed that by late December virtually all of the new military items had been delivered. Progress has been made in implementing the earlier Soviet-Syrian economic aid agreement, and plans for specific projects are under way.

4. Indonesia.

Indonesia's attempt to unify its many dissident elements by seizing Dutch-owned property has intensified already serious economic, political, and military problems. The Indonesian government claims that its armed forces must have large quantities of military items and has approved a decision to seek arms worth about \$250 million wherever they can be obtained. A purchasing team left Indonesia on 31 December 1957 to visit several prospective supplying countries, including Egypt, Yugoslavia, Poland, and Czechoslovakia as well as some countries in Western Europe. Soviet Foreign Minister Gromyko is reported to have told the Indonesian Ambassador that the USSR would extend all types of assistance if a break with the Netherlands should result in financial and economic difficulties.

S-E-C-R-E-T

## S-E-C-R-E-T

5. US and Bloc Foreign Aid.

In over-all terms the US aid program to underdeveloped countries of the Free World is substantially larger than that of the Sino-Soviet Bloc. Since the first Bloc aid was extended about 2-1/2 years ago, the countries in the Sino-Soviet Bloc have extended credits and grants for military and economic uses amounting to nearly \$1.9 billion. In comparison, aid by the US Government (including PL 480, MSP, and Ex-Im Bank) committed to the underdeveloped countries of the Free World during this period amounted to about \$8 billion. The US program also was broader in scope, with 50 underdeveloped countries receiving assistance compared with 17 underdeveloped countries receiving Bloc aid.

Appraisal in total terms alone, however, provides an inadequate basis for comparison of the two programs. In nearly all countries where the Sino-Soviet Bloc is competing with US aid programs, the Bloc is currently committed to larger amounts of aid than is the US. With the exception of Syria, all of the nine underdeveloped countries\* which are the principal recipients of Bloc aid also have been receiving funds from the US. These 9 countries have received credits or grants from the Sino-Soviet Bloc amounting to about \$1.8 billion during the last 2-1/2 years. Over the same period, about \$1 billion in assistance of all types was received from the US on a governmental basis. Although exact comparisons are not available, it is estimated that Bloc technical personnel in these 9 countries number more than 2,000 compared with less than 1,000 under programs financed by the US Government.

One characteristic of the Bloc aid program worthy of note is its independence from military pacts. The contrast with the US is quite apparent: the bulk of US aid to underdeveloped countries goes to those with which the US is allied in military pacts, but no underdeveloped country receiving Bloc assistance is a member of a Bloc military alliance.

---

\* Afghanistan, Burma, Cambodia, Ceylon, Egypt, India, Indonesia, Syria, and Yugoslavia.