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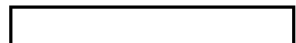
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**AID AND TRADE ACTIVITIES OF COMMUNIST
COUNTRIES IN LESS DEVELOPED AREAS
OF THE FREE WORLD
1 JULY - 31 DECEMBER 1964**

EIC R14-S18

February 1965

**ECONOMIC INTELLIGENCE COMMITTEE
of the
UNITED STATES INTELLIGENCE BOARD**



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FOREWORD

The EIC-R14 series provides periodic summaries and analytical interpretations of significant developments in the economic and military relations of Communist countries with less developed countries of the Free World. These developments are reported on a current, factual basis in the Biweekly Reports in the EIC-WGR-1 series.

This report, covering the 6 months from 1 July through 31 December 1964, constitutes the eighteenth periodic supplement to EIC-R14, the initial report on Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas, 8 August 1956, SECRET. The present supplement updates the previous semiannual report and includes the more significant developments during the reporting period. It also relates noteworthy noneconomic activities, including military aid, to economic operations of the Communist countries in less developed areas. Data have been revised to include new information, and figures in the current supplement supersede those in previous issues. This report was prepared by the Department of State and the Central Intelligence Agency. The draft was reviewed and coordinated by a Working Group of the Economic Intelligence Committee including representatives of the Department of State; the Defense Intelligence Agency; the Departments of Commerce and Agriculture; the Agency for International Development; the National Security Agency; and the Central Intelligence Agency. The final report was approved by the Economic Intelligence Committee on 10 February 1965.

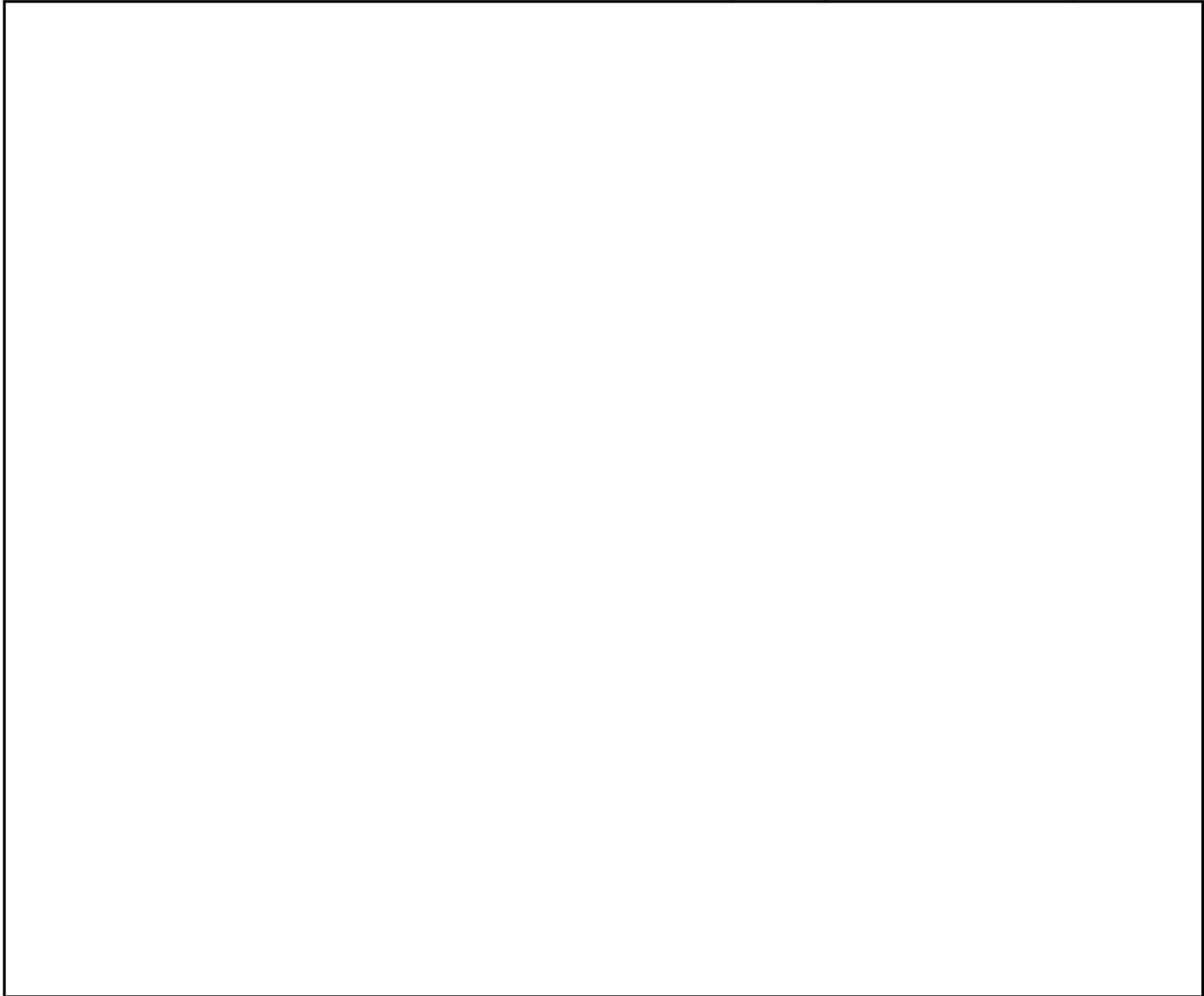
In this report the term Communist countries refers primarily to the following countries that extend aid to less developed areas: the USSR, Communist China, and the following countries of Eastern Europe -- Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania. For certain limited purposes the term also may include Albania, Cuba, Mongolia, North Korea, and North Vietnam, none of which is normally a donor of aid. Yugoslavia is not included.

The term less developed countries of the Free World includes the following: (1) all countries of Africa except the Republic of South Africa; (2) all countries in South and Southeast Asia; (3) Iceland, Portugal, and Spain; (4) all countries in Latin America except Cuba; and (5) all countries in the Middle East, including Cyprus, Greece, the Syrian Arab Republic, Turkey, and the United Arab Republic.

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S-E-C-R-E-T

AID AND TRADE ACTIVITIES OF COMMUNIST COUNTRIES
IN LESS DEVELOPED AREAS OF THE FREE WORLD
1 JULY - 31 DECEMBER 1964

Summary

Communist aid undertakings in less developed countries continued at high levels in the last half of 1964, and record activity was registered for the year 1964 in all sectors of the economic aid program.* Communist countries extended more than \$600 million in new economic assistance to less developed countries in the last half of 1964, bringing total commitments for 1964 to an annual high of about \$1.5 billion and the cumulative total of all economic aid extended since the start of the Communist aid program in 1954 to \$6.5 billion. Military assistance of almost \$375 million during 1964 was roughly equal to annual commitments in 1962 and 1963 but was 60 percent below the 1961 peak.

The United Arab Republic (UAR), which received a total of almost \$220 million in Communist credits during the period, was by far the largest recipient of aid during the last half of 1964. Indonesia and Pakistan were the other main recipients. Four African countries -- the Central African Republic, Congo (Brazzaville), Senegal, and Uganda -- were added to the list of 30 countries that had been recipients of Communist economic aid in the past.

For the first time in any 6-month period, Communist China became the major Communist aid donor, with record extensions of \$246 million. Almost 80 percent of this total went to three countries -- the UAR, Pakistan, and Indonesia. Eastern European countries extended total credits of \$210 million to five less developed countries, of which one-third was accounted for by a single credit of \$70 million extended by Rumania to the UAR. The USSR extended \$147 million of credits in the second half of 1964. Although this level is far below Soviet commitments of \$686 million in the first half, aggregate Soviet aid of \$833 million extended in 1964 is almost equal to the 1959 Soviet annual record level of \$857 million. The reduced level of aid extended in the last half of the year may be attributed largely to the fact that major requests for assisting the 5-year plans of less developed countries had been satisfied earlier in the year and partly to Soviet inactivity resulting from the change in Soviet leadership. Except for \$41 million of credits to Afghanistan, all Soviet economic aid in the last half of 1964 was extended to five African countries, and the Soviet commitment of \$44 million to Kenya constituted the largest Soviet credit during the period.

Total drawings on Communist credits extended previously amounted to about \$500 million in 1964, or about 10 percent more than the \$464 million in 1963 and 40 percent more than in 1962.

* See Figure 1, following p. 2.

The number of economic technicians in less developed countries rose to 14,525 in the last 6 months of 1964, an increase of about 9 percent above the first half of the year. Although there was a slight decline in Soviet personnel, following the completion of some aid projects, the number of Chinese Communist technicians in the less developed countries increased by more than 75 percent to 2,160. Afghanistan, Algeria, Guinea, and the UAR continued to employ about half of all Communist technicians assigned to less developed countries.

About 1,000 technical trainees undertook training in Communist countries during the second half of 1964, bringing the total number who have departed for this training since 1956 to more than 9,500. At the end of 1964, 3,900 of these trainees still were studying in Communist institutions.

In spite of reports of continuing student dissatisfaction and clashes with Communist authorities, about 1,440 nationals from less developed countries departed for academic training in Communist institutions, bringing the total number of students who have gone to Communist countries for this training since 1956 up to about 17,000. Two-thirds of the 14,580 students undergoing training at the end of December were in the USSR; except for 300 enrolled in Chinese Communist universities, the remainder were studying in East European countries. More than half of the total number enrolled were from Africa, but Iraq continued to have the largest representation of any single country.

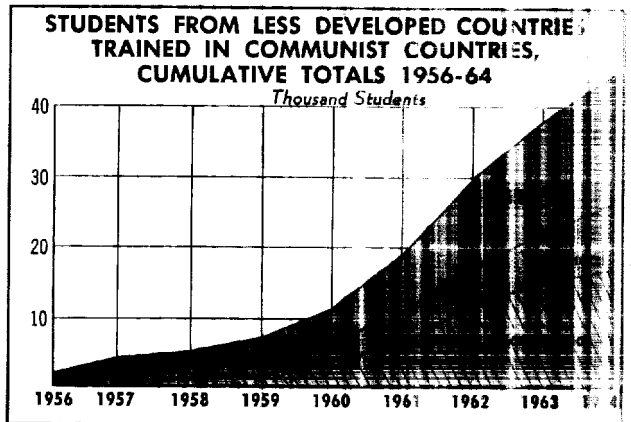
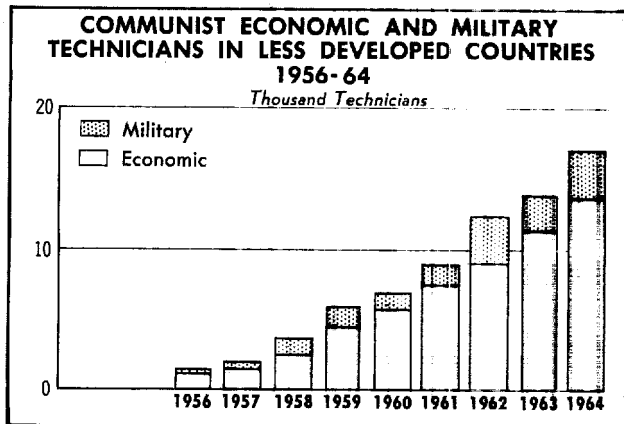
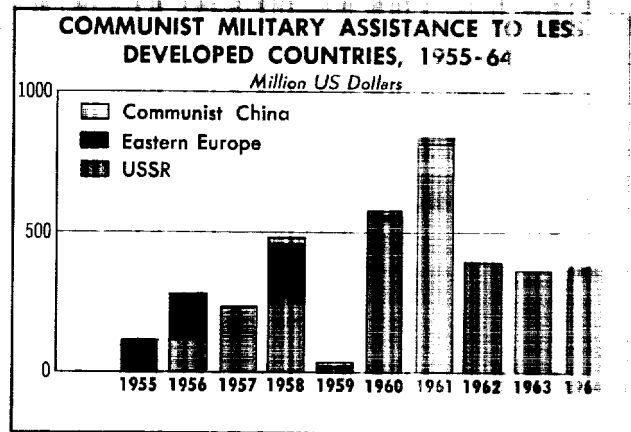
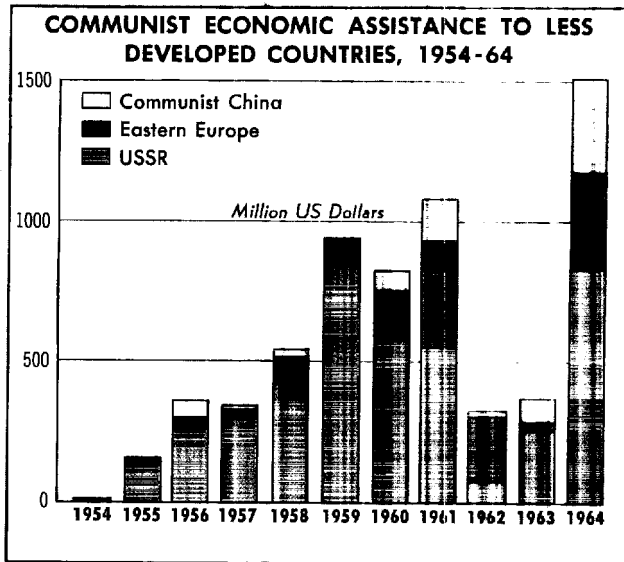
About \$300 million of new military aid was extended to less developed countries in the last 6 months of 1964, bringing the cumulative total of such aid extended between 1955 and 1964 up to \$3.7 billion. The USSR entered into new agreements to furnish military assistance to Afghanistan, India, Indonesia, Syria, and the UAR, and the Chinese Communists gave military aid to Cambodia in the last 6 months of 1964. Deliveries of military equipment under earlier agreements continued at high levels, especially to Algeria, Indonesia, and the UAR. During the last half of 1964, approximately 3,545 Communist military technicians were employed in less developed countries, and about 1,355 trainees from 11 less developed nations enrolled in military programs in Communist countries during the period.

Foreign trade turnover between Communist countries and non-Communist less developed countries amounted to almost \$1.5 billion during the first half of 1964, an increase of 11 percent above the comparable period in 1963. Imports rose 12 percent, and exports rose 9 percent. The largest percentage increase in trade between the Communist area and the less developed countries -- about 50 percent -- was recorded by Communist China, principally because of heavy imports of wheat from Argentina. Within the Communist area the countries of Eastern Europe continued to be the most important trading partners with the less developed countries. Their trade turnover totaled \$646 million compared with \$482 million for the USSR and \$272 million for Communist China.

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**ECONOMIC ACTIVITIES OF COMMUNIST COUNTRIES
IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD***

Selected Years, 1954-64



*Data are revised periodically to include new information and therefore may not be comparable with data previously presented

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Asia continued to account for the largest share -- about 36 percent -- of Communist countries' trade with less developed areas and, as in the past, was followed in importance by the Middle East, which accounted for one-third of the total. There was little variation from former patterns in the commodity composition of this trade in 1963. Imports by the Communist area continued to be dominated by food products and crude materials, whereas manufactured goods and machinery again accounted for roughly half of Communist exports. The remainder of exports consisted of foodstuffs.

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I. Economic AssistanceA. Credits and Grants

Communist countries extended \$603 million of new economic assistance to less developed countries in the second half of 1964 (see Table 1*). These new credits bring the total amount of economic aid extended in 1964 up to a record \$1,512 million, or about two-fifths above the previous peak of \$1,092 million recorded in 1961.** Aggregate Communist economic aid extended to less developed countries from the beginning of the aid program in 1954 through the end of 1964 rose to about \$6.5 billion and the number of aid recipients to 34, as four African nations -- the Central African Republic, Congo (Brazzaville), Senegal, and Uganda -- were added to the list.*** By far the largest aid recipient during the last half of 1964 was the UAR, which received \$219 million in credits, bringing the total of economic aid extended to that country in 1964 up to almost \$500 million.

During the last half of 1964, Communist China extended a record level of \$246 million in credits to eight countries, or about 40 percent of total new Communist economic aid commitments during the period, and for the first time China became the major Communist aid donor. These new Chinese extensions together with the \$92 million extended in the first 6 months of the year raised the level of Chinese aid for 1964 to \$338 million, or more than double the 1961 peak level of \$163 million. During the period under review, about \$90 million, or almost 40 percent of total Chinese aid extended, was provided to three countries that had not received Chinese economic aid previously: the Central African Republic, Congo (Brazzaville), and Pakistan.

An \$80 million credit to the UAR was the largest Chinese credit extended during the last 6 months of the year and was the first aid to the UAR from China since its \$4.7 million grant during the Suez crisis in 1956. The credit was the second largest ever extended by Communist China and is exceeded in magnitude only by the \$84 million credit provided to Burma in 1961. Communist China also extended credits of \$60 million to Pakistan and \$50 million to Indonesia. A credit of \$22 million to Ghana was added to the \$20 million extended it by Communist China in 1961, in spite of the fact that no deliveries are known to have been made under the earlier credit. Credits to Congo (Brazzaville) and the Central African Republic of \$25 million and \$4 million, respectively, included provisions for a total of \$4 million in hard currency which, when added to the \$10 million included in the credit to Indonesia, raises total hard currency commitments to nearly \$19 million in 1964

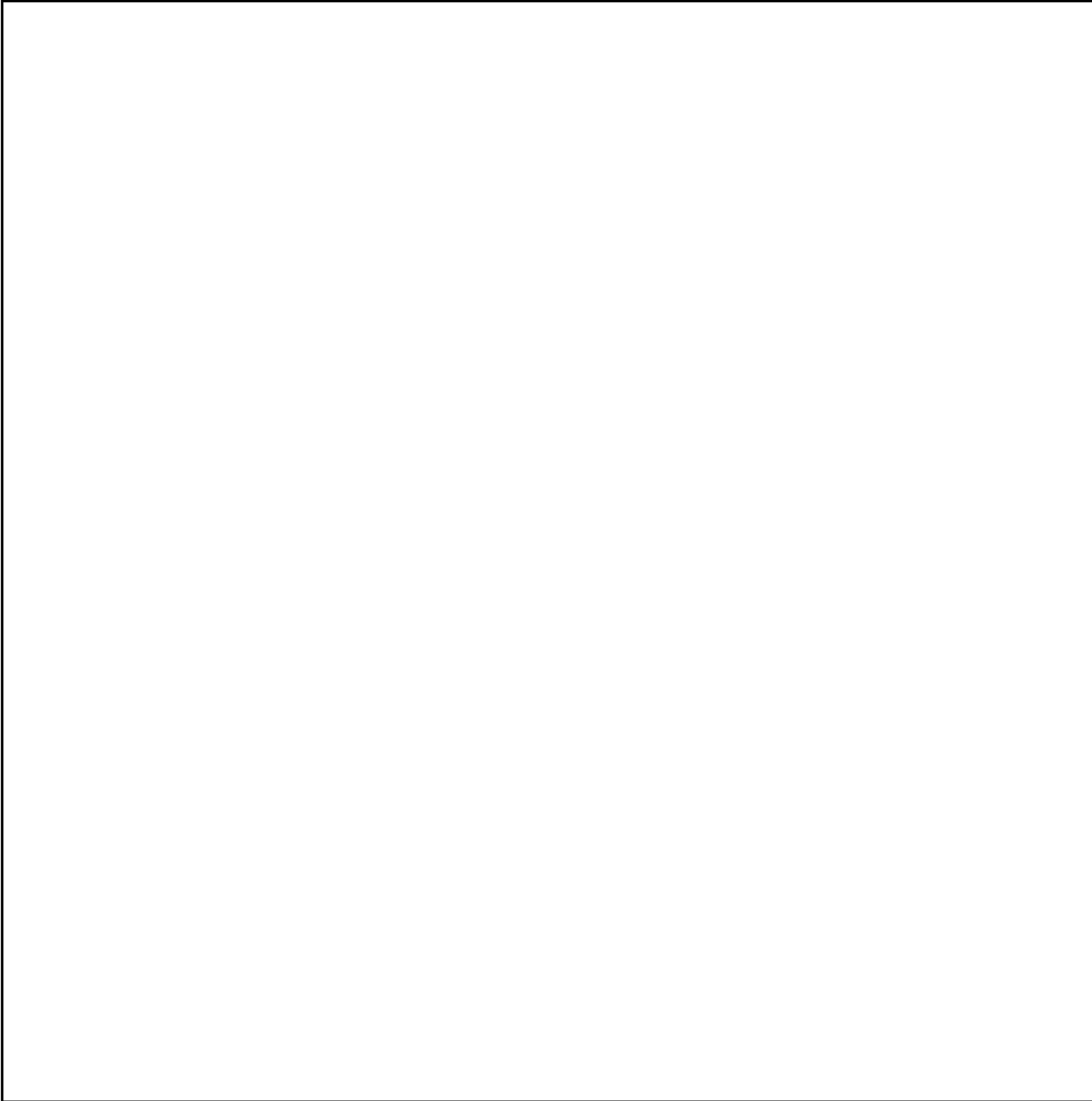
* P. 6, below.

** See Figure 2, following p. 6.

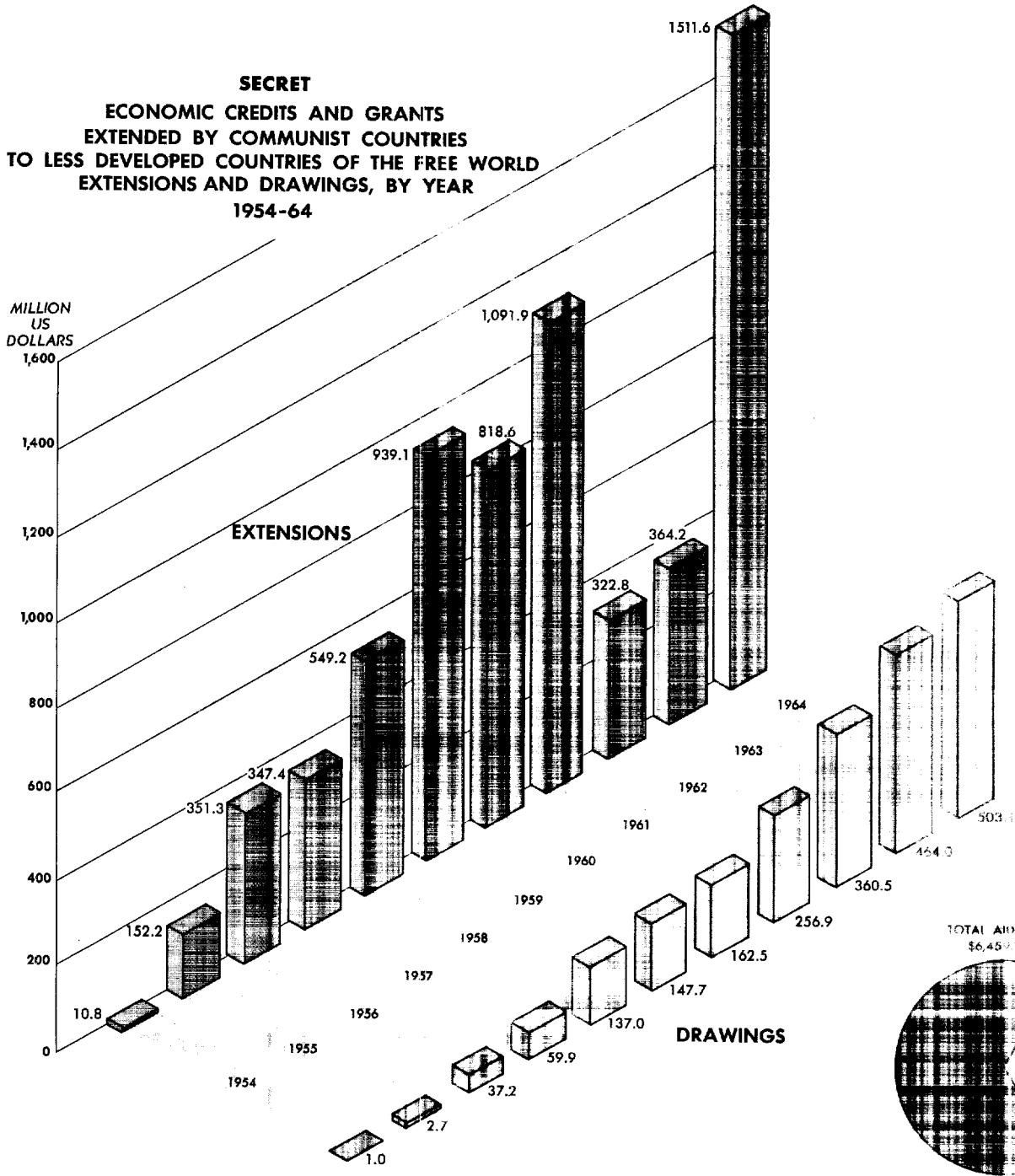
*** For a summary of specific credits and grants by Communist countries to less developed countries, see Tables 7 through 11, pp. 42 through 108, below.

and the total obligated by the Chinese for that purpose between 1956 and 1964 to \$42 million.

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ECONOMIC CREDITS AND GRANTS
EXTENDED BY COMMUNIST COUNTRIES
TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD
EXTENSIONS AND DRAWINGS, BY YEAR
1954-64



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The USSR extended \$147 million of new economic aid to six countries during the second half of 1964, bringing total Soviet aid extensions in 1964 up to \$833 million, almost equal to its record of \$857 million in 1959. With the exception of \$41 million in credits to Afghanistan, all Soviet economic aid extended during the last 6 months of the year was to five African nations. Soviet credits were extended to Senegal and Uganda, neither of which had previously received economic assistance from a Communist country. Following the Chinese lead, the USSR also signed economic aid agreements with the United Republic of Tanzania, Congo (Brazzaville), and Kenya -- the latter receiving a \$44 million credit, the largest Soviet aid commitment during the period. Negotiations continued with India on the Bokaro steel plant, to which the USSR had committed \$211 million in the first half of 1964. It appeared likely that the USSR would involve itself more heavily in that project as it agreed to assist in the second as well as the first stage of plant construction. Drawings on previously extended Soviet credits were slightly below the level of the first half of 1964, but total deliveries for the year were roughly equal to the 1963 level.

Eastern European countries made commitments of \$210 million of new aid during the period. East Germany was the largest donor, extending credits of \$75 million (to Indonesia, the UAR, and Syria) -- which exceeded the total amount of economic aid extended by East Germany from the beginning of the aid program in 1955 up to the last half of 1964 (\$65 million). Rumania was the second largest donor, with a single credit of \$70 million to the UAR. Czechoslovakia and Poland each extended credits to the United Republic of Tanzania and to Pakistan of \$6 million and \$14 million, respectively, and Poland extended a \$25 million credit to the UAR.

Aid deliveries in 1964 amounted to \$503 million, or 9 percent more than the level for 1963. This is considerably below the annual rate of increase for recent years. Total drawings on credits equaled \$232 million in the last half of 1964 compared with \$271 million in the first half. The decline is partly attributable to a deceleration in UAR drawings on the Aswan High Dam credits, after the completion of the first stage of the project, and to a decline in drawings on Eastern European credits.

B. Technical Assistance

1. Economic Technicians

Communist technical assistance activities continued apace during the last half of 1964 as the number of technicians sent to less developed countries rose to 14,525 -- about 9 percent above the previous 6-month total (see Table 12*). There was a slight decline in Soviet personnel following the completion of some projects, but the number of

* P. 109, below.

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Chinese Communist economic technicians who were dispatched to aid-receiving countries during the period increased by more than 75 percent, from 1,220 in the first 6 months of the year to 2,160 in the second half. The number of Communist personnel engaged in nonproject activity continued to increase during the review period, accounting for more than one-fourth of all technicians employed. The USSR, which in earlier years had supplied about three-fourths of all Communist technicians to less developed countries, now accounts for approximately 60 percent of the total, whereas Chinese technicians represent about 15 percent compared with less than 10 percent in the past.

Although Afghanistan, Algeria, Guinea, and the UAR continued to employ about half of the total number of Communist technicians, there were changes among the areas receiving technical personnel during the review period. The total number of technicians in Asia and the Middle East declined in the last half of 1964, whereas the number in Africa rose by about one-third.

Approximately 40 percent of all Communist economic technicians were employed in African countries compared with 30 percent in the previous 6-month period. Reflecting its increased interest in Africa, Communist China assigned to Africa almost 50 percent of the total number of technicians that it sent to less developed countries. In Guinea, 315 additional Chinese technicians arrived during the period to expedite the Chinese aid program in that country, and 365 were dispatched to Mali -- reportedly the forerunners of some 3,000 technicians whom China plans eventually to send to Mali to help implement its economic aid program in that country. The number of Soviet technicians in Algeria and Ghana rose by 150 and 50 percent, respectively, during the period, registering the largest Soviet personnel gains in Africa. Of the 1,610 Soviet and Eastern European technicians in Algeria, about 230 Soviet and 100 Eastern European personnel were skilled "volunteers" engaged in undertakings of a Peace Corps type designed to rebuild certain communities destroyed during the Algerian struggle for independence.

In spite of the large increase in the number of Communist technicians in Yemen, the number for the Middle East as a whole registered a net decline as certain phases of project activity in Iraq and the UAR were completed. More than 800 Soviet technicians departed from the site of the Aswan High Dam after completion of the first stage of construction in May 1964, although a large influx of technicians is expected again in 1965 as work progresses on the main dam and the electric grid network. The number in Iraq fell by 30 percent. In Yemen, however, the number of technicians rose by almost two-thirds as 160 additional Chinese and 100 new Soviet technicians arrived to begin implementation of projects under their respective aid programs. As many as 3,000 Soviet technicians reportedly will be employed in Yemen when all Soviet projects are underway.

The slight decline in the number of economic technicians assigned to Asia in the last half of 1964 followed a drop of 45 percent

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in personnel in Indonesia and minor reductions in Ceylon and India. All other aid recipients in the area registered minor gains in the number of Communist personnel present, with Burma showing an increase of 20 percent as the result of additional project activity initiated by the Chinese.

The decline in the number of Soviet technicians in some of the countries is expected to be temporary. As Soviet-aided projects, under the near-record level of credits extended in 1964, are implemented the number of Soviet technical personnel should rise again. The increase in Chinese technicians in less developed countries is expected to continue, following a year of peak credit extensions in 1964.

2. Academic Students and Technical Trainees

During the second half of 1964, about 1,000 nationals from less developed countries undertook technical training programs in Communist countries bringing the total number who have undertaken this training since 1956 to more than 9,500. As of December 1964, 3,900 of these still were being trained (see Table 13*). More than 40 percent of them were from the UAR, while three countries -- India, Algeria, and Ghana -- accounted for another 30 percent. As in the case of academic students, approximately two-thirds of the total number receiving training were in the USSR, with only a few in Communist China and the remainder in Eastern European countries.

During the last 6 months of 1964, about 1,440 nationals from less developed countries departed for academic training in Communist institutions, bringing the total number of students who have gone to Communist countries for this training since 1956 up to more than 17,000.

In spite of reports of continuing student dissatisfaction and clashes with Communist authorities, some 14,580 academic students were undergoing training at the end of December (see Table 14**), an increase of about 13 percent above the comparable period in 1963. Almost two-thirds of those being trained were in the USSR and, except for 300 enrolled in Chinese Communist universities, the remainder were studying in Eastern European countries. More than half of the total number of students being trained in Communist countries at the end of December were from Africa, with Ghana, Kenya, the Somali Republic, and Mali being most heavily represented. Iraq, with 1,965 students training in Communist institutions at the end of December, continued to have the largest number of any single country. It was followed by Indonesia, whose 1,025 students were studying primarily in the USSR and Czechoslovakia.

During the past 6 months, there was further evidence of continuing difficulties on the part of students from less developed

* P. 111, below.

** P. 113, below.

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countries, primarily Africans, in adjusting to local conditions and in their relations with authorities and other students. Relations between African students and Rumanian authorities and students, exacerbated by Bucharest's suppression of unauthorized demonstrations, deteriorated to the point of open clashes by year's end, and African students threatened to boycott classes until their demands for better treatment were met. In the USSR, similar conflicts occurred when a Kenyan Embassy official in Moscow had to go to Baku to help quell a "strike" by some 80 Kenyans who were refusing to attend classes in protest against poor instruction and the hostility of the Azerbaydzhanis.

Nearly 300 African students are reported to have left Communist countries between January and late October 1964 without completing their studies. The number of such defectors is small, however, when compared with the almost 8,700 Africans currently undergoing academic and technical training in Communist countries.

S-E-C-R-E-T

II. Military Assistance

A. Credits and Grants

Communist countries extended about \$301 million of military aid to less developed countries during the last half of 1964, bringing the cumulative total of Communist military aid extended between 1955 and the end of 1964 to \$3.7 billion (see Table 2).^a Although these new commitments represent a considerable increase above the \$72 million in military aid extended in the first half of 1964, the total of \$373 million for the year is considerably below the 1961 peak of almost \$850 million but roughly equal to annual commitments in 1962 and 1963. Soviet agreements with Afghanistan, India, Indonesia, Syria, and the UAR and a Chinese Communist accord with Cambodia were completed during the review period. The USSR and Communist China also made modest grants of equipment to the United Republic of Tanzania. In addition, intensive negotiations were initiated between the UAR and the USSR late in 1964 during which time a substantial new military aid agreement apparently was concluded.

Table 2

Military Aid Extended by Communist Countries
to Less Developed Countries of the Free World a/
September 1955 - December 1964

	Million Current US \$
Estimated minimum value	3,810
Less downpayments	121
Amount of aid	3,689
Credits	2,230
Discounts and grants	1,459

a. For an enumeration of military aid agreements, see Table 15, p. 116, below.

An agreement in July between the USSR and Afghanistan resulted in the rapid delivery of surface-to-air missiles (SAM's) and antitank missiles in time for Afghanistan's Independence Day military parade on 23 August. MIG-21 jet interceptors may have been included in this agreement, but complete deliveries of this advanced weaponry will not be made until the return of pilot trainees from the USSR, probably late

* The bulk of this aid has been provided by the USSR. Although Czechoslovakia and Poland were active in supplying arms in the early years of this activity, their roles have diminished considerably since 1960.

in 1965. The USSR also extended an estimated \$147 million to India to establish an assembly complex for MIG-21 aircraft and for the delivery of MIG-21's, 90 light tanks, and 20 helicopters.

In early October, Moscow agreed to provide Indonesia with at least \$100 million in credits for the purchase of military equipment, including jet fighters, bombers, transports, helicopters, and naval craft. This assistance was promised in spite of the fact that the USSR has counseled Indonesia against escalating its confrontation with Malaysia. The new aid will accentuate the difficulties that Indonesia already has been experiencing in meeting its repayment obligations for the military indebtedness it has incurred with Communist countries. The USSR signed another military aid accord with Syria in October in which it agreed to supply an estimated \$35 million worth of equipment. Included in the agreement are tanks, additional MIG-21 jet fighters, Il-28 jet light bombers, and SAM's. Communist China concluded a military assistance pact with Cambodia during the second half of 1964 under which it agreed to furnish \$4 million worth of small arms, artillery, and -- later -- MIG aircraft.

Deliveries of military equipment under earlier agreements continued at high levels during the last half of 1964, especially to Algeria, Indonesia, and the UAR (see Table 16*). Algeria received 12 jet light bombers, 24 jet fighters, 100 medium tanks, 6 motor torpedo boats, and assorted artillery pieces and military vehicles. Indonesia received 4 Komar-class missile boats, 6 An-12 transport aircraft, 3 Mi-6 helicopters, and 12 Il-28 jet light bombers, thereby boosting its air and naval capability. In October the Somali Republic received the first shipment of arms under the \$35 million agreement concluded a year earlier with the USSR. Other equipment deliveries -- largely vehicles, spares, and ammunition -- continued during the period to Iraq, Syria, and Cambodia.

The USSR continued to expand the number of countries to which it is willing to provide more complex weapons systems as well as the variety of such systems. In 1964, SAM's were introduced into Afghanistan and earmarked for Syria. The world's largest helicopter, the Mi-6, was delivered to Indonesia and to the UAR. The improved version of the MIG-21 jet interceptor will be provided, beginning in 1965, to India, Indonesia, and Iraq. The Osa-class missile boat -- a larger version of the Komar-class gunboat -- may be supplied to Indonesia and possibly to the UAR. The escalation and proliferation of this advanced weaponry to less developed countries are expected to continue, and such items as the Su-7 ground attack aircraft and short-range surface-to-surface missiles (SSM's) may be included in future aid packages.

* P. 120, below.

B. Technical Assistance

1. Military Technicians

Approximately 3,545 military technicians from Communist nations were in less developed countries during the last half of 1964 (see Table 17*), about 9 percent more than were there in the first half of the year. Although the number of military technicians increased in almost all recipient countries, these increases were nominal except in India and Algeria, where the numbers present during the last 6 months of 1964 were roughly double those in the previous half-year period. With the introduction of advanced weapons systems into the less developed countries, the number of Communist military technicians present in those countries should continue to rise.

2. Military Trainees from Less Developed Countries

During the last 6 months of 1964, about 1,355 nationals from 11 less developed countries enrolled in military programs in the USSR, Eastern Europe, and Communist China (see Table 18**). While the USSR continued to play host to most of the trainees, 145 of those departing for training in Communist countries during the period went to Eastern European countries and 30 to Communist China. The United Republic of Tanzania sent military trainees to a Communist country for the first time -- 40 students reportedly departed for the USSR during the period.

By the end of 1964 a total of about 18,110 military personnel from less developed countries had been sent to Communist countries for training. Nearly half of these trainees were from Indonesia and another one-third from Iraq, Syria, and the UAR. The USSR has been responsible for training more than 80 percent of the total trained since the start of the program in 1955. At the end of 1964, approximately 3,245 military trainees from less developed countries were being trained in Communist military institutions, about 10 percent of whom were training in Eastern European countries, while all but 45 of the remainder were being trained in the USSR. Of the total being trained, the largest contingents were from Afghanistan, Algeria, Indonesia, and the UAR.

* P. 122, below.

** P. 123, below.

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III. TradeA. Value

During the first half of 1964, foreign trade turnover between the Communist countries, excluding Cuba,* and the non-Communist less developed countries amounted to almost \$1.5 billion,** an increase of about 11 percent above the comparable period in 1963. Imports from less developed countries rose by about 12 percent, while a gain of 9 percent was recorded in exports. Within the Communist area the countries of Eastern Europe continued to be the most important trading partners with less developed countries. Their trade turnover totaled \$646 million during the 6-month period under review compared with \$482 million for the USSR and \$272 million for Communist China. The largest percentage increase in trade between the Communist area and less developed countries was recorded by Communist China, whose commercial exchanges with less developed areas were more than 50 percent above the comparable period of 1963. This increase was due mainly to increased imports of grain from Argentina and cotton from Syria. Detailed data on Communist exports to and imports from individual less developed countries are presented in Tables 19 and 20.***

B. Direction

Although Asia continued to account for the largest share -- about 36 percent -- of the Communist countries' trade with less developed areas during the first half of 1964, the percentage increase

* Cuba's trade turnover with less developed countries during the first 6 months of 1964 amounted to \$70 million, or almost double the level achieved in the comparable period of 1963. Morocco, Spain, and the UAR continued to be Cuba's major trading partners among the less developed countries. For data on Cuba's exports to and imports from individual less developed countries, see Tables 21 and 22, pp. 132 and 134, respectively, below.

** The value figures presented in this section are based primarily on trade statistics as reported by less developed countries themselves and are the only figures available for 1964. It should be noted, however, that because of timelags, differences in reporting methods, and coverage of less developed countries, these figures differ considerably from those on the same trade as reported in official Communist sources. One major difference stems from the fact that some less developed countries do not include in their trade returns those imports received under long-term economic credits whereas the Communist countries report as exports all goods furnished on credit, with the result that the value of this trade according to Communist sources exceeds the value reported by less developed countries.

*** Pp. 124 and 128, respectively, below.

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in this trade was the smallest recorded for any area -- about 3 percent. Total trade between the two areas amounted to \$522 million, of which more than three-fifths was accounted for by India and Malaya and Singapore. Indian exports to the Communist area during the first 6 months of 1964 were more than 43 percent above the comparable period in 1963, while imports registered a gain of 17 percent. Trade with Malaya and Singapore, however, declined by 42 percent, primarily because of a sharp drop in Communist purchases of rubber, which amounted to only 74,000 tons,* or about half the volume imported during the first half of 1963.

In the first 6 months of 1964 the Middle East continued to follow closely behind Asia as the Communist countries' second most important trading area within the group of less developed countries, with total trade between the two areas amounting to about \$478 million, or 7 percent above the level achieved during the comparable period of 1963. Communist exports to the area rose by 10 percent, while imports registered an increase of only 4 percent. Although Communist trade with the UAR declined by about 19 percent, primarily because of smaller deliveries from Eastern Europe, the UAR continued to be the principal Middle Eastern trading partner of the Communist countries, accounting for one-third of total trade with this area. Imports from the UAR amounted to \$120 million, a decline of 6 percent below the level recorded in the first half of 1963. The UAR sold 51 percent of its cotton to the Communist area during the season August 1963/July 1964 compared with 62 percent in the 1962/63 season, reflecting the UAR's successful efforts to sell more of its cotton to the West for hard currency.

The largest increase in both percentage and value of trade between the Communist countries and less developed countries was achieved in Latin America, where trade during the first half of 1964 totaled about \$223 million, an increase of 58 percent above the level of the corresponding period of 1963. Most of the increase was accounted for by large Chinese Communist purchases of grain from Argentina. Communist exports to the region fell by 10 percent.

Africa continued to account for about 13 percent of the trade between the Communist countries and less developed countries. Imports from Africa rose about 10 percent to \$94 million, whereas exports increased 37 percent to \$96 million, resulting in a trade turnover of \$189 million, an increase of 22 percent above the first 6 months of 1963. The increase in Communist exports to this area was due mainly to larger shipments to Morocco and Mali.

Communist trade with less developed countries of Europe remained small, amounting to only \$42 million, a decline of 30 percent from the first half of 1963, and accounting for only 3 percent of total Communist trade with all less developed countries.

* Tonnages are given in metric tons throughout this report.

C. Commodity Composition

The commodity composition of the trade of Communist countries with less developed countries in 1963 showed little change from earlier years.* Imports by the Communist area continued to be dominated by food products and crude materials, which together accounted for almost 90 percent of total imports -- roughly the same share that has prevailed for the past several years. Cotton and rubber remained high on the Communist import list of crude materials, accounting for almost three-fourths of imports of this category of goods and for more than two-fifths of total imports from less developed areas.

The UAR continued to be by far the most important source of cotton, accounting for roughly half of the cotton imports by Communist countries from less developed countries in 1963. Syria, Sudan, and Brazil, in that order, were the next most important suppliers of cotton, providing 35 percent of the total. Imports of natural rubber by the Communist countries amounted to 537,000 tons in 1963, about 2 percent less than the volume imported in 1962. The major portion of these imports continued to come from Malaya and Singapore. The USSR again was the largest Communist purchaser, having imported about 297,000 tons, or more than half of total Communist purchases of rubber from less developed areas. Hides and skins, iron ore, and wool, in that order, accounted for most of the remainder of Communist imports of crude materials from less developed countries in 1963.

Although Communist imports of food products from the less developed countries rose by 23 percent, food products continued to account for only 28 percent of total Communist imports from the less developed countries. Increased imports were due mainly to larger purchases by the Eastern European countries, whose imports of food products were more than 40 percent above the 1962 level. Soviet imports of food products also increased, although to a lesser extent. Coffee, tea, and cocoa accounted for most of this increase and continued to hold first place among Soviet imports of food products from the less developed countries.

The Communist area did not offer much more of a market for the manufactures of less developed countries than in earlier years in spite of repeated Communist claims to the contrary. Although Communist imports of manufactures from the less developed countries increased by almost 60 percent, they amounted to only about \$95 million, or little more than 8 percent of the total value of imports. The increase was due mainly to larger purchases of cotton yarn from the UAR, of footwear and jute manufactures from India, and of aluminum and iron and steel from Spain.

Among exports from the Communist area to less developed countries, the share held by manufactured goods and machinery and transport

* See Figure 3, following p. 18.

S-E-C-R-E-T

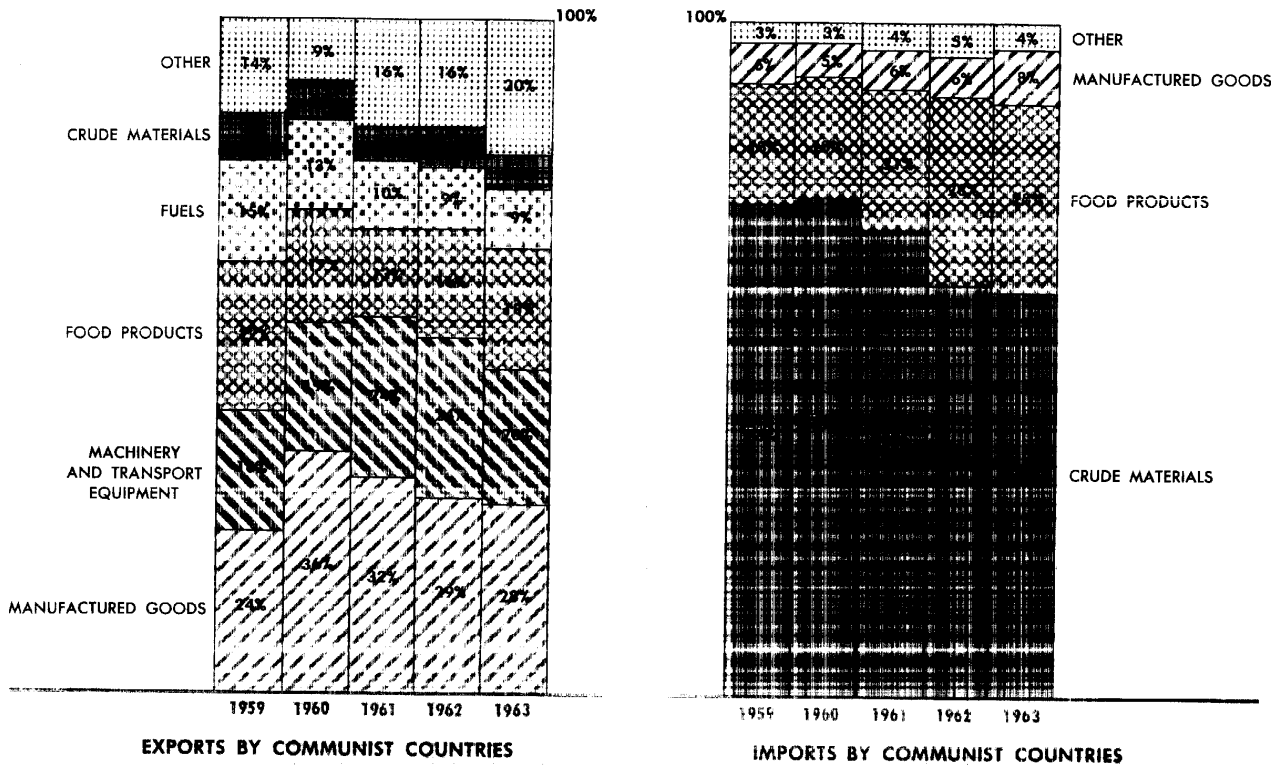
equipment declined somewhat, but these two categories of goods continued to account for nearly half of total exports. Soviet exports of machinery again consisted primarily of equipment for complete plants and various kinds of transportation equipment, and the Eastern European countries continued to deliver mainly transportation equipment, electrical machinery, and metalworking machinery. Communist exports of manufactured goods again were dominated largely by textile fabrics, yarns and threads, and iron and steel. Exports of food products increased by 27 percent, largely because of increased shipments of sugar, and accounted for almost one-fifth of total Communist exports to less developed countries. Of the remainder, petroleum and petroleum products accounted for about 10 percent.

S-E-C-R-E-T

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Figure 3

**TRADE OF COMMUNIST COUNTRIES WITH LESS DEVELOPED COUNTRIES OF THE FREE WORLD
BY COMMODITY GROUP*, 1959-63**



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**AID AND TRADE ACTIVITIES OF COMMUNIST
COUNTRIES IN LESS DEVELOPED AREAS
OF THE FREE WORLD
1 JULY - 31 DECEMBER 1964**

SUMMARY

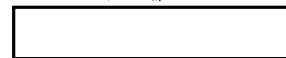
(The complete text of this report has been published separately.)

EIC R14-S18

February 1965

ECONOMIC INTELLIGENCE COMMITTEE
of the
UNITED STATES INTELLIGENCE BOARD

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FOREWORD

The EIC-R14 series provides periodic summaries and analytical interpretations of significant developments in the economic and military relations of Communist countries with less developed countries of the Free World. These developments are reported on a current, factual basis in the Biweekly Reports in the EIC-WGR-1 series.

This report, covering the 6 months from 1 July through 31 December 1964, constitutes the eighteenth periodic supplement to EIC-R14, the initial report on Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas, 8 August 1956, SECRET. The present supplement updates the previous semiannual report and includes the more significant developments during the reporting period. It also relates noteworthy noneconomic activities, including military aid, to economic operations of the Communist countries in less developed areas. Data have been revised to include new information, and figures in the current supplement supersede those in previous issues. This report was prepared by the Department of State and the Central Intelligence Agency. The draft was reviewed and coordinated by a Working Group of the Economic Intelligence Committee, including representatives of the Department of State; the Defense Intelligence Agency; the Departments of Commerce and Agriculture; the Agency for International Development; the National Security Agency; and the Central Intelligence Agency. The final report was approved by the Economic Intelligence Committee on 10 February 1965.

In this report the term Communist countries refers primarily to the following countries that extend aid to less developed areas: the USSR, Communist China, and the following countries of Eastern Europe -- Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania. For certain limited purposes the term also may include Albania, Cuba, Mongolia, North Korea, and North Vietnam, none of which is normally a donor of aid. Yugoslavia is not included.

The term less developed countries of the Free World includes the following: (1) all countries of Africa except the Republic of South Africa; (2) all countries in South and Southeast Asia; (3) Iceland, Portugal, and Spain; (4) all countries in Latin America except Cuba; and (5) all countries in the Middle East, including Cyprus, Greece, the Syrian Arab Republic, Turkey, and the United Arab Republic.

AID AND TRADE ACTIVITIES OF COMMUNIST COUNTRIES
IN LESS DEVELOPED AREAS OF THE FREE WORLD
1 JULY - 31 DECEMBER 1964

Summary

Communist aid undertakings in less developed countries continued at high levels in the last half of 1964, and record activity was registered for the year 1964 in all sectors of the economic aid program.* Communist countries extended more than \$600 million in new economic assistance to less developed countries in the last half of 1964, bringing total commitments for 1964 to an annual high of about \$1.5 billion and the cumulative total of all economic aid extended since the start of the Communist aid program in 1954 to \$6.5 billion. Military assistance of almost \$375 million during 1964 was roughly equal to annual commitments in 1962 and 1963 but was 60 percent below the 1961 peak.

The United Arab Republic (UAR), which received a total of almost \$220 million in Communist credits during the period, was by far the largest recipient of aid during the last half of 1964. Indonesia and Pakistan were the other main recipients. Four African countries -- the Central African Republic, Congo (Brazzaville), Senegal, and Uganda -- were added to the list of 30 countries that had been recipients of Communist economic aid in the past.

For the first time in any 6-month period, Communist China became the major Communist aid donor, with record extensions of \$246 million. Almost 80 percent of this total went to three countries -- the UAR, Pakistan, and Indonesia. Eastern European countries extended total credits of \$210 million to five less developed countries, of which one-third was accounted for by a single credit of \$70 million extended by Rumania to the UAR. The USSR extended \$147 million of credits in the second half of 1964. Although this level is far below Soviet commitments of \$686 million in the first half, aggregate Soviet aid of \$833 million extended in 1964 is almost equal to the 1959 Soviet annual record level of \$857 million. The reduced level of aid extended in the last half of the year may be attributed largely to the fact that major requests for assisting the 5-year plans of less developed countries had been satisfied earlier in the year and partly to Soviet inactivity resulting from the change in Soviet leadership. Except for \$41 million of credits to Afghanistan, all Soviet economic aid in the last half of 1964 was extended to five African countries, and the Soviet commitment of \$44 million to Kenya constituted the largest Soviet credit during the period.

Total drawings on Communist credits extended previously amounted to about \$500 million in 1964, or about 10 percent more than the \$464 million in 1963 and 40 percent more than in 1962.

* See Figure 1, following p. 2.

S-E-C-R-E-T

The number of economic technicians in less developed countries rose to 14,525 in the last 6 months of 1964, an increase of about 9 percent above the first half of the year. Although there was a slight decline in Soviet personnel, following the completion of some aid projects, the number of Chinese Communist technicians in the less developed countries increased by more than 75 percent to 2,160. Afghanistan, Algeria, Guinea, and the UAR continued to employ about half of all Communist technicians assigned to less developed countries.

About 1,000 technical trainees undertook training in Communist countries during the second half of 1964, bringing the total number who have departed for this training since 1956 to more than 9,500. At the end of 1964, 3,900 of these trainees still were studying in Communist institutions.

In spite of reports of continuing student dissatisfaction and clashes with Communist authorities, about 1,440 nationals from less developed countries departed for academic training in Communist institutions, bringing the total number of students who have gone to Communist countries for this training since 1956 up to about 17,000. Two-thirds of the 14,580 students undergoing training at the end of December were in the USSR; except for 300 enrolled in Chinese Communist universities, the remainder were studying in East European countries. More than half of the total number enrolled were from Africa, but Iraq continued to have the largest representation of any single country.

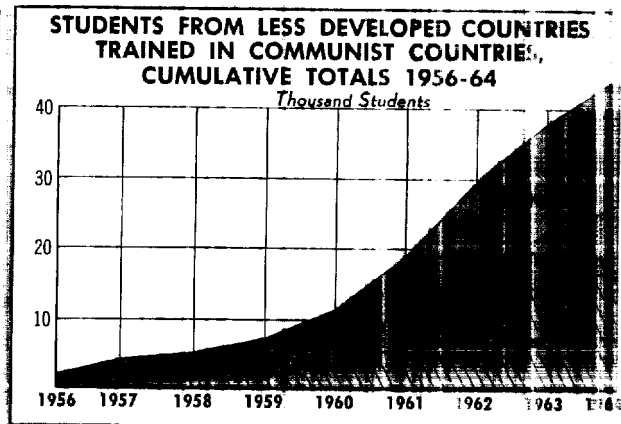
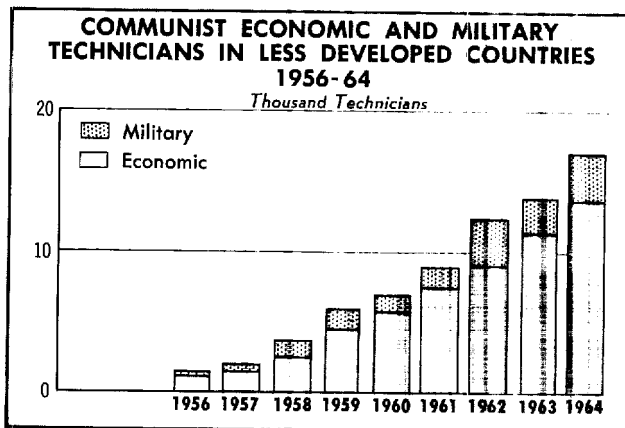
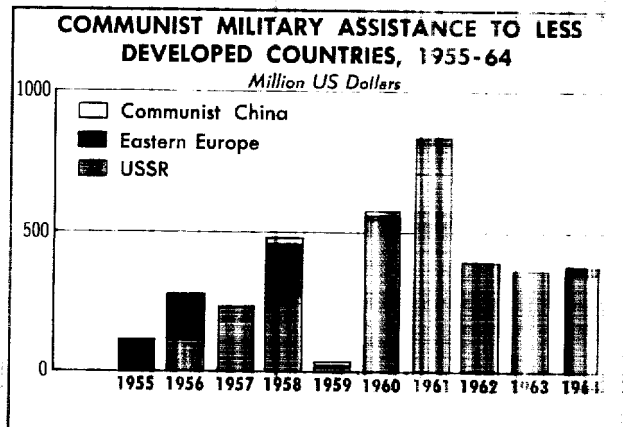
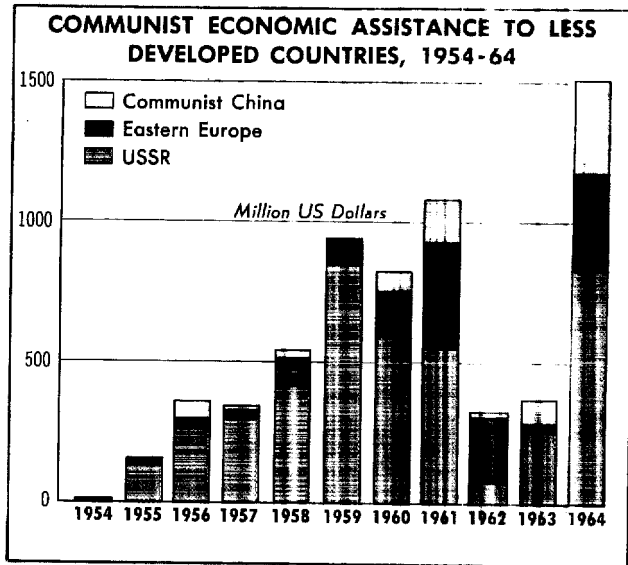
About \$300 million of new military aid was extended to less developed countries in the last 6 months of 1964, bringing the cumulative total of such aid extended between 1955 and 1964 up to \$3.7 billion. The USSR entered into new agreements to furnish military assistance to Afghanistan, India, Indonesia, Syria, and the UAR, and the Chinese Communists gave military aid to Cambodia in the last 6 months of 1964. Deliveries of military equipment under earlier agreements continued at high levels, especially to Algeria, Indonesia, and the UAR. During the last half of 1964, approximately 3,545 Communist military technicians were employed in less developed countries, and about 1,355 trainees from 11 less developed nations enrolled in military programs in Communist countries during the period.

Foreign trade turnover between Communist countries and non-Communist less developed countries amounted to almost \$1.5 billion during the first half of 1964, an increase of 11 percent above the comparable period in 1963. Imports rose 12 percent, and exports rose 9 percent. The largest percentage increase in trade between the Communist area and the less developed countries -- about 50 percent -- was recorded by Communist China, principally because of heavy imports of wheat from Argentina. Within the Communist area the countries of Eastern Europe continued to be the most important trading partners with the less developed countries. Their trade turnover totaled \$646 million compared with \$482 million for the USSR and \$272 million for Communist China.

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**ECONOMIC ACTIVITIES OF COMMUNIST COUNTRIES
IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD***

Selected Years, 1954-64



*Data are revised periodically to include new information and therefore may not be comparable with data previously presented.

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Asia continued to account for the largest share -- about 36 percent -- of Communist countries' trade with less developed areas and, as in the past, was followed in importance by the Middle East, which accounted for one-third of the total. There was little variation from former patterns in the commodity composition of this trade in 1963. Imports by the Communist area continued to be dominated by food products and crude materials, whereas manufactured goods and machinery again accounted for roughly half of Communist exports. The remainder of exports consisted of foodstuffs.

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**AID AND TRADE ACTIVITIES
OF COMMUNIST COUNTRIES
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OF THE FREE WORLD
1 JULY - 31 DECEMBER 1964**

April 1965

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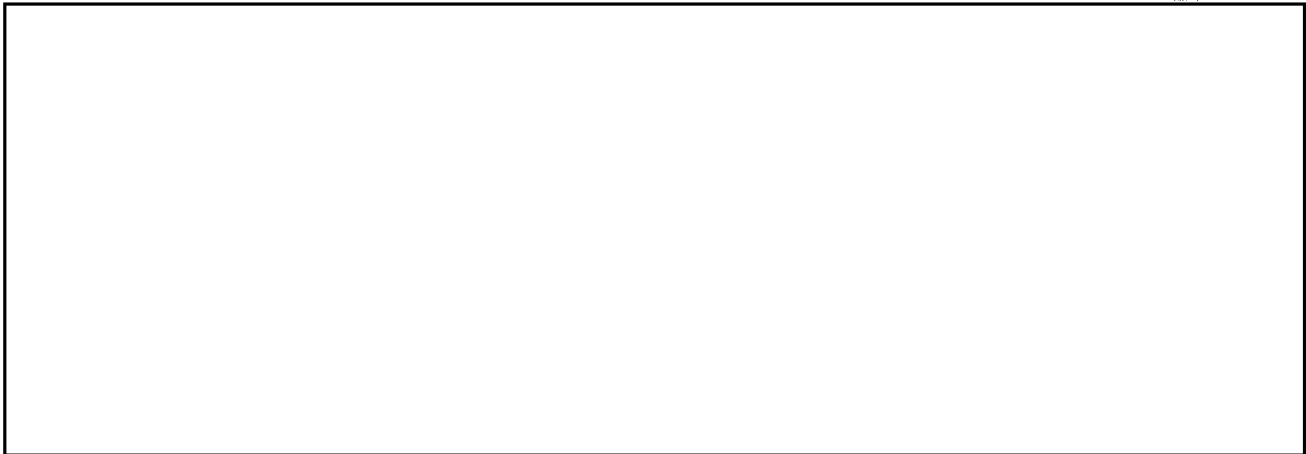
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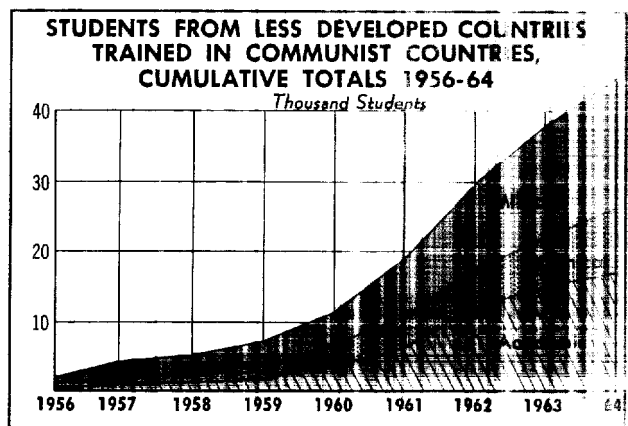
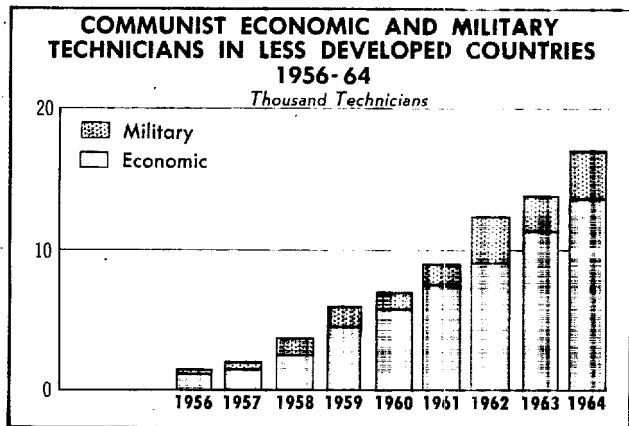
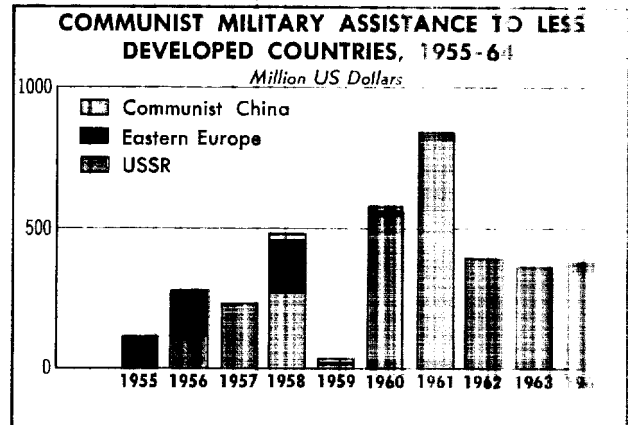
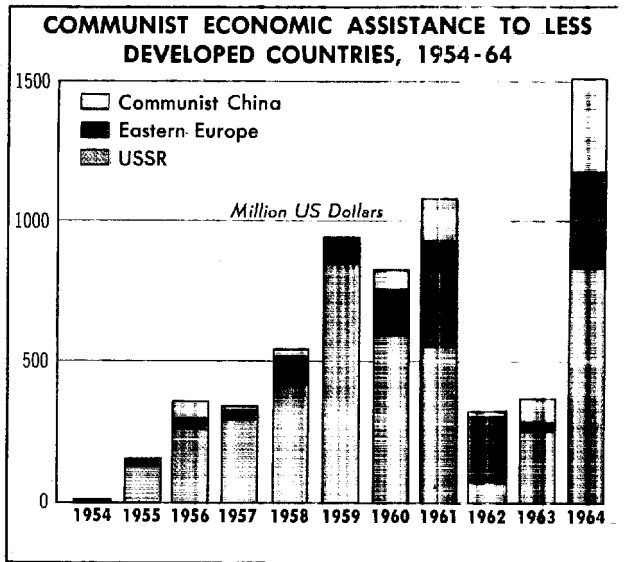
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I. Economic Assistance

A. Credits and Grants

Communist countries extended \$603 million of new economic assistance to less developed countries in the second half of 1964 (see Table 1*). These new credits bring the total amount of economic aid extended in 1964 up to a record \$1,512 million, or about two-fifths above the previous peak of \$1,092 million recorded in 1961.** Aggregate Communist economic aid extended to less developed countries from the beginning of the aid program in 1954 through the end of 1964 rose to about \$6.5 billion and the number of aid recipients to 34, as four African nations -- the Central African Republic, Congo (Brazzaville), Senegal, and Uganda -- were added to the list. By far the largest aid recipient during the last half of 1964 was the UAR, which received \$219 million in credits, bringing the total of economic aid extended to that country in 1964 up to almost \$500 million.

During the last half of 1964, Communist China extended a record level of \$246 million in credits to eight countries, or about 40 percent of total new Communist economic aid commitments during the period, and for the first time China became the major Communist aid donor. These new Chinese extensions together with the \$92 million extended in the first 6 months of the year raised the level of Chinese aid for 1964 to \$338 million, or more than double the 1961 peak level of \$163 million. During the period under review, about \$90 million, or almost 40 percent of total Chinese aid extended, was provided to three countries that had not received Chinese economic aid previously: the Central African Republic, Congo (Brazzaville), and Pakistan.

An \$80 million credit to the UAR was the largest Chinese credit extended during the last 6 months of the year and was the first aid to the UAR from China since its \$4.7 million grant during the Suez crisis in 1956. The credit was the second largest ever extended by Communist China and is exceeded in magnitude only by the \$84 million credit provided to Burma in 1961. Communist China also extended credits of \$60 million to Pakistan and \$50 million to Indonesia. A credit of \$22 million to Ghana was added to the \$20 million extended it by Communist China in 1961, in spite of the fact that no deliveries are known to have been made under the earlier credit. Credits to Congo (Brazzaville) and the Central African Republic of \$25 million and \$4 million, respectively, included provisions for a total of \$4 million in hard currency which, when added to the \$10 million included in the credit to Indonesia, raises total hard currency commitments to nearly \$19 million in 1964.

* P. 6, below.

** See Figure 2, following p. 6.

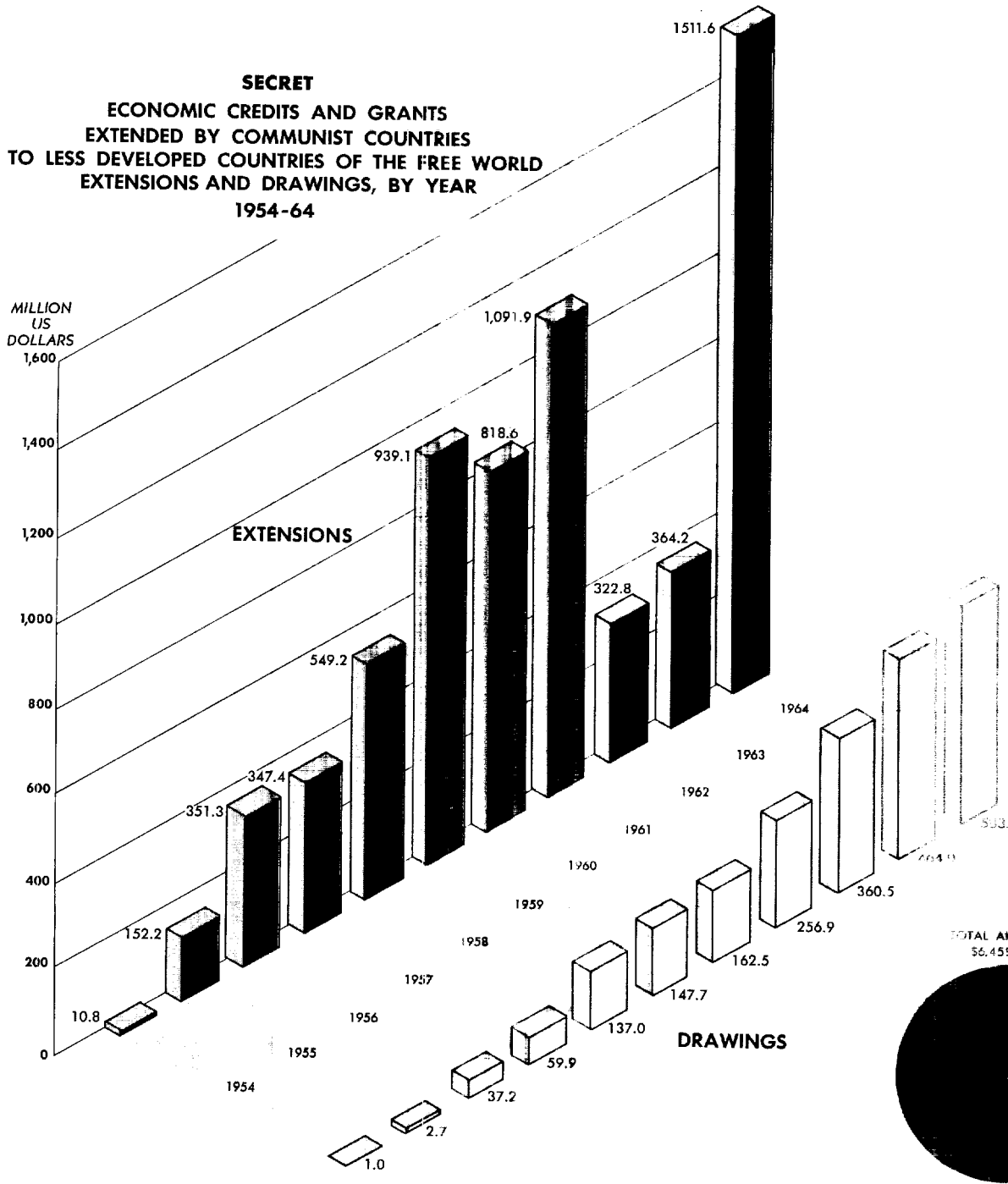
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and the total obligated by the Chinese for that purpose between 1956 and 1964 to \$42 million.

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ECONOMIC CREDITS AND GRANTS
EXTENDED BY COMMUNIST COUNTRIES
TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD
EXTENSIONS AND DRAWINGS, BY YEAR
1954-64



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The USSR extended \$147 million of new economic aid to six countries during the second half of 1964, bringing total Soviet aid extensions in 1964 up to \$833 million, almost equal to its record of \$857 million in 1959. With the exception of \$41 million in credits to Afghanistan, all Soviet economic aid extended during the last 6 months of the year was to five African nations. Soviet credits were extended to Senegal and Uganda, neither of which had previously received economic assistance from a Communist country. Following the Chinese lead, the USSR also signed economic aid agreements with the United Republic of Tanzania, Congo (Brazzaville), and Kenya -- the latter receiving a \$44 million credit, the largest Soviet aid commitment during the period. Negotiations continued with India on the Bokaro steel plant, to which the USSR had committed \$211 million in the first half of 1964. It appeared likely that the USSR would involve itself more heavily in that project as it agreed to assist in the second as well as the first stage of plant construction. Drawings on previously extended Soviet credits were slightly below the level of the first half of 1964, but total deliveries for the year were roughly equal to the 1963 level.

Eastern European countries made commitments of \$210 million of new aid during the period. East Germany was the largest donor, extending credits of \$75 million (to Indonesia, the UAR, and Syria) -- which exceeded the total amount of economic aid extended by East Germany from the beginning of the aid program in 1955 up to the last half of 1964 (\$65 million). Rumania was the second largest donor, with a single credit of \$70 million to the UAR. Czechoslovakia and Poland each extended credits to the United Republic of Tanzania and to Pakistan of \$6 million and \$14 million, respectively, and Poland extended a \$25 million credit to the UAR.

Aid deliveries in 1964 amounted to \$503 million, or 9 percent more than the level for 1963. This is considerably below the annual rate of increase for recent years. Total drawings on credits equaled \$232 million in the last half of 1964 compared with \$271 million in the first half. The decline is partly attributable to a deceleration in UAR drawings on the Aswan High Dam credits, after the completion of the first stage of the project, and to a decline in drawings on Eastern European credits.

B. Technical Assistance

1. Economic Technicians

Communist technical assistance activities continued apace during the last half of 1964 as the number of technicians sent to less developed countries rose to 14,525 -- about 9 percent above the previous 6-month total (see Table 7*). There was a slight decline in Soviet personnel following the completion of some projects, but the number of

* P. 40, below.

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Chinese Communist economic technicians who were dispatched to aid-receiving countries during the period increased by more than 75 percent, from 1,220 in the first 6 months of the year to 2,160 in the second half. The number of Communist personnel engaged in nonproject activity continued to increase during the review period, accounting for more than one-fourth of all technicians employed. The USSR, which in earlier years had supplied about three-fourths of all Communist technicians to less developed countries, now accounts for approximately 60 percent of the total, whereas Chinese technicians represent about 15 percent compared with less than 10 percent in the past.

Although Afghanistan, Algeria, Guinea, and the UAR continued to employ about half of the total number of Communist technicians, there were changes among the areas receiving technical personnel during the review period. The total number of technicians in Asia and the Middle East declined in the last half of 1964, whereas the number in Africa rose by about one-third.

Approximately 40 percent of all Communist economic technicians were employed in African countries compared with 30 percent in the previous 6-month period. Reflecting its increased interest in Africa, Communist China assigned to Africa almost 50 percent of the total number of technicians that it sent to less developed countries. In Guinea, 315 additional Chinese technicians arrived during the period to expedite the Chinese aid program in that country, and 365 were dispatched to Mali -- reportedly the forerunners of some 3,000 technicians whom China plans eventually to send to Mali to help implement its economic aid program in that country. The number of Soviet technicians in Algeria and Ghana rose by 150 and 50 percent, respectively, during the period, registering the largest Soviet personnel gains in Africa. Of the 1,610 Soviet and Eastern European technicians in Algeria, about 230 Soviet and 100 Eastern European personnel were skilled "volunteers" engaged in undertakings of a Peace Corps type designed to rebuild certain communities destroyed during the Algerian struggle for independence.

In spite of the large increase in the number of Communist technicians in Yemen, the number for the Middle East as a whole registered a net decline as certain phases of project activity in Iraq and the UAR were completed. More than 800 Soviet technicians departed from the site of the Aswan High Dam after completion of the first stage of construction in May 1964, although a large influx of technicians is expected again in 1965 as work progresses on the main dam and the electric grid network. The number in Iraq fell by 30 percent. In Yemen, however, the number of technicians rose by almost two-thirds as additional Chinese and Soviet technicians arrived to begin implementation of projects under their respective aid programs.

The slight decline in the number of economic technicians assigned to Asia in the last half of 1964 followed a drop of 45 percent

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in personnel in Indonesia and minor reductions in Ceylon and India. All other aid recipients in the area registered minor gains in the number of Communist personnel present, with Burma showing an increase of 20 percent as the result of additional project activity initiated by the Chinese.

The decline in the number of Soviet technicians in some of the countries is expected to be temporary. As Soviet-aided projects, under the near-record level of credits extended in 1964, are implemented, the number of Soviet technical personnel should rise again. The increase in Chinese technicians in less developed countries is expected to continue, following a year of peak credit extensions in 1964.

2. Academic Students and Technical Trainees

During the second half of 1964, about 1,000 nationals from less developed countries undertook technical training programs in Communist countries bringing the total number who have undertaken this training since 1956 to more than 9,500. As of December 1964, 3,900 of these still were being trained (see Table 8*). More than 40 percent of them were from the UAR, while three countries -- India, Algeria, and Ghana -- accounted for another 30 percent. As in the case of academic students, approximately two-thirds of the total number receiving training were in the USSR, with only a few in Communist China and the remainder in Eastern European countries.

During the last 6 months of 1964, about 1,440 nationals from less developed countries departed for academic training in Communist institutions, bringing the total number of students who have gone to Communist countries for this training since 1956 up to more than 17,000.

In spite of reports of continuing student dissatisfaction and clashes with Communist authorities, some 14,580 academic students were undergoing training at the end of December (see Table 9**), an increase of about 13 percent above the comparable period in 1963. Almost two-thirds of those being trained were in the USSR and, except for 300 enrolled in Chinese Communist universities, the remainder were studying in Eastern European countries. More than half of the total number of students being trained in Communist countries at the end of December were from Africa, with Ghana, Kenya, the Somali Republic, and Mali being most heavily represented. Iraq, with 1,965 students training in Communist institutions at the end of December, continued to have the largest number of any single country. It was followed by Indonesia, whose 1,025 students were studying primarily in the USSR and Czechoslovakia.

During the past 6 months, there was further evidence of continuing difficulties on the part of students from less developed

* P. 42, below.

** P. 44, below.

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countries, primarily Africans, in adjusting to local conditions and in their relations with authorities and other students. Relations between African students and Rumanian authorities and students, exacerbated by Bucharest's suppression of unauthorized demonstrations, deteriorated to the point of open clashes by year's end, and African students threatened to boycott classes until their demands for better treatment were met. In the USSR, similar conflicts occurred when a Kenyan Embassy official in Moscow had to go to Baku to help quell a "strike" by some 80 Kenyans who were refusing to attend classes in protest against poor instruction and the hostility of the Azerbaydzhanis.

Nearly 300 African students are reported to have left Communist countries between January and late October 1964 without completing their studies. The number of such defectors is small, however, when compared with the almost 8,700 Africans currently undergoing academic and technical training in Communist countries.

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II. Military Assistance

A. Credits and Grants

Communist countries extended about \$301 million of military aid to less developed countries during the last half of 1964, bringing the cumulative total of Communist military aid extended between 1955 and the end of 1964 to \$3.7 billion (see Table 2).* Although these new commitments represent a considerable increase above the \$72 million in military aid extended in the first half of 1964, the total of \$373 million for the year is considerably below the 1961 peak of almost \$850 million but roughly equal to annual commitments in 1962 and 1963. Soviet agreements with Afghanistan, India, Indonesia, and Syria and a Chinese Communist accord with Cambodia were completed during the review period. In addition, intensive negotiations were initiated between the UAR and the USSR late in 1964 during which time a substantial new military aid agreement apparently was concluded.

Table 2

Military Aid Extended by Communist Countries
to Less Developed Countries of the Free World
September 1955 - December 1964

	Million Current US \$
Estimated minimum value	3,810
Less downpayments	121
Amount of aid	3,689
Credits	2,230
Discounts and grants	1,459

An agreement in July between the USSR and Afghanistan resulted in the rapid delivery of surface-to-air missiles (SAM's) and antitank missiles in time for Afghanistan's Independence Day military parade on 23 August. MIG-21 jet interceptors may have been included in this agreement, but complete deliveries of this advanced weaponry will not be made until the return of pilot trainees from the USSR, probably late in 1965. The USSR also extended an estimated \$147 million to India for the establishment of an assembly complex for MIG-21 aircraft and for the delivery of MIG-21's, light tanks, and helicopters.

* The bulk of this aid has been provided by the USSR. Although Czechoslovakia and Poland were active in supplying arms in the early years of this activity, their roles have diminished considerably since 1960.

In early October, Moscow agreed to provide Indonesia with additional military equipment, including jet fighters, bombers, transports, helicopters, and naval craft. This assistance was promised in spite of the fact that the USSR has counseled Indonesia against escalating its confrontation with Malaysia. The new aid will accentuate the difficulties that Indonesia already has been experiencing in meeting its repayment obligations for the military indebtedness it has incurred with Communist countries. The USSR signed another military aid accord with Syria in October. Communist China concluded a military assistance pact with Cambodia during the second half of 1964 under which it agreed to furnish \$4 million worth of small arms, artillery, and -- later -- MIG aircraft.

Deliveries of military equipment under earlier agreements continued at high levels during the last half of 1964, especially to Algeria, Indonesia, and the UAR. Algeria received jet light bombers, jet fighters, medium tanks, motor torpedo boats, and assorted artillery pieces and military vehicles. Indonesia received Komar-class missile boats, An-12 transport aircraft, Mi-6 helicopters, and Il-28 jet light bombers, thereby boosting its air and naval capability. Other equipment deliveries -- largely vehicles, spares, and ammunition -- continued during the period to Iraq, Syria, and Cambodia.

The USSR continued to expand the number of countries to which it is willing to provide more complex weapons systems as well as the variety of such systems. In 1964, SAM's were introduced into Afghanistan and possibly earmarked for Syria. The world's largest helicopter, the Mi-6, was delivered to Indonesia and to the UAR. The improved version of the MIG-21 jet interceptor will be provided, beginning in 1965, to India, Indonesia, and Iraq. The Osa-class missile boat -- a larger version of the Komar-class gunboat -- may be supplied to Indonesia and possibly to the UAR. The escalation and proliferation of this advanced weaponry to less developed countries are expected to continue, and such items as the Su-7 ground attack aircraft and short-range surface-to-surface missiles (SSM's) may be included in future aid packages.

B. Technical Assistance

1. Military Technicians

Approximately 3,545 military technicians from Communist nations were in less developed countries during the last half of 1964, about 9 percent more than were there in the first half of the year. Although the number of military technicians increased in almost all recipient countries, these increases were nominal except in India and Algeria, where the numbers present during the last 6 months of 1964 were roughly double those in the previous half-year period. With the introduction of advanced weapons systems into the less developed countries, the number of Communist military technicians present in those countries should continue to rise.

2. Military Trainees from Less Developed Countries

During the last 6 months of 1964, about 1,355 nationals from 11 less developed countries enrolled in military programs in the USSR, Eastern Europe, and Communist China. While the USSR continued to play host to most of the trainees, 145 of those departing for training in Communist countries during the period went to Eastern European countries and 30 to Communist China.

By the end of 1964 a total of about 18,110 military personnel from less developed countries had been sent to Communist countries for training. Nearly half of these trainees were from Indonesia and another one-third from Iraq, Syria, and the UAR. The USSR has been responsible for training more than 80 percent of the total trained since the start of the program in 1955. At the end of 1964, approximately 3,245 military trainees from less developed countries were being trained in Communist military institutions, about 10 percent of whom were training in Eastern European countries, while all but 45 of the remainder were being trained in the USSR. Of the total being trained, the largest contingents were from Afghanistan, Algeria, Indonesia, and the UAR.

III. TradeA. Value

During the first half of 1964, foreign trade turnover between the Communist countries, excluding Cuba,* and the non-Communist less developed countries amounted to almost \$1.5 billion,** an increase of about 11 percent above the comparable period in 1963. Imports from less developed countries rose by about 12 percent, while a gain of 9 percent was recorded in exports. Within the Communist area the countries of Eastern Europe continued to be the most important trading partners with less developed countries. Their trade turnover totaled \$646 million during the 6-month period under review compared with \$482 million for the USSR and \$272 million for Communist China. The largest percentage increase in trade between the Communist area and less developed countries was recorded by Communist China, whose commercial exchanges with less developed areas were more than 50 percent above the comparable period of 1963. This increase was due mainly to increased imports of grain from Argentina and cotton from Syria. Detailed data on Communist exports to and imports from individual less developed countries are presented in Tables 10 and 11.***

B. Direction

Although Asia continued to account for the largest share -- about 36 percent -- of the Communist countries' trade with less developed areas during the first half of 1964, the percentage increase

* Cuba's trade turnover with less developed countries during the first 6 months of 1964 amounted to \$70 million, or almost double the level achieved in the comparable period of 1963. Morocco, Spain, and the UAR continued to be Cuba's major trading partners among the less developed countries. For data on Cuba's exports to and imports from individual less developed countries, see Tables 12 and 13, pp. 55 and 57, respectively, below.

** The value figures presented in this section are based primarily on trade statistics as reported by less developed countries themselves and are the only figures available for 1964. It should be noted, however, that because of timelags, differences in reporting methods, and coverage of less developed countries, these figures differ considerably from those on the same trade as reported in official Communist sources. One major difference stems from the fact that some less developed countries do not include in their trade returns those imports received under long-term economic credits whereas the Communist countries report as exports all goods furnished on credit, with the result that the value of this trade according to Communist sources exceeds the value reported by less developed countries.

*** Pp. 47 and 51, respectively, below.

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in this trade was the smallest recorded for any area -- about 3 percent. Total trade between the two areas amounted to \$522 million, of which more than three-fifths was accounted for by India and Malaya and Singapore. Indian exports to the Communist area during the first 6 months of 1964 were more than 43 percent above the comparable period in 1963, while imports registered a gain of 17 percent. Trade with Malaya and Singapore, however, declined by 42 percent, primarily because of a sharp drop in Communist purchases of rubber, which amounted to only 74,000 tons,* or about half the volume imported during the first half of 1963.

In the first 6 months of 1964 the Middle East continued to follow closely behind Asia as the Communist countries' second most important trading area within the group of less developed countries, with total trade between the two areas amounting to about \$478 million, or 7 percent above the level achieved during the comparable period of 1963. Communist exports to the area rose by 10 percent, while imports registered an increase of only 4 percent. Although Communist trade with the UAR declined by about 19 percent, primarily because of smaller deliveries from Eastern Europe, the UAR continued to be the principal Middle Eastern trading partner of the Communist countries, accounting for one-third of total trade with this area. Imports from the UAR amounted to \$120 million, a decline of 6 percent below the level recorded in the first half of 1963. The UAR sold 51 percent of its cotton to the Communist area during the season August 1963/July 1964 compared with 62 percent in the 1962/63 season, reflecting the UAR's successful efforts to sell more of its cotton to the West for hard currency.

The largest increase in both percentage and value of trade between the Communist countries and less developed countries was achieved in Latin America, where trade during the first half of 1964 totaled about \$223 million, an increase of 58 percent above the level of the corresponding period of 1963. Most of the increase was accounted for by large Chinese Communist purchases of grain from Argentina. Communist exports to the region fell by 10 percent.

Africa continued to account for about 13 percent of the trade between the Communist countries and less developed countries. Imports from Africa rose about 10 percent to \$94 million, whereas exports increased 37 percent to \$96 million, resulting in a trade turnover of \$189 million, an increase of 22 percent above the first 6 months of 1963. The increase in Communist exports to this area was due mainly to larger shipments to Morocco and Mali.

Communist trade with less developed countries of Europe remained small, amounting to only \$42 million, a decline of 30 percent from the first half of 1963, and accounting for only 3 percent of total Communist trade with all less developed countries.

* Tonnages are given in metric tons throughout this report.

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C. Commodity Composition

The commodity composition of the trade of Communist countries with less developed countries in 1963 showed little change from earlier years.* Imports by the Communist area continued to be dominated by food products and crude materials, which together accounted for almost 90 percent of total imports -- roughly the same share that has prevailed for the past several years. Cotton and rubber remained high on the Communist import list of crude materials, accounting for almost three-fourths of imports of this category of goods and for more than two-fifths of total imports from less developed areas.

The UAR continued to be by far the most important source of cotton, accounting for roughly half of the cotton imports by Communist countries from less developed countries in 1963. Syria, Sudan, and Brazil, in that order, were the next most important suppliers of cotton, providing 35 percent of the total. Imports of natural rubber by the Communist countries amounted to 537,000 tons in 1963, about 2 percent less than the volume imported in 1962. The major portion of these imports continued to come from Malaya and Singapore. The USSR again was the largest Communist purchaser, having imported about 297,000 tons, or more than half of total Communist purchases of rubber from less developed areas. Hides and skins, iron ore, and wool, in that order, accounted for most of the remainder of Communist imports of crude materials from less developed countries in 1963.

Although Communist imports of food products from the less developed countries rose by 23 percent, food products continued to account for only 28 percent of total Communist imports from the less developed countries. Increased imports were due mainly to larger purchases by the Eastern European countries, whose imports of food products were more than 40 percent above the 1962 level. Soviet imports of food products also increased, although to a lesser extent. Coffee, tea, and cocoa accounted for most of this increase and continued to hold first place among Soviet imports of food products from the less developed countries.

The Communist area did not offer much more of a market for the manufactures of less developed countries than in earlier years in spite of repeated Communist claims to the contrary. Although Communist imports of manufactures from the less developed countries increased by almost 60 percent, they amounted to only about \$95 million, or little more than 8 percent of the total value of imports. The increase was due mainly to larger purchases of cotton yarn from the UAR, of footwear and jute manufactures from India, and of aluminum and iron and steel from Spain.

Among exports from the Communist area to less developed countries, the share held by manufactured goods and machinery and transport

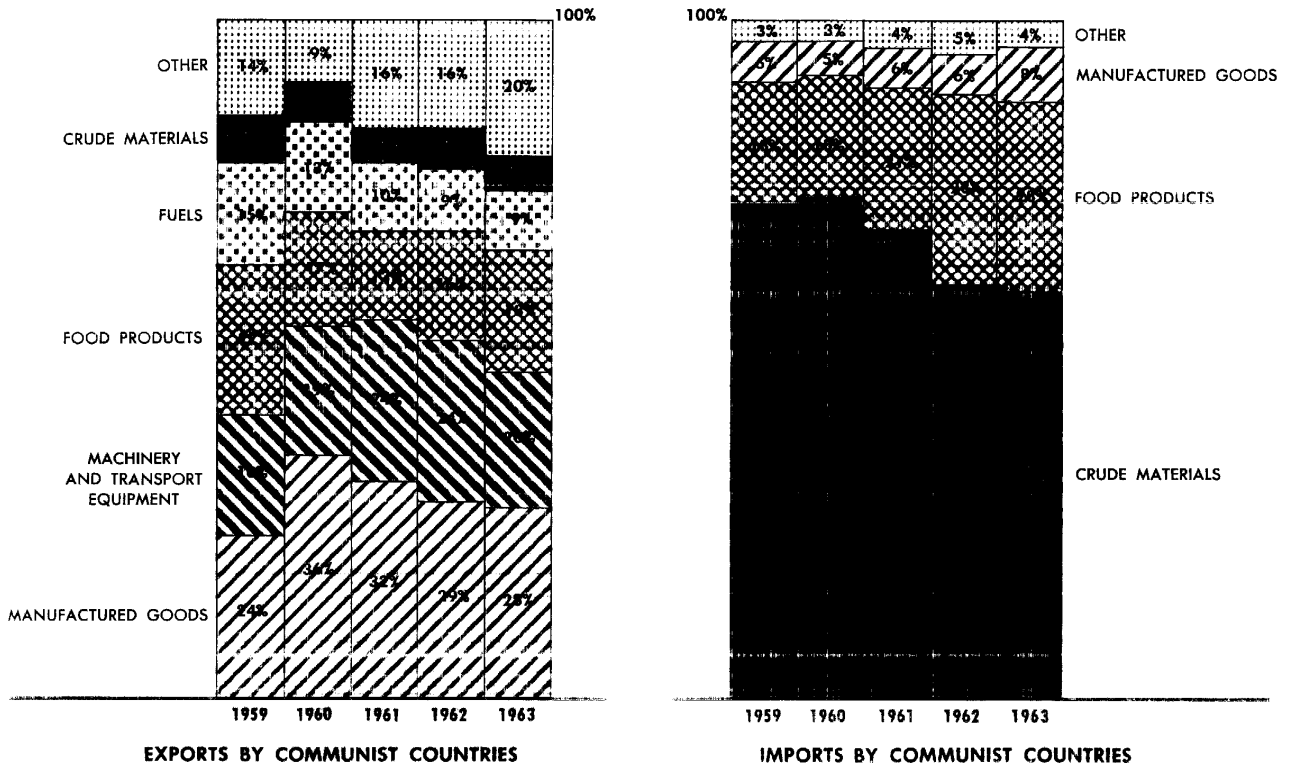
* See Figure 3, following p. 18.

equipment declined somewhat, but these two categories of goods continued to account for nearly half of total exports. Soviet exports of machinery again consisted primarily of equipment for complete plants and various kinds of transportation equipment, and the Eastern European countries continued to deliver mainly transportation equipment, electrical machinery, and metalworking machinery. Communist exports of manufactured goods again were dominated largely by textile fabrics, yarns and threads, and iron and steel. Exports of food products increased by 27 percent, largely because of increased shipments of sugar, and accounted for almost one-fifth of total Communist exports to less developed countries. Of the remainder, petroleum and petroleum products accounted for about 10 percent.

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Figure 3

**TRADE OF COMMUNIST COUNTRIES WITH LESS DEVELOPED COUNTRIES OF THE FREE WORLD
BY COMMODITY GROUP,* 1959-63**



Based on trade returns of about 20 countries. For the remainder of countries, these report commodity data.

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