

Secret



25X1

AID AND TRADE ACTIVITIES OF COMMUNIST
COUNTRIES IN LESS DEVELOPED AREAS
OF THE FREE WORLD — 1966

ECONOMIC INTELLIGENCE COMMITTEE
of the
UNITED STATES INTELLIGENCE BOARD

Secret

EIC R14-S21
March 1967

Copy 662

2081941

25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

SECRET

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

25X1



**AID AND TRADE ACTIVITIES OF COMMUNIST
COUNTRIES IN LESS DEVELOPED AREAS
OF THE FREE WORLD — 1966**

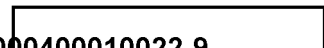
EIC R14-S21

MARCH 1967

ECONOMIC INTELLIGENCE COMMITTEE
of the
UNITED STATES INTELLIGENCE BOARD

SECRET

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9



25X1

SECRET

25X1

FOREWORD

The EIC-R14 series provides periodic summaries and analytical interpretations of significant developments in the economic relations and military aid activities 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-WCR-1 series.

This report, covering the 12 months from 1 January through 31 December 1966, constitutes the twenty-first 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 annual 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, which includes 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 14 February 1967.

In this report the term *Communist countries* refers primarily to the following countries that extend aid to less developed countries of the Free World: 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.

SECRET

iii

25X1

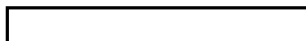
SECRET



25X1

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 Asia except Japan; (3) Portugal and Spain; (4) all countries in Latin America except Cuba; and (5) all countries in the Middle East, including Cyprus, Greece, Syria, Turkey, and the United Arab Republic.

SECRET



iv

25X1

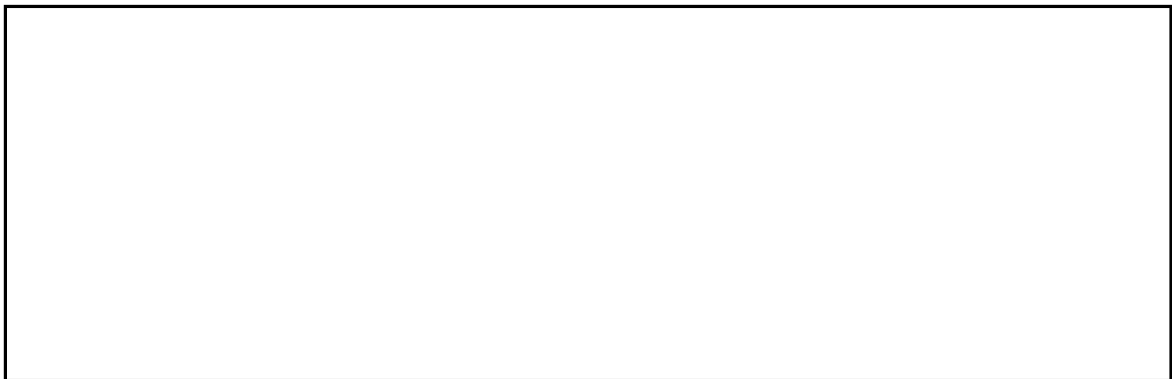
SECRET



25X1

CONTENTS

	<i>Page</i>
Summary	1
I. Communist Activities in Less Developed Areas, by Type of Activity	7
A. Introduction	7
B. Economic Assistance	8
1. Credits and Grants	8
a. Extensions	8
b. Terms	11
c. Drawings	12
d. Repayments	13
2. Technical Assistance	14
a. Economic Technicians	14
b. Academic Students and Technical Trainees	15
C. Military Assistance	16
1. Credits and Grants	16
2. Technical Assistance	18
a. Military Technicians	18
b. Military Trainees from Less Developed Countries	18
D. Trade	19
1. Value	19
2. Direction	21
3. Commodity Composition	23



25X1

SECRET



v

25X1

25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

Next 3 Page(s) In Document Exempt

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

SECRET



AID AND TRADE ACTIVITIES OF COMMUNIST COUNTRIES IN LESS DEVELOPED AREAS OF THE FREE WORLD, 1966

SUMMARY

Introduction

During 1966 the Communist countries continued to employ foreign aid as an instrument for reducing Western influence and enhancing their own position in the less developed countries. For Communist China and the USSR, these programs had the additional objective of countering each other's influence in many of the less developed countries.

The USSR, while continuing as in 1965 to review the feasibility of project aid requests more critically than it had in the past, extended a near-record level of new economic aid in 1966 (*see Figure 1*).* Its largest commitment was to India's Fourth Five Year Plan (1 April 1966 - 31 March 1971). It also extended a large credit to Syria for building the Euphrates Dam, which, together with the continuing economic and military aid programs in other Arab countries, reaffirmed the USSR's determination to support the "progressive" Arab countries.

In 1966 the USSR committed a larger share of its aid undertakings than it had previously to credits that were of a more "commercial" character. Although their terms (5- to 10-year repayment periods and 2.5 to 4 percent interest) still place them in the category of aid, these credits are being used to strengthen the trade orientation of the aid program and also to extend economic aid to countries, such as Brazil, that have been reluctant to accept Soviet project aid.

The countries of Eastern Europe reduced their aid undertakings in 1966, although Hungary extended its largest credit since the incep-

* In this report the term *extension* refers to a commitment to provide goods and services, either as a grant or on deferred payment terms. Assistance is considered to have been extended when accords are initiated and constitute a formal declaration of intent. The term *obligation* refers to a credit or grant when it has been allocated to specific end uses. The term *drawings* refers to the delivery of goods or the use of services.

SECRET



1

25X1

SECRET

25X1

tion of the aid program (\$52 million to India). The Chinese continued to commit new economic aid to countries that either are to the south of its border or in which they believe there are regimes with exploitable "revolutionary potential" (such as Guinea, Tanzania, and Yemen).

Economic Credits and Grants

The high level of Communist economic aid activity in 1964 and 1965 was sustained in 1966 with the extension of almost \$1.3 billion of new economic assistance to 16 less developed countries. These new commitments increased the level of Communist aid undertakings since the inception of the aid program in 1954 to more than \$9 billion. The USSR extended \$979 million of aid in 1966, accounting for about 77 percent of the total for the year. The largest Soviet commitment in 1966 was \$555 million to India's Fourth Five Year Plan. The USSR also extended a \$133 million credit to Syria for building the first stage of a dam on the Euphrates River and smaller credits to 10 countries. During 1966, more than 40 percent of the total value of Soviet credits was extended by the Ministry of Foreign Trade as trade ("commercial") credits. These credits, which often require downpayments, carry shorter amortization periods (5 to 10 years) and have somewhat higher interest rates than the economic aid traditionally extended by the State Committee for Foreign Economic Relations.

East European countries extended \$179 million of economic aid in 1966, or about 14 percent of total Communist aid extended during the year. The distribution of East European aid among recipients followed that of the USSR, with India and Syria accounting for about 70 percent of total commitments. Chinese Communist assistance in 1966 totaled \$117 million, the same amount that was extended in 1965.

Drawings on Communist economic aid declined in 1966 for the second consecutive year, to about \$418 million. In part, the decline was caused by reduced project activity as construction neared completion or approached a new stage in countries that are major aid recipients. The decline also is a result of the small amount of aid extended in 1962 and 1963, large parts of which would normally have been used in 1966, and because not enough time had elapsed to allow the initiation of major projects under the large aid commitments made in 1964 and 1965.

SECRET

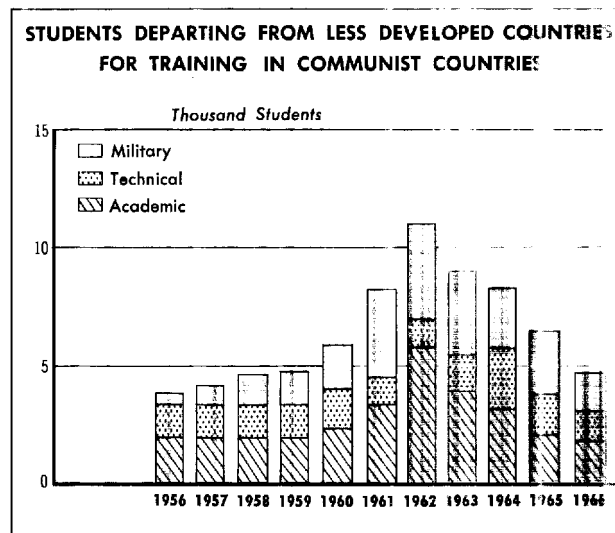
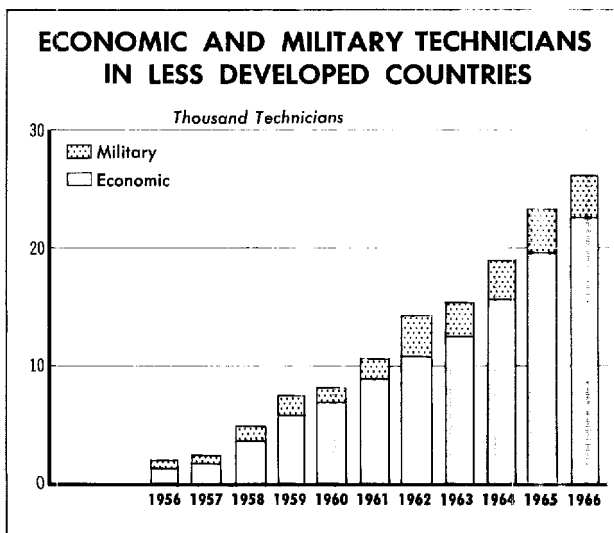
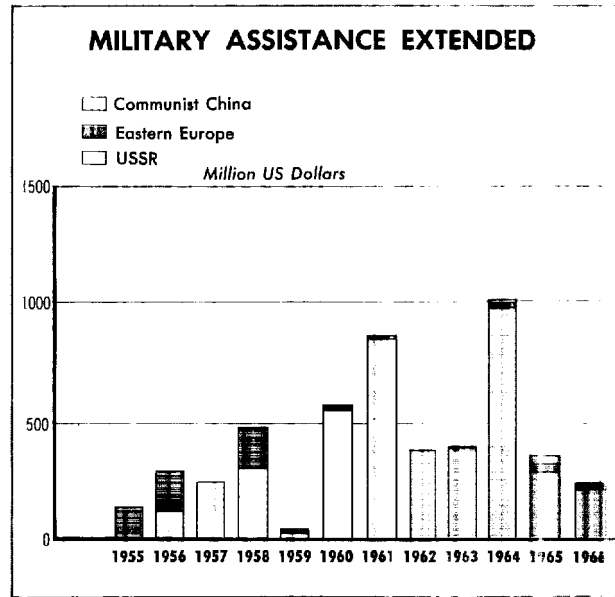
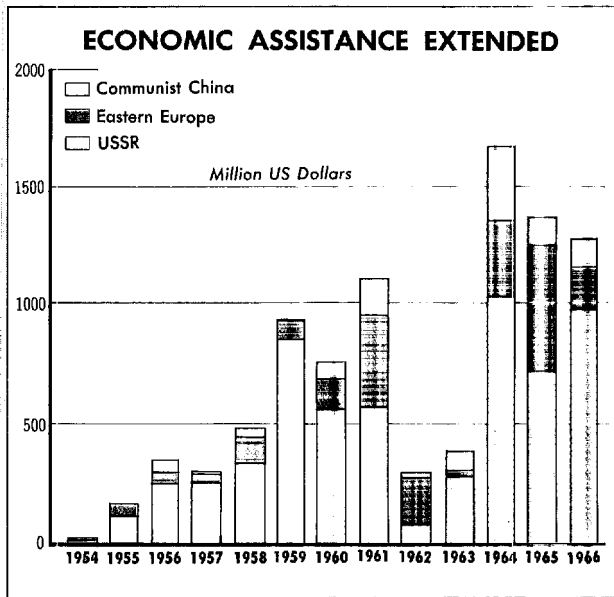
2

25X1

SECRET

Figure 1

COMMUNIST ACTIVITY IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD*, 1954-66



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

SECRET

SECRET

Repayments of principal and interest due on drawings under the Soviet economic aid program have risen from an estimated \$20 million in 1960 to approximately \$115 million in 1965 and \$150 million in 1966. An estimated \$65 million also was due in 1966 on drawings under the East European aid programs. Because Ghana and Somalia were unable to fulfill their debt-servicing obligations, the USSR allowed them to defer some of these payments in 1966. The USSR was reported also to have given relief to the United Arab Republic (UAR) in making repayments on its military debt and agreed to re-schedule Indonesia's military debt.

Economic Technicians

The number of Communist economic technicians employed in less developed countries during 1966 increased by 11 percent over 1965, to more than 22,430. By the end of the year, however, there were reductions in the number of technicians present in Indonesia, Ghana, Nepal, the UAR, and Yemen because of political factors or because certain stages of major projects on which they were employed had been completed. Africa continued to employ the largest share of Communist technicians, reflecting the heavy concentration of Chinese in the area as well as the large group of Soviet and East European personnel engaged in activities not related to specific projects. The concentration of technicians in a few countries continued to characterize the technical assistance program. During the year the UAR employed an estimated 2,000 Soviet technicians, of whom 1,000 were engaged in work on the Aswan High Dam and related facilities. Another 1,500 Soviet technicians were in India and 1,340 in Afghanistan. The heaviest concentration of Chinese technicians was in Mali, where about 1,350 were employed.

Academic Students and Technical Trainees

The number of academic students enrolling for the first time in Communist institutions declined for the fourth consecutive year in 1966, to 1,675, bringing the total number of enrollees since 1956 up to 23,685. Approximately 58 percent of the new students in 1966 were from Africa, with students from Latin America and the Middle East accounting for an additional 19 and 17 percent, respectively. The USSR continued to accommodate the largest number of new students in 1966, about 85 percent of the total, but Communist China is not known to have admitted any new students. At the end of 1966, more

SECRET

3

SECRET

25X1

than 16,700 students were still pursuing academic programs in Communist countries.

The number of nationals departing in 1966 from the less developed countries for technical training in Communist countries declined by 24 percent from the previous year, to an estimated 1,205. This brought the total number who have undertaken this training during the past decade to 12,200.

Military Credits and Grants

Communist countries extended a minimum of \$231 million of military aid to less developed countries during 1966, bringing the total of such aid extended since 1955 to \$4.9 billion. The largest commitment in 1966 was a \$181 million Soviet credit to Iraq. The USSR also is believed to have agreed to extend an estimated \$25 million in aid to Syria and small amounts to Cambodia, Morocco, and Tanzania. It also conducted arms negotiations with Iran. Communist China extended a \$4 million credit to Tanzania, and Czechoslovakia agreed to provide an estimated \$14 million worth of equipment to the UAR, possibly under long-term credit, and extended a credit of \$1 million to Cyprus. Deliveries of military equipment under earlier agreements in 1966 increased beyond the high levels of the past few years. Heavy deliveries of equipment continued to flow to the UAR, India, and Algeria. Iraq began to receive equipment under the 1966 arms agreement with the USSR.

Military Technicians and Trainees

In 1966 the number of Communist military technicians in less developed countries declined to 3,435, a 10-percent reduction from the 1965 level. Most of the drop is accounted for by the reduction in the number of technicians in Indonesia after the attempted coup in 1965. The number of technicians present in the UAR, Congo (Brazzaville), and Yemen also declined, but these declines were offset to some extent by increases in the number present in most other countries. The largest increases were in Afghanistan and Iraq.

During 1966, some 1,550 nationals from less developed countries enrolled in military training programs in Communist countries, about 57 percent of the number who departed for similar training in 1965. The total number who have undergone this training since 1955 is

SECRET

25X1

SECRET

25X1

almost 22,300, and at the end of 1966 about 3,630 still were being trained.

Trade

Total trade turnover between the Communist countries and less developed countries during the first half of 1966 increased by about 22 percent over the corresponding period of 1965. This expansion was accounted for primarily by increased Soviet and East European trade with the less developed countries. In 1965, total Communist trade with these countries increased by 20 percent over 1964 to \$4.3 billion. The USSR accounted for the largest part of the increase, rising from \$1.4 billion in 1964 to \$1.8 billion in 1965. Eastern Europe's trade with the less developed countries rose by 16 percent in 1965 to over \$1.7 billion, while Communist China's trade with these countries rose by 23 percent, from \$652 million in 1964 to \$802 million in 1965.

The geographic distribution of Communist trade with the less developed countries in 1965 followed the general pattern of 1964, concentrating on Asia and the Middle East in general and on India and the UAR in particular.

In 1965 the commodity composition of trade between Communist and less developed countries varied only slightly from 1964. Crude materials and food products continued to account for about 85 percent of Communist imports from less developed areas although the share of food products was somewhat less in 1965 than it had been in 1964. Communist exports of machinery, transport equipment, and manufactured goods continued in 1965 to account for more than 60 percent of total Communist exports to less developed countries, but there was a decline in the importance of machinery and equipment. While the value of such exports to less developed countries rose, their share of total Communist exports to less developed countries declined from a high of 40 percent in 1964 to 36 percent in 1965.

SECRET

5

25X1

SECRET



25X1

I. Communist Activities in Less Developed Areas, by Type of Activity

A. INTRODUCTION

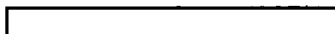
During 1966 the Communist countries continued to employ foreign aid as an instrument for reducing Western influence and enhancing their own position in the less developed countries. For Communist China and the USSR, these programs had the additional objective of countering each other's influence in many of these countries.

Paced by large extensions of military and economic aid to Syria and large new military aid commitments to Iraq, the Soviet Union continued its support of the "progressive" Arab countries in the hope that it can promote the ascendancy of political forces there which ultimately will align themselves with the Soviet Bloc. The Soviet leadership also continued to push for the unification of all "progressive" forces in the area into a common anti-imperialist front and called for the backing of Nasser as the vanguard of these forces.

On the Indian subcontinent, the Soviet Union not only undertook additional large economic aid commitments in India to maintain its influence in that country but also extended sizable new credits to Pakistan to arrest that country's pro-Chinese drift. Sub-Saharan Africa continued to hold a secondary position in Soviet policy in the less developed countries during 1966. The largest Soviet credit to this area—\$20 million to Tanzania—was the culmination of negotiations on an offer made early in 1964. With the ouster of Nkrumah from Ghana in February, the USSR lost one of its most active champions in Africa, and its aid activities in Ghana came to a virtual standstill.

Although the USSR extended a near-record level of new economic aid in 1966, it continued, as in 1965, to review the feasibility of project aid requests more critically than before. In addition, the USSR committed a larger share of its aid undertakings in 1966 to credits of a more "commercial" character, although their terms still place them in the category of aid. These trade credits generally allow repayment periods of 5 to 10 years for deliveries of equipment to small projects and for non-project-related imports. Thus more than 40 percent of all Soviet credits extended during the year were in the form of trade credits. These trade credits are being used by the USSR to penetrate

SECRET



7

25X1

SECRET

25X1

areas that have been reluctant to accept project-type economic aid from the USSR, such as Brazil. Trade credits, as opposed to project aid, are intended also to strengthen the trade orientation of the aid program and to consolidate commercial relationships with the less developed countries.

The countries of Eastern Europe reduced their aid undertakings in 1966, although Hungary extended its largest credit since the inception of the aid program (\$52 million to India).

The Chinese also continued to maintain the pattern of aid extensions that has characterized their aid program in recent years. New economic aid commitments were undertaken in countries which are either peripheral to Communist China (Cambodia and Nepal) or in which the Chinese believe there are regimes with exploitable "revolutionary potential" (such as Guinea, Tanzania, and Yemen). The program continued to be oriented toward roadbuilding and small light industrial and agricultural undertakings that are labor intensive in character. As in the past, China also provided commodities and small amounts of hard currency to a number of less developed countries. It also extended credits to Guinea for funding its trade deficit, as it had done before in Burma and Indonesia.

B. ECONOMIC ASSISTANCE

1. Credits and Grants

a. *Extensions*

In 1966, Communist countries extended almost \$1.3 billion of new economic assistance to 16 less developed countries of the Free World (see Figure 2 and Table 1*).** These new undertakings brought total Communist aid commitments since the inception of the program in 1954 to more than \$9 billion and sustained the high levels of activity in 1964 and 1965. As in most years, the USSR accounted for the major share of new aid commitments in 1966, extending about 77 percent of the total. The contribution of East European countries was 14 percent, and Communist China provided the remainder.

* P. 9.

** For a summary of specific credits and grants by Communist countries to less developed countries, see Tables 8 through 11, pp. 81 through 160, below.

SECRET

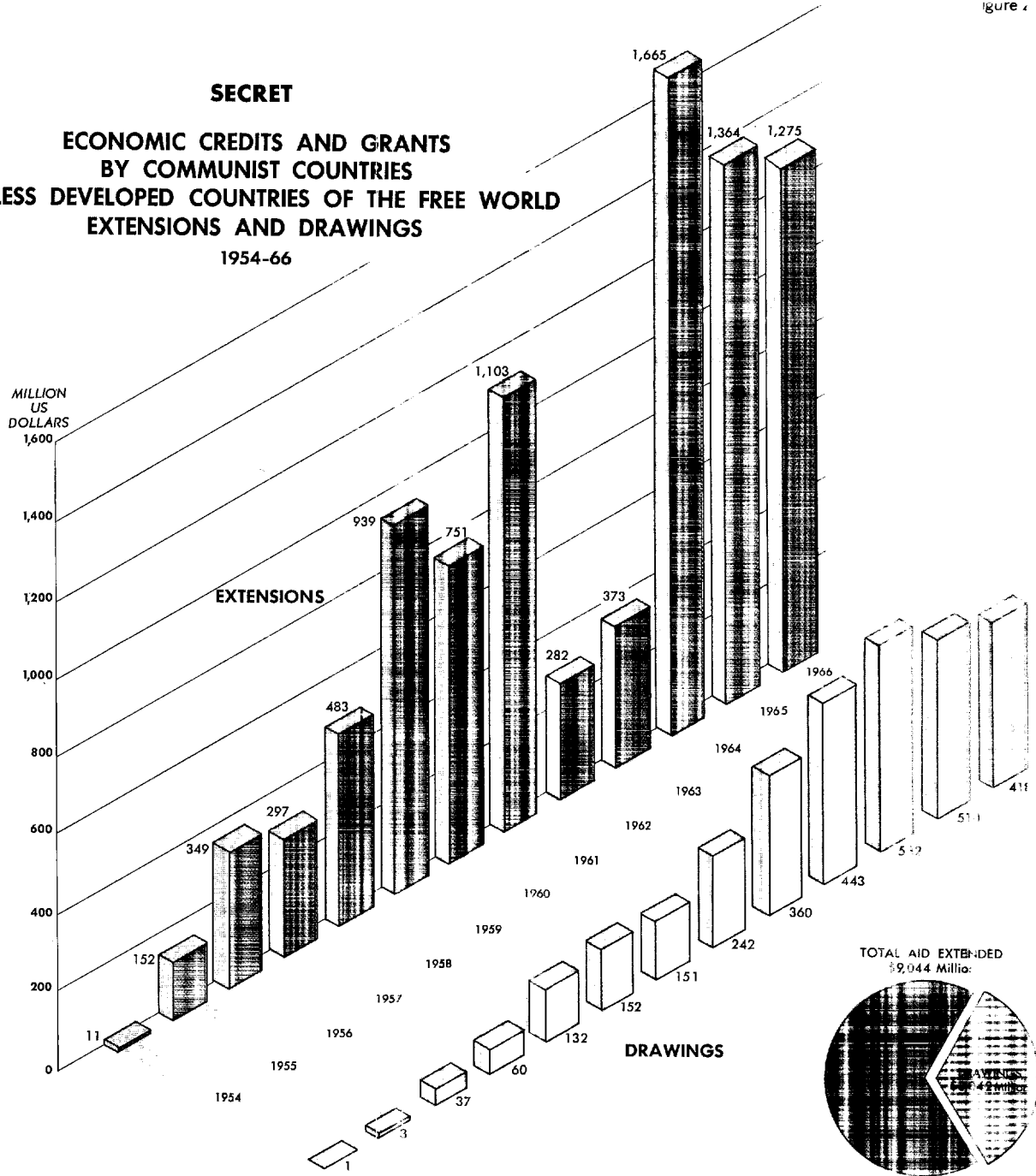
3

25X1

Figure 4

SECRET

**ECONOMIC CREDITS AND GRANTS
BY COMMUNIST COUNTRIES
TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD
EXTENSIONS AND DRAWINGS
1954-66**



55836 2-67 CIA

SECRET

25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

SECRET

25X1

Again demonstrating its willingness to extend economic assistance when favorable opportunities exist, the USSR extended \$979 million of economic aid to 12 countries in 1966. This was only slightly less than the record extensions of about \$1,025 million made in 1964 and 38 percent above the 1965 level. Two countries—Morocco and Tanzania—received Soviet economic aid for the first time, bringing the number of recipients of such aid up to 35.

The USSR committed more than 80 percent of its aid in 1966 to three countries—India, Syria, and Pakistan. The largest Soviet commitment was to India's Fourth Five Year Plan. About \$555 million in new credits was designated for the current plan, bringing total Soviet aid to India up to \$1.6 billion, by far the largest Soviet commitment to any single country. The second largest Soviet aid undertaking in 1966 was a \$133 million credit to Syria for building the first stage of a dam on the Euphrates River. This commitment witnessed the return of the USSR to a project which it had accepted in 1957 but from which it withdrew in 1960 after completing the initial project surveys. Although West Germany had agreed to undertake the project, protracted difficulties in negotiations eventually led to a resumption of discussions with the USSR in 1965 and to an agreement early in 1966. The USSR also extended a credit of \$84 million to Pakistan in 1966 supplementing the \$50 million in credits extended to that country in the previous year. Another commitment of Soviet economic assistance during 1966 was a \$100 million credit to Brazil. Credits of \$46 million and \$20 million were extended to Morocco and Tanzania in 1966, and the USSR committed minor amounts of aid to Afghanistan, Algeria, Cambodia, Guinea, Iraq, and Somalia.

East European countries extended a total of \$179 million of economic aid in 1966, about one-third of the peak extensions by these countries in 1965 and a little more than one-half of their extensions in 1964. Hungary was the largest donor, extending \$68 million. Its largest single credit, \$52 million to India, was the first Hungarian aid to that country. Hungary also extended \$14 million in credits to Syria. Bulgaria extended credits of \$15 million each to India and Syria, and Czechoslovakia committed \$30 million in credits to Syria and \$28 million to Pakistan. East Germany provided Burma with a \$14 million credit, and Poland extended \$3.5 million in credits to Afghanistan. Additional small amounts of assistance were extended by East European countries to Algeria, Afghanistan, Brazil, and Yemen.

SECRET

10

25X1

SECRET



Chinese Communist economic assistance in 1966 totaled \$117 million, the same amount that was extended in the previous year. The largest Chinese commitment was a credit of \$43 million to Cambodia, followed by \$28 million in credits to Guinea and a \$20 million grant to Nepal. Communist China also agreed to supply Yemen with \$14 million of commodity assistance and Mali with \$3 million in hard currency. Small grant assistance was provided to Somalia and Tanzania.

b. *Terms*

During 1966 the USSR increased its emphasis on the commercial aspects of the Soviet economic aid program by extending a substantial amount of trade ("commercial") credits under the auspices of the Ministry of Foreign Trade (*see Table 2*). Most Soviet aid credits have been extended by the State Committee for Foreign Economic Relations and cover the foreign exchange costs of equipment and technical assistance for projects being constructed with Soviet assistance. The repayment period for these credits is usually 12 years after the completion of project deliveries with an interest charge of 2.5 percent. Trade credits extended by the Ministry of Foreign Trade usually cover small project undertakings or equipment deliveries not related to specific projects and carry shorter amortization periods—5 to 10 years. In some cases a downpayment is required, and the interest rate varies from 2.5 to 4 percent.

Prior to 1966 almost all Soviet economic aid was project oriented and was extended under the more liberal terms provided by the State

Table 2

Soviet Aid Extended as Trade Credits
1966

	Amount (Million Current US \$)	TERMS		
		Downpay- ment (Percent)	Number of Years to Repay	Interest (Percent)
<i>Total</i>	400.8			
Brazil.....	100.0	15	8	4
India.....	222.2	15	8 to 10	3
Iraq.....	5.6		6	
Morocco.....	10.0		8	3
Pakistan.....	63.0	10	10 *	2.5 to 3

* Repayment to be 40 percent in hard currency, 60 percent in goods.

SECRET



SECRET

25X1

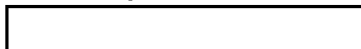
Committee. Of the total value of Soviet aid extended between 1954 and 1965 for which terms are available, about 70 percent allowed 12 years for repayment. Another 20 percent allowed longer repayment periods, often as a result of grace periods that were permitted before repayments were to be initiated. For the most part these aid agreements allowed repayments to be made in the currency of the debtor countries or in commodities. Downpayments are known to have been required in only a few cases. In 1966, more than 40 percent of the total value of new Soviet credits was extended by the Ministry of Foreign Trade on less favorable terms than have been applied to most of the economic aid extended by the USSR in the past. In addition, offers of large trade credits currently are being negotiated with several Latin American countries. These credits are referred to by the USSR as "commercial credits" and tend to emphasize trade as opposed to aid. The first large trade credits were extended to Argentina in 1958. The agreement (which lapsed after only \$29 million had been used) was originally for \$100 million and allowed 7 years for repayment, to begin 3 years after delivery. In 1964 the USSR extended 5-year trade credits totaling \$178 million to the UAR. The only other significant example of the use of trade credits by the USSR prior to 1966 is the \$50 million of credits extended to Pakistan in 1965.

c. Drawings

Drawings on Communist economic aid declined for the second consecutive year in 1966. They are estimated at about \$418 million for 1966, or approximately 20 percent below the 1964 and 1965 levels. The largest drop was in drawings on Soviet credits, but the deliveries of other major donors also declined in 1966. In part the decline was due to a leveling off in project activity in countries that are major aid recipients. For example, in India the overwhelming emphasis during 1966 was on completing projects under way and bringing them up to capacity operation rather than on initiating new projects. As many projects under the Third Five Year Plan neared completion or approached a new stage of construction, the requirements for imported equipment were greatly reduced, and local inputs became more important for putting equipment in place and starting trial operations. To some extent this was also true of major projects in the UAR, especially the Aswan High Dam, where more than three-fourths of the dam and 80 percent of the transmission lines had been completed by the end of the year.

SECRET

SECRET



The low level of drawings also reflected the fact that not enough time had elapsed to permit initiation of major projects under the large aid commitments made in 1964 and 1965. In Algeria, Syria, India, Iran, Turkey, and the UAR, major new projects, valued at over \$1 billion, were still under survey, and 2 to 4 years, or more, may elapse before construction is initiated on many of these.

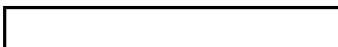
Another reason for the lower level of drawings in 1966 is the small amount of aid extended in 1962 and 1963. Drawings on aid committed in those years would to some extent have been initiated in 1966 and might have compensated somewhat for the reduced activity under older agreements. In addition, the usual problems in implementing programs continued in most areas. In Africa, in particular, there was continuing dissatisfaction with the rate of progress of the Soviet aid program. Recipient countries were largely responsible for the lag in implementation: poor management, unskilled labor, and shortages of local funds continued to hinder project implementation. Demands for hard currency were made by several countries, and Mali was reported to have received a small amount from the USSR, probably under an old credit. Not only was the USSR more cautious in undertaking additional projects in these countries, but it also initiated with some recipient countries a review of old commitments. In Mali and Somalia a number of proposed projects were eliminated and the size of others reduced.

d. *Repayments*

Scheduled cumulative repayments of principal and interest on the debt incurred by less developed countries for economic assistance from the USSR and East European countries since 1954 are estimated at more than \$750 million. If these repayments were made as scheduled, the net indebtedness of the less developed countries to the USSR and Eastern Europe for deliveries of economic aid would have been approximately \$1.9 billion at the end of 1966. In fact, since a number of countries were not able to make their payments as scheduled, the net indebtedness is somewhat higher.

As total deliveries under the aid program have increased, there has been a considerable rise in the debt-servicing obligations of the less developed countries. For example, scheduled repayments of principal and interest due on long-term economic indebtedness to the USSR rose from an estimated \$20 million in 1960 to approximately \$115

SECRET



13

SECRET

25X1

million in 1965 and \$150 million in 1966. An estimated \$15 million was due East European countries in 1960, about \$45 million in 1965, and an estimated \$65 million in 1966. In recent years, however, a number of less developed countries have experienced difficulties in meeting their repayment obligations. In some instances the USSR and certain East European countries agreed to reschedule repayments of debtor countries. Afghanistan, Guinea, Mali, the UAR, and Indonesia were among those that have been given relief on their economic or military debt repayments in the past. In 1966, Ghana received a 4-year moratorium (1967-70) on the repayment of half of its long-term economic credits. Somalia was allowed to defer all initial repayments of principal on economic indebtedness to the USSR until 1970 and defer repayments on all military indebtedness until 1970. A number of countries also had difficulties in servicing their military debts in 1966. The USSR was reported to have allowed concessions to the UAR in making repayments on these debts and agreed to reschedule Indonesia's military debt.

2. Technical Assistance

a. *Economic Technicians*

The number of Communist economic technicians employed in less developed countries in 1966 continued the upward trend that has characterized this part of the aid program since its inception in 1954. An estimated 22,430 Communist technical personnel were present in aid-receiving countries during 1966 (excluding persons present for less than 1 month), an increase of about 11 percent over the previous year (*see Table 12**). By the end of 1966, however, several countries (Indonesia, Ghana, Nepal, the UAR, and Yemen) experienced sharp reductions in the number of technicians present. In some cases the reduction was related to the completion of construction of projects or parts of projects. In the UAR, for example, approximately 500 Soviet technicians departed from the site of the Aswan High Dam as major construction work on the dam itself was completed and as trainees who had received technical training in the USSR returned home and undertook more of the skilled operations. In Ghana, all but 40 of the 1,130 Communist technicians employed at the beginning of the year were expelled following the coup in February.

* P. 161.

SECRET

SECRET

25X1

The concentration of technicians in a few countries continued to characterize Communist technical assistance programs in the less developed countries. Ten countries accounted for about three-fourths of all Communist technicians during 1966; Algeria and the UAR alone were hosts to more than 21 percent of these technical personnel. About 63 percent of all Chinese technicians were employed in three countries; 64 percent of all East European personnel were in five countries; and 62 percent of Soviet technicians were in six countries. An estimated 2,000 Soviet technicians were in the UAR during the year, of whom about 1,000 were engaged in the construction of the main dam and the electric power grid system eventually to be fed by the Aswan High Dam. About 1,350 Chinese were employed in Mali establishing rice, sugarcane, and tea plantations and constructing small-scale industrial facilities.

Africa continued to employ the largest share of Communist technicians, accounting for nearly half of all such personnel in 1966. For the most part this reflects the presence of sizable numbers of Chinese technicians and the large groups of Soviet and East European personnel engaged in activities not related to specific projects. Most of the nonproject personnel were employed as advisers and planners, medical specialists, teachers, or administrators. They represented about 40 percent of the total number engaged in economic activities in African countries and were most heavily concentrated in Algeria, Libya, Mali, and Tunisia. The number of such personnel in African countries is likely to continue to increase as these countries seek to fill their insatiable requirements for professional and technical personnel.

b. Academic Students and Technical Trainees

The number of students from less developed countries enrolling for the first time in academic training programs in the Communist countries declined for the fourth consecutive year. During 1966, an estimated 1,675 students (the lowest number of new enrollees since 1959) departed for Communist academic institutions, compared with 1,965 in 1965 and 5,680 during the peak year of 1962 (*see Table 14**). This declining trend, however, may be leveling off as the actual decline in 1966 totaled less than 300, compared with an annual average decline of about 1,240 during the preceding three years.

African countries continued to dispatch the largest numbers of students to the Communist countries. Students from Latin America

* P. 164.

SECRET

15

SECRET

25X1

and the Middle East accounted for an additional 19 percent and 17 percent, respectively. The largest single group of students (170 students) were Guinean nationals. The USSR continued to accommodate the largest numbers of new enrollees in 1966, about 85 percent of the total. Communist China is not known to have admitted any new students during the year.

The estimated number of students from the less developed countries who have enrolled in academic programs in Communist countries since 1956 now totals 23,685. Approximately half of these were from African countries. Four countries—Ghana, Indonesia, Iraq, and Sudan—account for more than 30 percent of the total number of students that have gone to Communist countries for academic training. The Soviet Union has been host to nearly two-thirds of the total. At the end of 1966 more than 16,700 students still were pursuing their academic programs in Communist countries. In September 1966, university programs in China were suspended until the fall of 1967.

Because of the lull during 1966 in initiating major new projects under the aid program, the number of personnel going to Communist countries to undertake technical training declined by 24 percent from 1965. An estimated 1,205 nationals from less developed countries initiated technical training programs in Communist countries during 1966, bringing the total number who have undertaken this training during the past decade to about 12,200 (*see Table 13**). India and the UAR have accounted for nearly half of all trainees dispatched to Communist countries since 1956. Most of these technical personnel have gone to the USSR for training connected with such major projects as the Bhilai steel mill and the Aswan Dam. For the most part, trainees from the less developed countries have consisted of skilled laborers and professional, technical, organizational, and managerial personnel whose training is related to the manpower requirements for Communist-aided projects in their homeland.

C. MILITARY ASSISTANCE

1. Credits and Grants

Communist countries extended a minimum of \$231 million of military aid to less developed countries during 1966 (a decline of 30 percent from the level of 1965), bringing the total of such aid extended since 1955 to \$4.9 billion (*see Table 3 and Figure 1*). The USSR

* P. 162.

SECRET

16

25X1

SECRET



provided more than 90 percent of the total extended in 1966, thus continuing as the chief supplier of Communist arms aid to less developed countries. The USSR signed an important new agreement with Iraq to provide \$181 million in aid to that country and is believed to have agreed to supply an estimated \$25 million of aid to Syria and small amounts to Cambodia, Morocco, and Tanzania. Moscow also conducted arms negotiations with Iran.*

Communist China extended a \$4 million credit to Tanzania. This new extension brought China's total commitments since 1955 to about \$85 million, or somewhat less than 2 percent of the total extended by all Communist countries. In 1966, Czechoslovakia agreed to provide the UAR with an estimated \$14 million worth of jet trainers, presumably on long-term credit, and provided a \$1 million credit to Cyprus.

Table 3
Military Aid Extended by Communist Countries to Less Developed Countries of the Free World,* 1955-66

	Million Current US \$
Estimated minimum value	5,079
Less downpayments	186
<i>Amount of aid</i>	4,893
Credits	2,999
Discounts and grants	1,894

* For an enumeration of military aid agreements, see Table 15, p. 167.

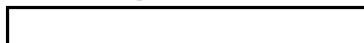
During 1966, military aid delivered under earlier agreements increased beyond the high levels of the past few years (see Table 16**). A heavy flow of equipment to the UAR continued under the estimated \$250 million agreement of November 1964. Deliveries included about 30 Su-7 Fitter fighter-bombers, additional MIG-21 jet fighters, 5 R-class submarines, and 9 Osa-class missile patrol craft. In November the UAR Defense Minister held further discussions in Moscow on the Soviet aid program, but negotiations for additional arms are not expected until 1967.

An ever-increasing variety of Soviet and Czechoslovak military equipment arrived in India during the year. These deliveries included Tu-124 and An-12 transports, Mi-4 helicopters, *Polnocny*-class landing craft, T-54 and T-55 medium tanks, and 130-mm field guns. Delivery

* Early in 1967 an agreement was signed between Iran and the USSR for the purchase of antiaircraft guns and military vehicles. This constitutes the first such Communist agreement with Iran and the second Communist agreement with a member of the Central Treaty Organization.

** P. 170.

SECRET



SECRET

25X1

schedules were still being worked out for jet fighters, submarines, patrol craft, and other ground forces equipment. The MIG-21 factory at Nasik, one of three plants in a MIG-21 assembly complex being built with Soviet aid, began limited assembly operations during the year. By the end of 1972 the plant is expected to produce a total of about 150 aircraft, including at least 60 assembled entirely from Soviet components.

Soviet deliveries to Algeria included 15 Il-28 light jet bombers, 20 MIG-21 jet fighters, 30 MIG-15/17 jet fighters, 22 other aircraft, 6 *Komar*-class missile patrol craft (the first in Algeria's naval inventory), surface-to-air missile (SAM) equipment, and a variety of armored vehicles, artillery, and other land armaments. Iraq began to receive some equipment in September under the new accord signed with the USSR in May. Afghanistan, Cambodia, Mali, and Somalia also received small deliveries of aircraft and land armaments, and Pakistan received substantial quantities of Chinese equipment under the October 1965 agreement.

2. Technical Assistance

a. *Military Technicians*

The number of Communist military technicians in less developed countries dropped to 3,435 in 1966, a decrease of nearly 10 percent from the 1965 level (*see Table 17**). The decline is accounted for almost entirely by the reduction in the number of technicians in Indonesia from over 500 in 1965 to about 20 in 1966, following the attempted coup in Indonesia in the fall of 1965. There was also a substantial reduction in the estimated number of Communist technicians in the UAR (from 1,000 in 1965 to 750 in 1966) largely reflecting continued progress on the installation of the Soviet-built SAM system in that country as well as the UAR's growing capability to conduct low-level training without foreign assistance. Other less dramatic declines occurred in Congo (Brazzaville) and Yemen. These were only partly offset by the increases in the number of Soviet specialists in Afghanistan, India, Iraq, Mali, and Somalia and the arrival in Pakistan of 90 Chinese Communist military technicians to assist in the assembly and instruct in the use of military equipment delivered in 1966.

b. *Military Trainees from Less Developed Countries*

During 1966 a total of 1,550 nationals from 13 less developed countries enrolled in military training programs in Communist countries,

*P. 173.

SECRET

18

25X1

SECRET

25X1

only about 57 percent of the number that departed for similar training in 1965 (*see Table 18**). In the UAR, 235 trainees departed in 1966, compared with 300 in 1965. The largest reduction in departures occurred in Algeria, where the number fell from 775 in 1965 to 105 in 1966. A marked decline also is noted for Indonesia, where the number of military trainees that departed for training in 1966 was 350 below the previous year.

Approximately 22,300 military personnel from 18 less developed countries have been sent to Communist countries for military training since 1955. At the end of 1966, some 3,630 still were undergoing training. Indonesia has accounted for almost 42 percent of the total number of military personnel who have gone to Communist countries for training, and four other countries—Afghanistan, Algeria, Syria, and the UAR—account for an additional 38 percent. Since the start of the program in 1955, the USSR has trained about 85 percent of the total and at the end of 1966 was responsible for 92 percent of those still being trained.

D. TRADE

1. Value

Total trade turnover between the Communist countries and the less developed countries in the first half of 1966 is estimated to have increased by about 22 percent compared with the first half of 1965. Soviet trade with these countries increased by more than 32 percent while East European and Chinese Communist trade with these areas increased by 16 and 14 percent, respectively. Of particular interest in 1966 were the large sales of Argentine wheat to both the USSR and Communist China, made under contracts negotiated in 1965. Largely as a result of these sales, Argentine exports to Communist countries rose in the first half of 1966 to about \$185 million, which is roughly equal to the total amount for the entire year 1965.**

* P. 174.

** Because of a lack of complete data for 1966, the remainder of this section analyzes developments during 1965. The value data on Soviet foreign trade with the less developed countries are from comprehensive official Soviet foreign trade handbooks. For Eastern Europe and Communist China, the trade returns of the less developed countries have been used. It should be noted that the figures used for Soviet trade are the sum of the figures given in the Soviet trade handbook for trade with each less developed country and this sum amounts to \$1,770 million. This handbook also gives a total figure for trade with the Free World which contains an unexplained export residual of \$271 million. This residual could include Soviet deliveries of military items, which are excluded from the country breakdowns and also from this section.

SECRET

19

25X1

SECRET

25X1

Total Communist trade* with the less developed countries rose to \$4.3 billion in 1965, an increase of 20 percent over 1964 (*see Figure 3*). Imports increased more rapidly than exports during the year (by 22 percent, compared with 18 percent), but the value of total Communist exports to the less developed countries continued to exceed that of imports. Although East European countries and Communist China contributed to the growth in Communist trade with the less developed countries in 1965, the USSR accounted for the largest part of the increase.

After leveling off in 1964, Soviet trade with the less developed countries in 1965 reverted to the previous pattern of a relatively rapid rate of growth, rising from \$1.4 billion in 1964 to \$1.8 billion in 1965, or by 22 percent. This growth was primarily a result of (a) increased Soviet purchases of Argentine wheat, Malaysian rubber, and Egyptian cotton and cotton products and (b) increased sales of petroleum, petroleum products, and machinery and equipment to both Argentina and the UAR.

Eastern Europe's trade with the less developed countries, while expanding somewhat less rapidly than that of either Communist China or the USSR, rose by 16 percent in 1965, to over \$1.7 billion. In contrast with the USSR's and Communist China's increased trade with less developed countries, exports from Eastern Europe expanded more rapidly than its imports from these areas. The largest increases in East European exports were to Ghana, the UAR, Iraq, and Spain, for which the total increase was more than \$100 million in 1965.** Communist China's trade with the less developed countries in 1965 continued the upward trend that began in 1963, rising from \$652 million in 1964 to \$802 million in 1965, an increase of 23 percent. Increased purchases of cotton from the UAR and Pakistan accounted for a large part of the increase.

Although there was an increase in Soviet exports in 1965, deliveries under the Soviet economic aid program declined. In 1963 and 1964, Soviet exports under long-term credits accounted for approximately

* Excluding Cuba. Its trade with the less developed countries in 1965 totaled \$170 million, compared with \$225 million in 1964. Although Morocco and Spain continued to be the chief trading partners, Cuba's trade with each of these countries declined markedly during 1965. For data on Cuba's exports to and imports from individual less developed countries during 1963-65, see Tables 21 and 22, pp. 181 and 182.

** For detailed data on Communist exports to and imports from individual less developed countries, see Tables 19 and 20, pp. 175 and 178, respectively.

SECRET

20

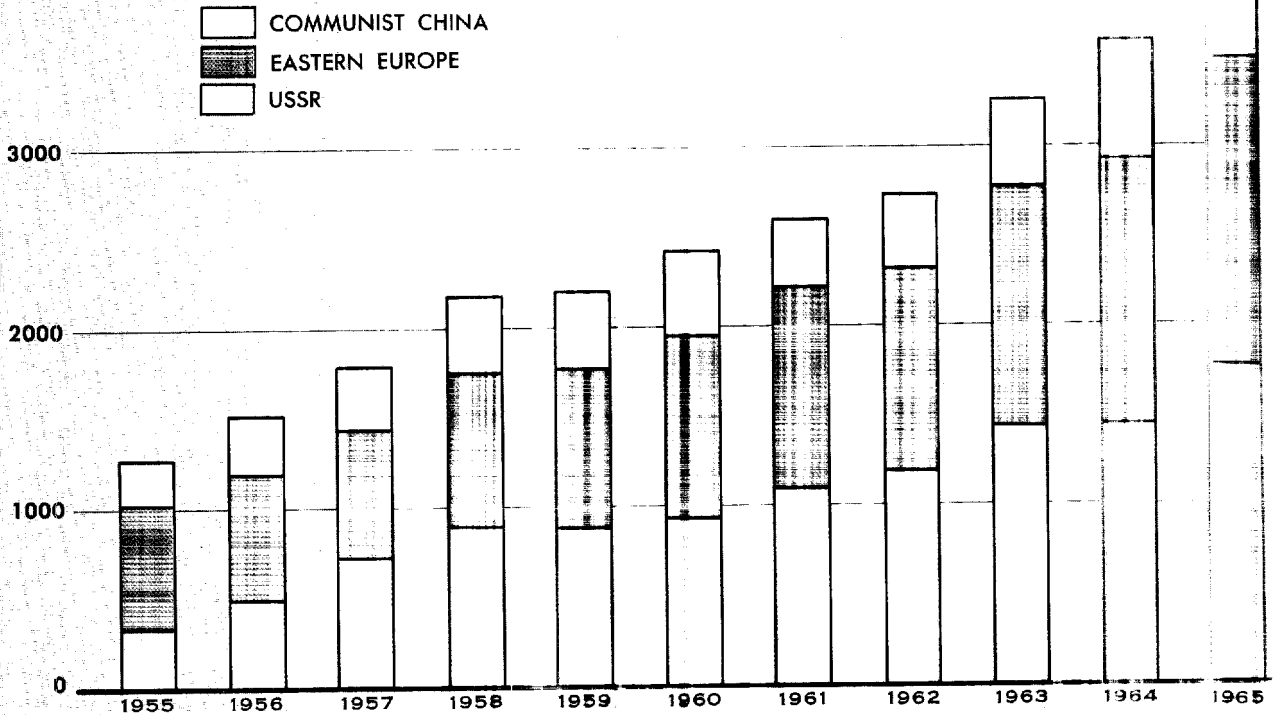
25X1

CONFIDENTIAL

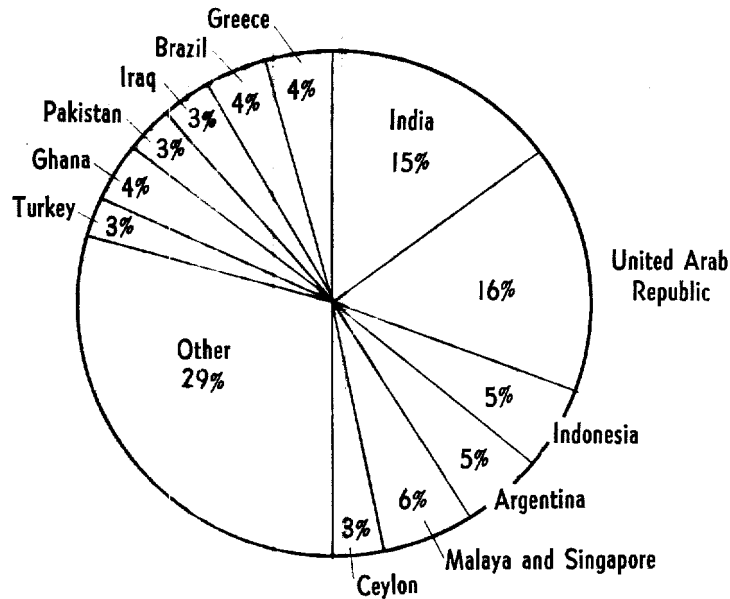
Figure 3

Trade of Communist Countries with Less Developed Countries of the Free World, 1955-65* and Percentage Distribution, 1965

Million US Dollars
4000



*A small amount of trade with certain less developed countries has been excluded because it cannot be distributed by Communist countries. The totals also exclude the trade of less developed countries with North Korea, North Vietnam, and Mongolia.



55837 2-66 CIA

CONFIDENTIAL

SECRET

25X1

45 percent of Soviet exports to less developed countries. In 1965, however, these exports accounted for only about 39 percent.

There was little change between 1964 and 1965 in the pattern of participation of Communist countries in their trade with less developed areas. The Soviet and East European shares of Communist trade with the less developed countries during the two years each hovered around 40 percent. Communist China's share was about 19 percent in both 1964 and 1965.

The less developed countries accounted for 10 percent of total Communist trade in 1965, compared with 9 percent in 1963 and 1964. The Communist area's share in the aggregate trade of the less developed countries remained at 5 percent, as in previous years.* In spite of these relatively low ratios, the Communist area continued to account for a major share of the trade of certain less developed countries. For example, Communist countries supplied more than one-fifth of the total imports of Afghanistan, Cambodia, Ghana, Guinea, Iraq, Mali, and the UAR and absorbed more than one-fifth of the total exports of Afghanistan, Ghana, Greece, Sudan, Syria, and the UAR. Communist countries also continued to purchase sizable portions of products that are major earners of convertible currency for some less developed countries. In 1965 these purchases included large amounts of cocoa beans from Ghana and cotton from the UAR and Syria.

2. Direction

The geographic distribution of Communist trade with the less developed countries during 1965 followed the pattern of 1964, showing a concentration on Asia and the Middle East in general and on India and the UAR in particular. In 1965 these two countries accounted for 35 percent of the combined trade of the USSR and East Europe with the less developed countries and for 44 percent of Soviet trade with these countries. This concentration reflects in part the trade momentum generated by deliveries under Communist, particularly Soviet, long-term economic credits and by repayment of both economic and military credits in the form of commodities. In the case of the UAR, it also reflects Egypt's increasingly stringent foreign exchange shortages, which have led to increased Egyptian exchanges with all bilateral trading partners. Communist China's trade in 1965 continued to be conducted mainly with its Asian neighbors—Burma,

* For data on the Communist share of the total exports and imports of selected less developed countries, see Table 23, p. 183.

SECRET

21

SECRET

25X1

Ceylon, Malaysia, Indonesia, and Pakistan—and the UAR. Because of large grain purchases from Argentina again in 1965, this country continued, as in 1964, to be a major trading partner of Communist China.

Asia continued to account for the largest share of Communist trade with the less developed countries in 1965, in spite of a decline in its relative share from 41 percent in 1964 to 37 percent in 1965. Communist trade with Asian countries in 1965 amounted to \$1.6 billion, an increase of 8 percent above the 1964 level. Communist exports to these countries rose by only 2 percent as Soviet deliveries to India under the Soviet economic aid program were reduced. Imports from Asia, however, increased by almost 16 percent, primarily because of larger Soviet purchases of Malaysian rubber and Indian products.

Communist trade with the Middle Eastern countries increased by 27 percent to \$1.5 billion in 1965, accounting for the largest increase in Communist trade with the less developed areas. The expansion of Communist exports to Greece, Iraq, Kuwait, and the UAR and of Communist imports from Turkey and the UAR accounted for most of this rise. As a result, the Middle East's share of total Communist trade with all less developed countries increased from 32 percent in 1964 to 34 percent in 1965.

Latin America's share of Communist trade with the less developed countries in 1965 was 12 percent, the same as in 1964. The value of Communist trade with Latin America in 1965 increased by 22 percent to \$523 million, primarily because of increased Soviet grain purchases from Argentina and Polish purchases from Mexico.

Communist trade with Africa in 1965 increased by 30 percent to \$626 million, but Africa's share in Communist trade with the less developed areas rose only slightly, from 13 percent of the total in 1964 to 15 percent in 1965. More than one-half of this increase was accounted for by increased Communist trade with Ghana.

Communist trade with the less developed countries of Europe—Portugal and Spain—increased by almost three-fourths, rising from \$65 million in 1964 to \$112 million in 1965. About \$40 million of this increase was the result of larger Soviet and East European exports to Spain. In spite of the rapid rate of growth in their trade with Communist countries, these European countries accounted for almost 3 percent of total Communist trade with all less developed countries.

SECRET

22

25X1

SECRET



3. Commodity Composition

The commodity composition of the trade of Communist countries with the less developed countries showed little variation between 1964 and 1965 (*see Figure 4*). Imports of food products and crude materials continued to account for roughly 85 percent of total Communist imports from these areas. The share of food products fell slightly from 39 percent of the total in 1964 to 38 percent in 1965, while that of crude materials rose from 45 to 47 percent. Exports of machinery and transport equipment and manufactured goods continued to dominate Communist exports to less developed countries even though the share of these categories of goods fell slightly, from 65 percent of the total in 1964 to 63 percent in 1965.

The value of Chinese Communist imports of food products remained approximately the same in 1965 as in 1964 and as a result declined as a share of total Chinese imports, from 49 percent in 1964 to 35 percent in 1965. Eastern Europe's imports of food products from the less developed countries increased sharply in 1965, making up 42 percent of total imports in 1965, compared with 37 percent in 1964. Most of this increase reflects larger purchases of wheat and corn from Mexico by Poland and East Germany. Soviet imports of food products rose by more than 25 percent in 1965, reaching a new high of \$308 million and continuing to account for more than one-third of total imports from less developed countries. Coffee, cocoa, and tea continued to account for more than 35 percent of Soviet imports of food products.

Communist imports of raw materials increased slightly as a share of total imports, largely because of expanded Soviet and Chinese Communist purchases of rubber and cotton. The most pronounced change was in the share of raw materials in Chinese Communist imports, which rose from 45 percent in 1964 to 60 percent in 1965.

In 1965, as in 1964, the share of manufactured goods in Communist imports from less developed countries was about 10 percent. Imports of manufactured goods, as a share of Communist China's imports, rose slightly—to 3 percent in 1965; the share of Soviet imports remained steady at the 1964 level of 13 percent; and the share of East European imports fell slightly from 12 percent in 1964 to 10 percent in 1965.

The most notable change in the commodity composition of Communist exports to the less developed countries was the decline in the

SECRET



23

SECRET

25X1

importance of machinery and equipment as a share of total exports. While the absolute value of exports of machinery and equipment rose, their share of total exports to less developed countries declined from a high of 40 percent in 1964 to 36 percent in 1965. In the case of the USSR, exports of machinery and equipment to less developed countries rose by \$10 million in 1965, but their share of total exports declined from 59 percent in 1964 to 51 percent in 1965. Eastern Europe's exports of machinery and equipment to less developed areas also declined as a share of total exports, from 29 percent in 1964 to only 23 percent in 1965. Communist China remained an insignificant supplier of such goods.

Manufactured goods continued to be the second most important category of goods exported by Communist countries to the less developed countries, accounting for about one-fourth of Communist exports in 1965 as in 1964. Soviet exports of manufactures continued to consist primarily of textile fabrics and iron and steel. Exports of manufactured goods from Communist China and Eastern Europe again were dominated by textile fabrics, yarn and related products, iron and steel, and cement and other construction materials.

The share of food products in total Communist exports to less developed countries remained at the 1964 level of 13 percent. Food products increased slightly as a share of Soviet and East European exports to less developed countries but declined as a percent of total Chinese exports. Among the other products exported by Communist countries to less developed countries, petroleum is the most important. Exports of this commodity increased in 1965, mainly because of increased Soviet deliveries.

SECRET

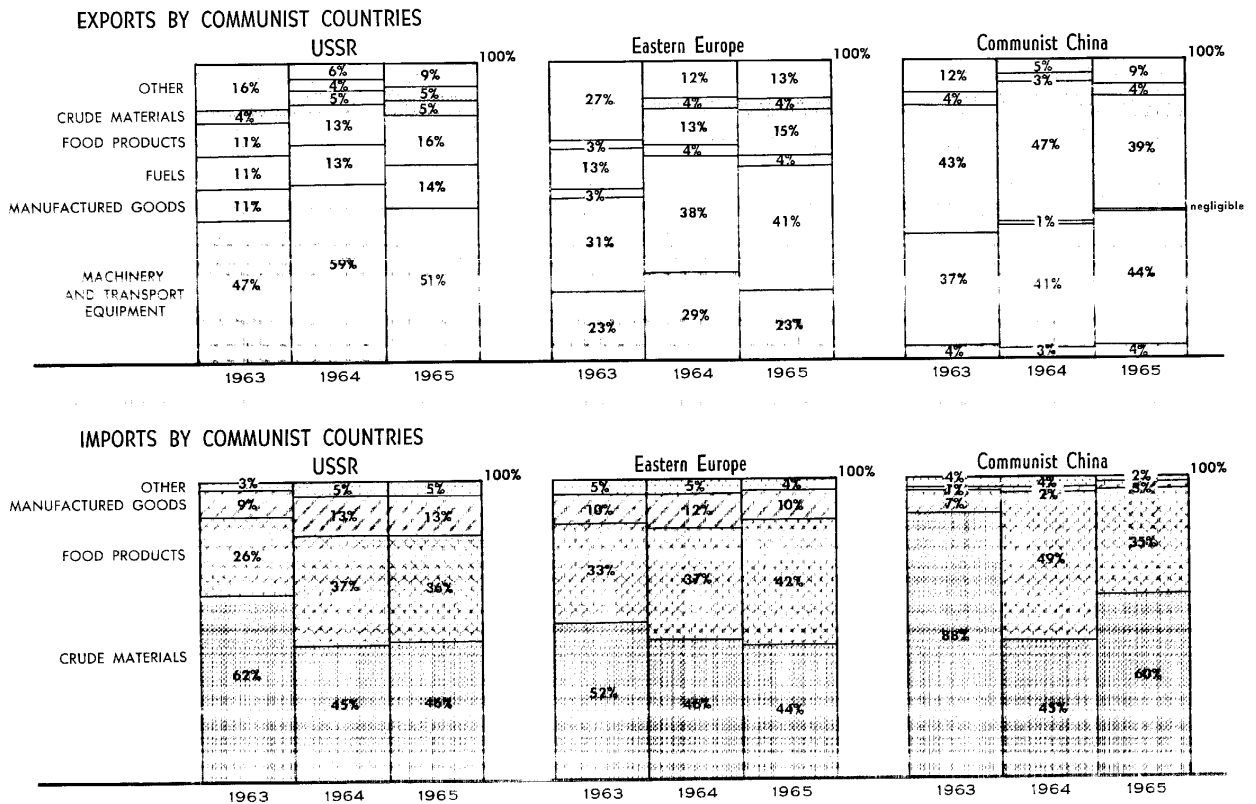
24

25X1

CONFIDENTIAL

Figure 4

TRADE OF COMMUNIST COUNTRIES WITH LESS DEVELOPED COUNTRIES OF THE FREE WORLD, BY COMMODITY GROUP, 1963-65



Data for the USSR are from official Soviet trade yearbooks. Data for Eastern Europe and Communist China are based on trade returns of about 20 non-Communist less developed countries that report commodity exports.

CONFIDENTIAL

25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

Next 162 Page(s) In Document Exempt

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

SECRET

NO

**AID AND TRADE ACTIVITIES OF COMMUNIST
COUNTRIES IN LESS DEVELOPED AREAS
OF THE FREE WORLD
1966**

MARCH 1967

25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

FOREWORD

This series provides periodic summaries and analytical interpretations of significant developments in the economic relations and military aid activities of Communist countries with less developed countries of the Free World. These developments are reported on a current, factual basis in the Biweekly Reports under the same title.

This report, covering the 12 months from 1 January through 31 December 1966, constitutes the twenty-first periodic supplement to a report on *Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas*, 8 August 1956, SECRET. The present supplement updates the previous annual 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.

In this report the term *Communist countries* refers primarily to the following countries that extend aid to less developed countries of the Free World: 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 Asia except Japan; (3) Portugal and Spain; (4) all countries in Latin America except Cuba; and (5) all countries in the Middle East, including Cyprus, Greece, Syria, Turkey, and the United Arab Republic.

CONTENTS

	<i>Page</i>
Summary	1
I. Communist Activities in Less Developed Areas, by Type of Activity	7
A. Introduction	7
B. Economic Assistance	8
1. Credits and Grants	8
a. Extensions	8
b. Terms	11
c. Drawings	12
d. Repayments	13
2. Technical Assistance	13
a. Economic Technicians	13
b. Academic Students and Technical Trainees	14
C. Military Assistance	15
1. Credits and Grants	15
2. Technical Assistance	17
a. Military Technicians	17
b. Military Trainees from Less Developed Countries	17
D. Trade	17
1. Value	17
2. Direction	19
3. Commodity Composition	21

25X1

25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

Next 2 Page(s) In Document Exempt

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

AID AND TRADE ACTIVITIES OF COMMUNIST COUNTRIES IN LESS DEVELOPED AREAS OF THE FREE WORLD, 1966

SUMMARY

Introduction

During 1966 the Communist countries continued to employ foreign aid as an instrument for reducing Western influence and enhancing their own position in the less developed countries. For Communist China and the USSR, these programs had the additional objective of countering each other's influence in many of the less developed countries.

The USSR, while continuing as in 1965 to review the feasibility of project aid requests more critically than it had in the past, extended a near-record level of new economic aid in 1966 (*see Figure 1*).* Its largest commitment was to India's Fourth Five Year Plan (1 April 1966 - 31 March 1971). It also extended a large credit to Syria for building the Euphrates Dam, which, together with the continuing economic and military aid programs in other Arab countries, reaffirmed the USSR's determination to support the "progressive" Arab countries.

In 1966 the USSR committed a larger share of its aid undertakings than it had previously to credits that were of a more "commercial" character. Although their terms (5- to 10-year repayment periods and 2.5 to 4 percent interest) still place them in the category of aid, these credits are being used to strengthen the trade orientation of the aid program and also to extend economic aid to countries, such as Brazil, that have been reluctant to accept Soviet project aid.

The countries of Eastern Europe reduced their aid undertakings in 1966, although Hungary extended its largest credit since the inception of the aid program (\$52 million to India). The Chinese con-

* In this report the term *extension* refers to a commitment to provide goods and services, either as a grant or on deferred payment terms. Assistance is considered to have been extended when accords are initialed and constitute a formal declaration of intent. The term *obligation* refers to a credit or grant when it has been allocated to specific end uses. The term *drawings* refers to the delivery of goods or the use of services.

SECRET

SECRET

tinued to commit new economic aid to countries that either are to the south of its border or in which they believe there are regimes with exploitable "revolutionary potential" (such as Guinea and Tanzania).

Economic Credits and Grants

The high level of Communist economic aid activity in 1964 and 1965 was sustained in 1966 with the extension of almost \$1.3 billion of new economic assistance to 16 less developed countries. These new commitments increased the level of Communist aid undertakings since the inception of the aid program in 1954 to about \$9 billion. The USSR extended almost \$980 million of aid in 1966, accounting for about 78 percent of the total for the year. The largest Soviet commitment in 1966 was \$555 million to India's Fourth Five Year Plan. The USSR also extended a \$133 million credit to Syria for building the first stage of a dam on the Euphrates River and smaller credits to 10 countries. During 1966, more than 40 percent of the total value of Soviet credits was extended by the Ministry of Foreign Trade as trade ("commercial") credits. These credits, which often require downpayments, carry shorter amortization periods (5 to 10 years) and have somewhat higher interest rates than the economic aid traditionally extended by the State Committee for Foreign Economic Relations.

East European countries extended \$179 million of economic aid in 1966, or about 14 percent of total Communist aid extended during the year. The distribution of East European aid among recipients followed that of the USSR, with India and Syria accounting for about 70 percent of total commitments. Chinese Communist assistance in 1966 totaled about \$100 million, approximately the same amount that was extended in 1965.

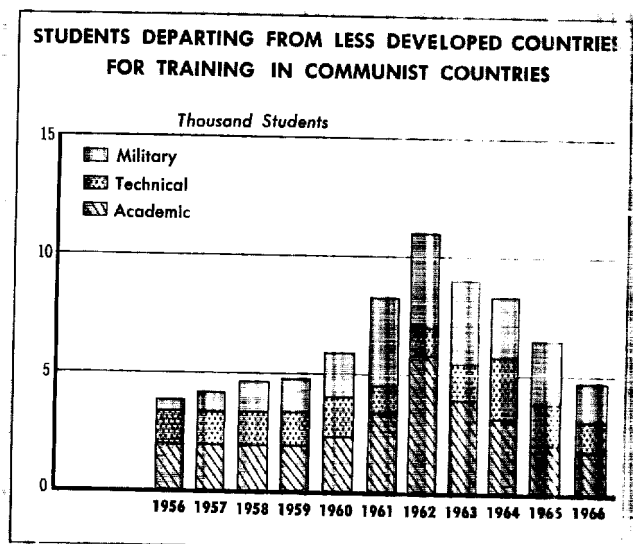
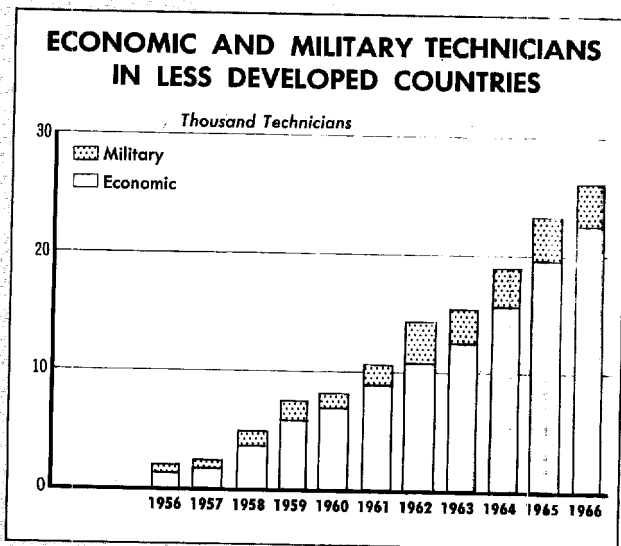
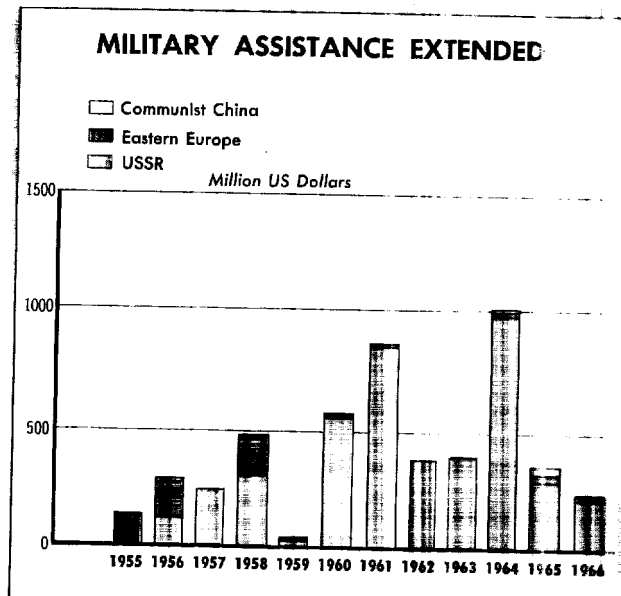
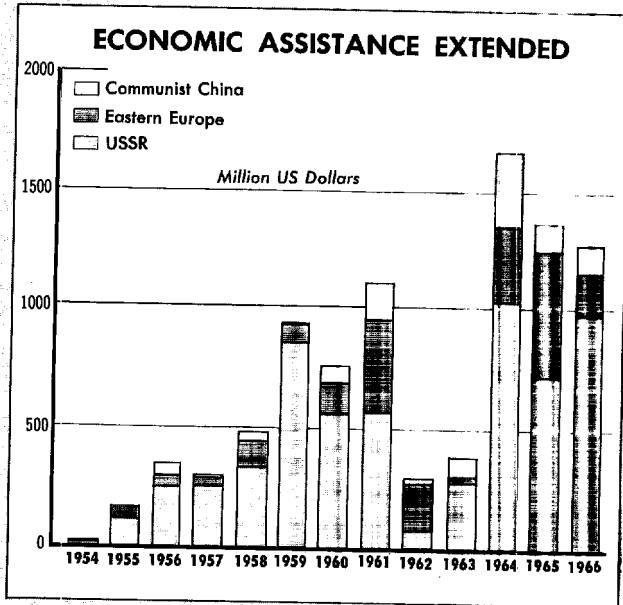
Drawings on Communist economic aid declined in 1966 for the second consecutive year, to about \$405 million. In part, the decline was caused by reduced project activity as construction neared completion or approached a new stage in countries that are major aid recipients. The decline also is a result of the small amount of aid extended in 1962 and 1963, large parts of which would normally have been used in 1966, and because not enough time had elapsed to allow the initiation of major projects under the large aid commitments made in 1964 and 1965.

Repayments of principal and interest due on drawings under the Soviet economic aid program have risen from an estimated \$20 million

SECRET

Figure 1

COMMUNIST ACTIVITY IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD*, 1954-66



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

SECRET

in 1960 to approximately \$115 million in 1965 and \$150 million in 1966. An estimated \$65 million also was due in 1966 on drawings under the East European aid programs. Because Ghana and Somalia were unable to fulfill their debt-servicing obligations, the USSR allowed them to defer some of these payments in 1966.

Economic Technicians

The number of Communist economic technicians employed in less developed countries during 1966 increased to more than 22,000. By the end of the year, however, there were reductions in the number of technicians present in Indonesia, Ghana, Nepal, the UAR, and Yemen because of political factors or because certain stages of major projects on which they were employed had been completed. Africa continued to employ the largest share of Communist technicians, reflecting the heavy concentration of Chinese in the area as well as the large group of Soviet and East European personnel engaged in activities not related to specific projects. The concentration of technicians in a few countries continued to characterize the technical assistance program. During the year the UAR employed an estimated 2,000 Soviet technicians, of whom 1,000 were engaged in work on the Aswan High Dam and related facilities. Another 1,500 Soviet technicians were in India and 1,350 in Afghanistan. The heaviest concentration of Chinese technicians was in Mali, where about 1,350 were employed.

Academic Students and Technical Trainees

The number of academic students enrolling for the first time in Communist institutions declined for the fourth consecutive year in 1966, to 1,675, bringing the total number of enrollees since 1956 up to 23,685. Approximately 58 percent of the new students in 1966 were from Africa, with students from Latin America and the Middle East accounting for an additional 19 and 17 percent, respectively. The USSR continued to accommodate the largest number of new students in 1966, about 85 percent of the total, but Communist China is not known to have admitted any new students. At the end of 1966, more than 16,700 students were still pursuing academic programs in Communist countries.

The number of nationals departing in 1966 from the less developed countries for technical training in Communist countries declined by 20 percent from the previous year, to an estimated 1,135. This brought the total number who have undertaken this training during the past decade to 12,100.

SECRET

Military Credits and Grants

Communist countries extended military aid to Iraq and Syria and small amounts to Cambodia, Morocco, and Tanzania during 1966, bringing the total of such aid extended since 1955 to about \$4.9 billion. The largest commitment in 1966 was a Soviet credit to Iraq. The USSR also conducted arms negotiations with Iran. Communist China extended a \$4 million credit to Tanzania. Deliveries of military equipment under earlier agreements in 1966 continued to India and Algeria, and Iraq began to receive equipment under the 1966 arms agreement with the USSR.

Military Technicians and Trainees

In 1966 the number of Communist military technicians in less developed countries declined to 3,435, a 10-percent reduction from the 1965 level. Most of the drop is accounted for by the reduction in the number of technicians in Indonesia after the attempted coup in 1965. The number of technicians present in the UAR and Congo (Brazzaville) also declined, but these declines were offset to some extent by increases in the number present in other countries, especially Afghanistan, India, Iraq, Mali, and Somalia.

During 1966, some 1,550 nationals from less developed countries enrolled in military training programs in Communist countries, about 57 percent of the number who departed for similar training in 1965. The total number who have undergone this training since 1955 is almost 22,300, and at the end of 1966 about 3,630 still were being trained.

Trade

Total trade turnover between the Communist countries and less developed countries during the first half of 1966 increased by about 22 percent over the corresponding period of 1965. This expansion was accounted for primarily by increased Soviet and East European trade with the less developed countries. In 1965, total Communist trade with these countries increased by 20 percent over 1964 to \$4.3 billion. The USSR accounted for the largest part of the increase, rising from \$1.4 billion in 1964 to \$1.8 billion in 1965. Eastern Europe's trade with the less developed countries rose by 16 percent in 1965 to over \$1.7 billion, while Communist China's trade with these countries rose by 23 percent, from \$652 million in 1964 to \$802 million in 1965.

SECRET

SECRET

The geographic distribution of Communist trade with the less developed countries in 1965 followed the general pattern of 1964, concentrating on Asia and the Middle East in general and on India and the UAR in particular.

In 1965 the commodity composition of trade between Communist and less developed countries varied only slightly from 1964. Crude materials and food products continued to account for about 85 percent of Communist imports from less developed areas although the share of food products was somewhat less in 1965 than it had been in 1964. Communist exports of machinery, transport equipment, and manufactured goods continued in 1965 to account for more than 60 percent of total Communist exports to less developed countries, but there was a decline in the importance of machinery and equipment. While the value of such exports to less developed countries rose, their share of total Communist exports to less developed countries declined from a high of 40 percent in 1964 to 36 percent in 1965.

SECRET

5

I. Communist Activities in Less Developed Areas, by Type of Activity

A. INTRODUCTION

During 1966 the Communist countries continued to employ foreign aid as an instrument for reducing Western influence and enhancing their own position in the less developed countries. For Communist China and the USSR, these programs had the additional objective of countering each other's influence in many of these countries.

Paced by large extensions of military and economic aid to Syria and large new military aid commitments to Iraq, the Soviet Union continued its support of the "progressive" Arab countries in the hope that it can promote the ascendancy of political forces there which ultimately will align themselves with the Soviet Bloc. The Soviet leadership also continued to push for the unification of all "progressive" forces in the area into a common anti-imperialist front and called for the backing of Nasser as the vanguard of these forces.

On the Indian subcontinent, the Soviet Union not only undertook additional large economic aid commitments in India to maintain its influence in that country but also extended sizable new credits to Pakistan to arrest that country's pro-Chinese drift. Sub-Saharan Africa continued to hold a secondary position in Soviet policy in the less developed countries during 1966. The largest Soviet credit to this area—\$20 million to Tanzania—was the culmination of negotiations on an offer made early in 1964. With the ouster of Nkrumah from Ghana in February, the USSR lost one of its most active champions in Africa, and its aid activities in Ghana came to a virtual standstill.

Although the USSR extended a near-record level of new economic aid in 1966, it continued, as in 1965, to review the feasibility of project aid requests more critically than before. In addition, the USSR committed a larger share of its aid undertakings in 1966 to credits of a more "commercial" character, although their terms still place them in the category of aid. These trade credits generally allow repayment periods of 5 to 10 years for deliveries of equipment to small projects and for non-project-related imports. Thus more than 40 percent of all Soviet credits extended during the year were in the form of trade credits. These trade credits are being used by the USSR to penetrate areas that have been reluctant to accept project-type economic aid

SECRET

from the USSR such as Brazil. Trade credits, as opposed to project aid, are intended also to strengthen the trade orientation of the aid program and to consolidate commercial relationships with the less developed countries.

The countries of Eastern Europe reduced their aid undertakings in 1966, although Hungary extended its largest credit since the inception of the aid program (\$52 million to India).

The Chinese also continued to maintain the pattern of aid extensions that has characterized their aid program in recent years. New economic aid commitments were undertaken in countries which are either peripheral to Communist China (Cambodia and Nepal) or in which the Chinese believe there are regimes with exploitable "revolutionary potential" (such as Guinea and Tanzania). The program continued to be oriented toward roadbuilding and small light industrial and agricultural undertakings that are labor intensive in character. As in the past, China also provided commodities and small amounts of hard currency to a number of less developed countries.

B. ECONOMIC ASSISTANCE

1. Credits and Grants

a. *Extensions*

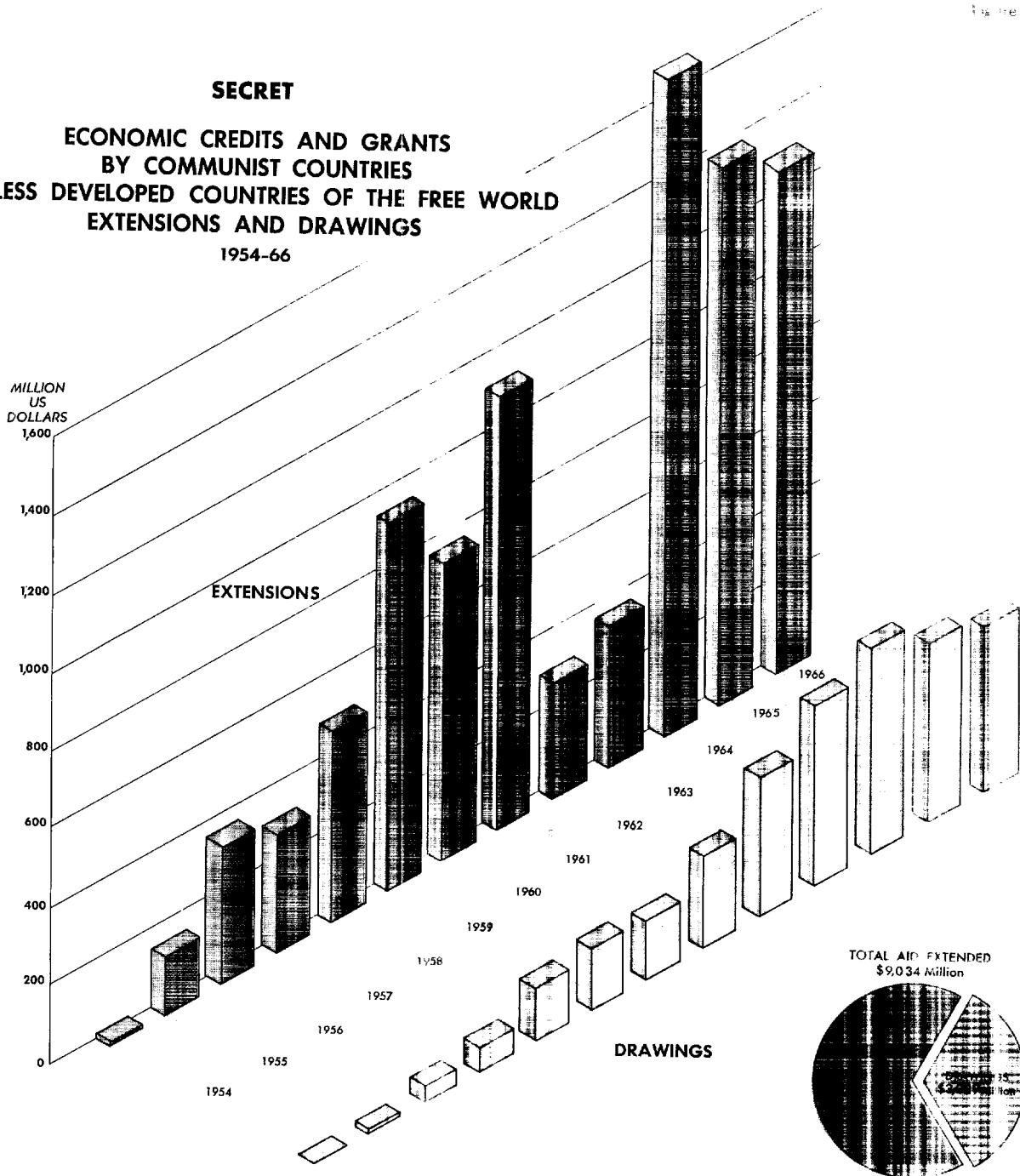
In 1966, Communist countries extended almost \$1.3 billion of new economic assistance to 16 less developed countries of the Free World (*see Figure 2 and Table 1**). These new undertakings brought total Communist aid commitments since the inception of the program in 1954 to about \$9 billion and sustained the high levels of activity in 1964 and 1965. As in most years, the USSR accounted for the major share of new aid commitments in 1966, extending about 78 percent of the total. The contribution of East European countries was 14 percent, and Communist China provided the remainder.

Again demonstrating its willingness to extend economic assistance when favorable opportunities exist, the USSR extended almost \$980 million of economic aid to 12 countries in 1966. This was only slightly less than the record extensions of about \$1,025 million made in 1964 and 38 percent above the 1965 level. Two countries—Morocco and Tanzania—received Soviet economic aid for the first time, bringing the number of recipients of such aid up to 35.

* P. 9.

Figure 2

SECRET
**ECONOMIC CREDITS AND GRANTS
BY COMMUNIST COUNTRIES
TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD
EXTENSIONS AND DRAWINGS
1954-66**



56351 5-67 CIA

SECRET

25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

SECRET

The USSR committed more than 80 percent of its aid in 1966 to three countries—India, Syria, and Pakistan. The largest Soviet commitment was to India's Fourth Five Year Plan. About \$555 million in new credits was designated for the current plan, bringing total Soviet aid to India up to \$1.6 billion, by far the largest Soviet commitment to any single country. The second largest Soviet aid undertaking in 1966 was a \$133 million credit to Syria for building the first stage of a dam on the Euphrates River. This commitment witnessed the return of the USSR to a project which it had accepted in 1957 but from which it withdrew in 1960 after completing the initial project surveys. Although West Germany had agreed to undertake the project, protracted difficulties in negotiations eventually led to a resumption of discussions with the USSR in 1965 and to an agreement early in 1966. The USSR also extended a credit of \$84 million to Pakistan in 1966 supplementing the \$50 million in credits extended to that country in the previous year. Another commitment of Soviet economic assistance during 1966 was a \$100 million credit to Brazil. Credits of \$46 million and \$20 million were extended to Morocco and Tanzania in 1966, and the USSR committed minor amounts of aid to Afghanistan, Algeria, Cambodia, Guinea, Iraq, and Somalia.

East European countries extended a total of \$179 million of economic aid in 1966, about one-third of the peak extensions by these countries in 1965 and a little more than one-half of their extensions in 1964. Hungary was the largest donor, extending \$68 million. Its largest single credit, \$52 million to India, was the first Hungarian aid to that country. Hungary also extended \$14 million in credits to Syria. Bulgaria extended credits of \$15 million each to India and Syria, and Czechoslovakia committed \$30 million in credits to Syria and \$28 million to Pakistan. East Germany provided Burma with a \$14 million credit, and Poland extended \$3.5 million in credits to Afghanistan. Additional small amounts of assistance were extended by East European countries to Algeria, Afghanistan, Brazil, and Yemen.

Chinese Communist economic assistance in 1966 totaled more than \$100 million, almost the same amount as was extended in the previous year. The largest Chinese commitment was a credit of \$43 million to Cambodia, followed by \$28 million in credits to Guinea and a \$20 million grant to Nepal. Communist China also agreed to supply Mali with \$3 million in hard currency. Small grant assistance was provided to Somalia and Tanzania.

SECRET

SECRET

b. Terms

During 1966 the USSR increased its emphasis on the commercial aspects of the Soviet economic aid program by extending a substantial amount of trade ("commercial") credits under the auspices of the Ministry of Foreign Trade. Most Soviet aid credits have been extended by the State Committee for Foreign Economic Relations and cover the foreign exchange costs of equipment and technical assistance for projects being constructed with Soviet assistance. The repayment period for these credits is usually 12 years after the completion of project deliveries with an interest charge of 2.5 percent. Trade credits extended by the Ministry of Foreign Trade usually cover small project undertakings or equipment deliveries not related to specific projects and carry shorter amortization periods—5 to 10 years. In some cases a downpayment is required, and the interest rate varies from 2.5 to 4 percent.

Prior to 1966 almost all Soviet economic aid was project oriented and was extended under the more liberal terms provided by the State Committee. Of the total value of Soviet aid extended between 1954 and 1965 for which terms are available, about 70 percent allowed 12 years for repayment. Another 20 percent allowed longer repayment periods, often as a result of grace periods that were permitted before repayments were to be initiated. For the most part these aid agreements allowed repayments to be made in the currency of the debtor countries or in commodities. Downpayments are known to have been required in only a few cases. In 1966, more than 40 percent of the total value of new Soviet credits was extended by the Ministry of Foreign Trade on less favorable terms than have been applied to most of the economic aid extended by the USSR in the past. In addition, offers of large trade credits currently are being negotiated with several Latin American countries. These credits are referred to by the USSR as "commercial credits" and tend to emphasize trade as opposed to aid. The first large trade credits were extended to Argentina in 1958. The agreement (which lapsed after only a small part had been used) was originally for \$100 million and allowed 7 years for repayment, to begin 3 years after delivery. In 1964 the USSR extended 5-year trade credits totaling \$178 million to the UAR. The only other significant example of the use of trade credits by the USSR prior to 1966 is the \$50 million of credits extended to Pakistan in 1965.

SECRET

11

SECRET

c. Drawings

Drawings on Communist economic aid declined for the second consecutive year in 1966. They are estimated at about \$405 million for 1966, or approximately 20 percent below the averages for 1964 and 1965. The largest drop was in drawings on Soviet credits, but the deliveries of other major donors also declined in 1966. In part the decline was due to a leveling off in project activity in countries that are major aid recipients. For example, in India the overwhelming emphasis during 1966 was on completing projects under way and bringing them up to capacity operation rather than on initiating new projects. As many projects under the Third Five Year Plan neared completion or approached a new stage of construction, the requirements for imported equipment were greatly reduced, and local inputs became more important for putting equipment in place and starting trial operations. To some extent this was also true of major projects in the UAR, especially the Aswan High Dam, where more than three-fourths of the dam and 80 percent of the transmission lines had been completed by the end of the year.

The low level of drawings also reflected the fact that not enough time had elapsed to permit initiation of major projects under the large aid commitments made in 1964 and 1965. In Algeria, Syria, India, Iran, Turkey, and the UAR, major new projects, valued at over \$1 billion, were still under survey, and 2 to 4 years, or more, may elapse before construction is initiated on many of these.

Another reason for the lower level of drawings in 1966 is the small amount of aid extended in 1962 and 1963. Drawings on aid committed in those years would to some extent have been initiated in 1966 and might have compensated somewhat for the reduced activity under older agreements. In addition, the usual problems in implementing programs continued in most areas. In Africa, in particular, there was continuing dissatisfaction with the rate of progress of the Soviet aid program. Recipient countries were largely responsible for the lag in implementation: poor management, unskilled labor, and shortages of local funds continued to hinder project implementation. Demands for hard currency were made by several countries, and Mali was reported to have received a small amount from the USSR, probably under an old credit. Not only was the USSR more cautious in undertaking additional projects in these countries, but it also initiated with some recipient countries a review of old commitments. In Mali and Somalia a number of proposed projects were eliminated and the size of others reduced.

SECRET

d. *Repayments*

Scheduled cumulative repayments of principal and interest on the debt incurred by less developed countries for economic assistance from the USSR and East European countries since 1954 are estimated at more than \$750 million. As total deliveries under the aid program have increased, there has been a considerable rise in the debt-servicing obligations of the less developed countries. For example, scheduled repayments of principal and interest due on long-term economic indebtedness to the USSR rose from an estimated \$20 million in 1960 to approximately \$115 million in 1965 and \$150 million in 1966. An estimated \$15 million was due East European countries in 1960, about \$45 million in 1965, and an estimated \$65 million in 1966. In recent years, however, a number of less developed countries have experienced difficulties in meeting their repayment obligations. In some instances the USSR and certain East European countries agreed to reschedule repayments of debtor countries. Afghanistan, Guinea, Mali, and Indonesia were among those that have been given relief on repayments in the past. In 1966, Ghana received a 4-year moratorium (1967-70) on the repayment of half of its long-term economic credits. Somalia was allowed to defer all initial repayments of principal on economic indebtedness to the USSR until 1970 and defer repayments on all military indebtedness until 1970, and Indonesia was allowed to reschedule some \$800 million in repayments due the USSR.

2. Technical Assistance

a. *Economic Technicians*

The number of Communist economic technicians employed in less developed countries in 1966 continued the upward trend that has characterized this part of the aid program since its inception in 1954. An estimated 22,000 Communist technical personnel were present in aid-receiving countries during 1966 (excluding persons present for less than 1 month) (*see Table 6**). By the end of 1966, however, several countries (Indonesia, Ghana, Nepal, the UAR, and Yemen) experienced sharp reductions in the number of technicians present. In some cases the reduction was related to the completion of construction of projects or parts of projects. In the UAR, for example, approximately 500 Soviet technicians departed from the site of the Aswan High Dam as major construction work on the dam itself was completed and as trainees who had received technical training in the USSR returned

* P. 69.

SECRET

13

SECRET

home and undertook more of the skilled operations. In Ghana, most of the 1,130 Communist technicians employed at the beginning of the year were expelled following the coup in February.

The concentration of technicians in a few countries continued to characterize Communist technical assistance programs in the less developed countries. Ten countries accounted for about three-fourths of all Communist technicians during 1966; Algeria and the UAR alone were hosts to more than 21 percent of these technical personnel. About 61 percent of all Chinese technicians were employed in three countries; 66 percent of all East European personnel were in five countries; and 63 percent of Soviet technicians were in six countries. An estimated 2,000 Soviet technicians were in the UAR during the year, of whom about 1,000 were engaged in the construction of the main dam and the electric power grid system eventually to be fed by the Aswan High Dam. About 1,350 Chinese were employed in Mali establishing rice, sugarcane, and tea plantations and constructing small-scale industrial facilities.

Africa continued to employ the largest share of Communist technicians, accounting for nearly half of all such personnel in 1966. For the most part this reflects the presence of sizable numbers of Chinese technicians and the large groups of Soviet and East European personnel engaged in activities not related to specific projects. Most of the nonproject personnel were employed as advisers and planners, medical specialists, teachers, or administrators. They represented about 40 percent of the total number engaged in economic activities in African countries and were most heavily concentrated in Algeria, Libya, Mali, and Tunisia. The number of such personnel in African countries is likely to continue to increase as these countries seek to fill their insatiable requirements for professional and technical personnel.

b. *Academic Students and Technical Trainees*

The number of students from less developed countries enrolling for the first time in academic training programs in the Communist countries declined for the fourth consecutive year. During 1966, an estimated 1,675 students (the lowest number of new enrollees since 1959) departed for Communist academic institutions, compared with 1,965 in 1965 and 5,680 during the peak year of 1962 (*see Table 8**). This declining trend, however, may be leveling off as the actual decline in 1966 totaled less than 300, compared with an annual average decline of about 1,240 during the preceding three years.

* P. 72.

SECRET

SECRET

African countries continued to dispatch the largest numbers of students to the Communist countries. Students from Latin America and the Middle East accounted for an additional 19 percent and 17 percent, respectively. The largest single group of students (170 students) were Guinean nationals. The USSR continued to accommodate the largest numbers of new enrollees in 1966, about 85 percent of the total. Communist China is not known to have admitted any new students during the year.

The estimated number of students from the less developed countries who have enrolled in academic programs in Communist countries since 1956 now totals 23,685. Approximately half of these were from African countries. Four countries—Ghana, Indonesia, Iraq, and Sudan—account for more than 30 percent of the total number of students that have gone to Communist countries for academic training. The Soviet Union has been host to nearly two-thirds of the total. At the end of 1966 more than 16,700 students still were pursuing their academic programs in Communist countries. In September 1966, university programs in China were suspended until the fall of 1967.

Because of the lull during 1966 in initiating major new projects under the aid program, the number of personnel going to Communist countries to undertake technical training declined by about 20 percent from 1965. An estimated 1,135 nationals from less developed countries initiated technical training programs in Communist countries during 1966, bringing the total number who have undertaken this training during the past decade to about 12,100 (*see Table 7**). India and the UAR have accounted for nearly half of all trainees dispatched to Communist countries since 1956. Most of these technical personnel have gone to the USSR for training connected with such major projects as the Bhilai steel mill and the Aswan Dam. For the most part, trainees from the less developed countries have consisted of skilled laborers and professional, technical, organizational, and managerial personnel whose training is related to the manpower requirements for Communist-aided projects in their homeland.

C. MILITARY ASSISTANCE

1. Credits and Grants

The USSR signed an important new agreement with Iraq in 1966 and is believed to have agreed to supply an estimated \$25 million of

* P. 70.

SECRET

15

SECRET

aid to Syria and small amounts to Cambodia, Morocco, and Tanzania. Moscow also conducted arms negotiations with Iran.*

Communist China extended \$4 million of aid to Tanzania. This new extension brought China's total commitments since 1955 to about \$85 million and total Communist military aid to the less developed countries to about \$4.9 billion at the end of 1966 (*see Table 2 and Figure 1*).

Table 2
Military Aid Extended by Communist Countries to Less Developed
Countries of the Free World, 1955-66

	Million Current US \$
Estimated minimum value	5,075
Less downpayments	185
<i>Amount of aid</i>	<i>4,890</i>
Credits	3,000
Discounts and grants	1,890

During 1966, military aid delivered under earlier agreements increased beyond the high levels of the past few years. A heavy flow of equipment to the UAR continued under old agreements. In November the UAR Defense Minister held further discussions in Moscow, but negotiations for additional arms are not expected until 1967.

An ever-increasing variety of Soviet and Czechoslovak military equipment arrived in India during the year. These deliveries included Tu-124 and An-12 transports, Mi-4 helicopters, *Polnocny*-class landing craft, T-54 and T-55 medium tanks, and 130-mm field guns. Delivery schedules were still being worked out for jet fighters, submarines, patrol craft, and other ground forces equipment. The MIG-21 factory at Nasik, one of three plants in a MIG-21 assembly complex being built with Soviet aid, began limited assembly operations during the year.

Soviet deliveries to Algeria included Il-28 light jet bombers, MIG-21 jet fighters, MIG-15/17 jet fighters, other aircraft, *Komar*-class missile patrol craft (the first in Algeria's naval inventory), surface-to-air missile (SAM) equipment, and a variety of armored vehicles, artillery, and other land armaments. Iraq began to receive some equipment in September under the new accord signed with the USSR in May. Afghanistan, Cambodia, Mali, and Somalia also received small deliveries of aircraft and land armaments, and Pakistan received substantial quantities of Chinese equipment.

* Early in 1967 a military agreement was signed between Iran and the USSR.

2. Technical Assistance

a. *Military Technicians*

The number of Communist military technicians in less developed countries dropped to 3,435 in 1966, a decrease of nearly 10 percent from the 1965 level. The decline is accounted for almost entirely by the reduction in the number of technicians in Indonesia from over 500 in 1965 to about 20 in 1966, following the attempted coup in Indonesia in the fall of 1965. There was also a substantial reduction in the estimated number of Communist technicians in the UAR, reflecting continued progress on the installation of the Soviet-built SAM system in that country as well as the UAR's growing capability to conduct low-level training without foreign assistance. The number in Congo (Brazzaville) also declined. These declines were only partly offset by the increases in the number of Soviet specialists in Afghanistan, India, Iraq, Mali, and Somalia and the arrival in Pakistan of Chinese Communist military technicians to assist in the assembly and instruct in the use of military equipment delivered in 1966.

b. *Military Trainees from Less Developed Countries*

During 1966 a total of 1,550 nationals from 13 less developed countries enrolled in military training programs in Communist countries, only about 57 percent of the number that departed for similar training in 1965.

Approximately 22,300 military personnel from 18 less developed countries have been sent to Communist countries for military training since 1955. At the end of 1966, some 3,630 still were undergoing training. Indonesia has accounted for almost 42 percent of the total number of military personnel who have gone to Communist countries for training, and four other countries—Afghanistan, Algeria, Syria, and the UAR—account for an additional 38 percent. Since the start of the program in 1955, the USSR has trained about 85 percent of the total and at the end of 1966 was responsible for 92 percent of those still being trained.

D. TRADE

1. Value

Total trade turnover between the Communist countries and the less developed countries in the first half of 1966 is estimated to have increased by about 22 percent compared with the first half of 1965. Soviet trade with these countries increased by more than 32 percent

SECRET

while East European and Chinese Communist trade with these areas increased by 16 and 14 percent, respectively. Of particular interest in 1966 were the large sales of Argentine wheat to both the USSR and Communist China, made under contracts negotiated in 1965. Largely as a result of these sales, Argentine exports to Communist countries rose in the first half of 1966 to about \$185 million, which is roughly equal to the total amount for the entire year 1965.*

Total Communist trade** with the less developed countries rose to \$4.3 billion in 1965, an increase of 20 percent over 1964 (*see Figure 3*). Imports increased more rapidly than exports during the year (by 22 percent, compared with 18 percent), but the value of total Communist exports to the less developed countries continued to exceed that of imports. Although East European countries and Communist China contributed to the growth in Communist trade with the less developed countries in 1965, the USSR accounted for the largest part of the increase.

After leveling off in 1964, Soviet trade with the less developed countries in 1965 reverted to the previous pattern of a relatively rapid rate of growth, rising from \$1.4 billion in 1964 to \$1.8 billion in 1965, or by 22 percent. This growth was primarily a result of (a) increased Soviet purchases of Argentine wheat, Malaysian rubber, and Egyptian cotton and cotton products and (b) increased sales of petroleum, petroleum products, and machinery and equipment to both Argentina and the UAR.

Eastern Europe's trade with the less developed countries, while expanding somewhat less rapidly than that of either Communist China or the USSR, rose by 16 percent in 1965, to over \$1.7 billion. In contrast with the USSR's and Communist China's increased trade with less developed countries, exports from Eastern Europe expanded more

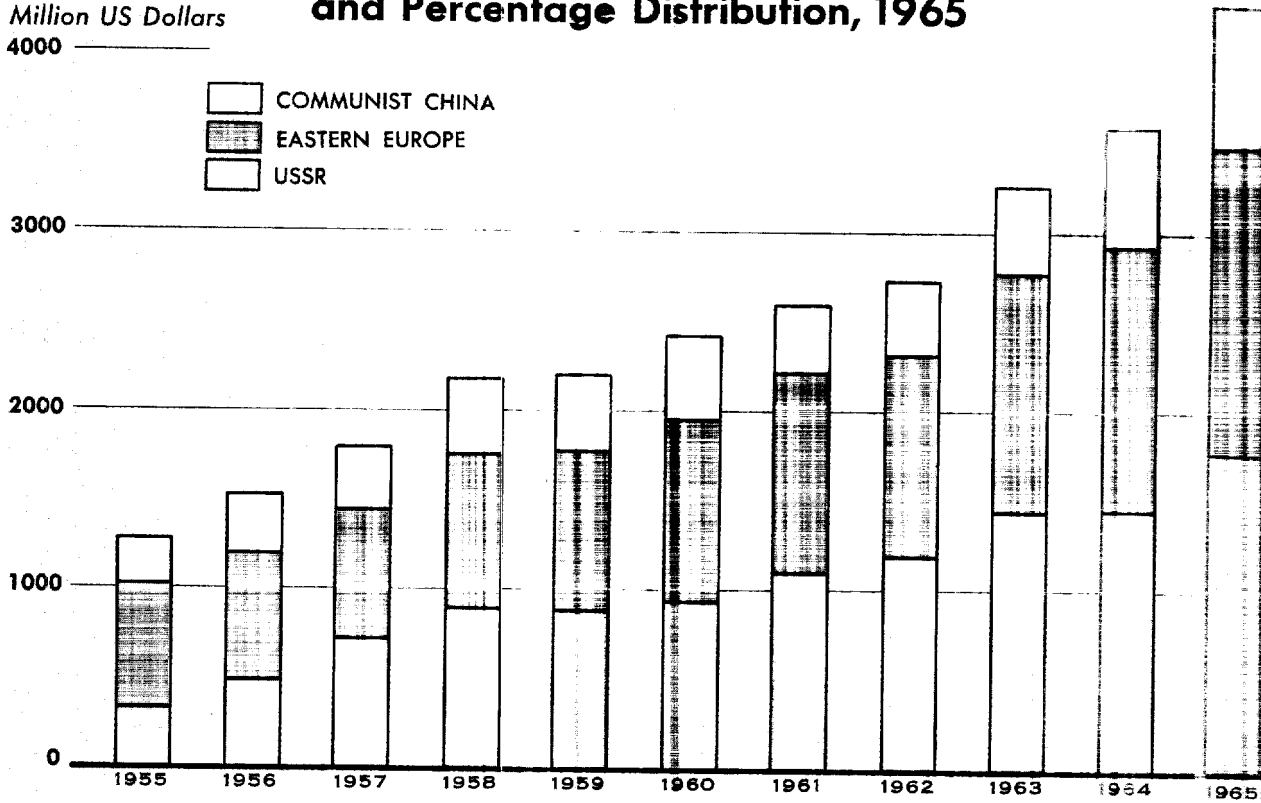
* Because of a lack of complete data for 1966, the remainder of this section analyzes developments during 1965. The value data on Soviet foreign trade with the less developed countries are from comprehensive official Soviet foreign trade handbooks. For Eastern Europe and Communist China, the trade returns of the less developed countries have been used. It should be noted that the figures used for Soviet trade are the sum of the figures given in the Soviet trade handbook for trade with each less developed country and this sum amounts to \$1,770 million. This handbook also gives a total figure for trade with the Free World which contains an unexplained export residual of \$271 million. This residual could include Soviet deliveries of military items, which are excluded from the country breakdowns and also from this section.

** Excluding Cuba. Its trade with the less developed countries in 1965 totaled \$170 million, compared with \$225 million in 1964. Although Morocco and Spain continued to be the chief trading partners, Cuba's trade with each of these countries declined markedly during 1965. For data on Cuba's exports to and imports from individual less developed countries during 1963-65, *see Tables 11 and 21, pp. 81 and 82, respectively.*

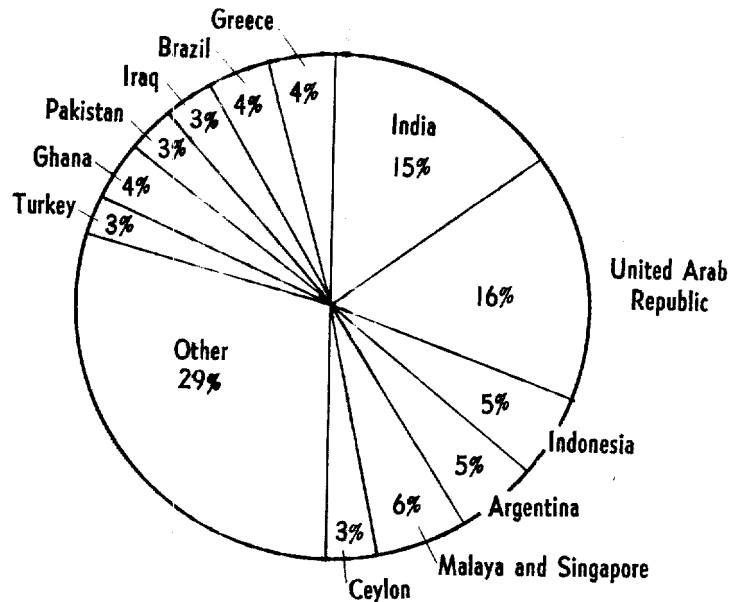
CONFIDENTIAL

Figure 3

Trade of Communist Countries with Less Developed Countries of the Free World, 1955-65* and Percentage Distribution, 1965



*A small amount of trade with certain less developed countries has been excluded because it cannot be distributed by Communist countries. The totals also exclude the trade of less developed countries with North Korea, North Vietnam, and Mongolia.



55837 2-66 CIA

CONFIDENTIAL

rapidly than its imports from these areas. The largest increases in East European exports were to Ghana, the UAR, Iraq, and Spain, for which the total increase was more than \$100 million in 1965.* Communist China's trade with the less developed countries in 1965 continued the upward trend that began in 1963, rising from \$652 million in 1964 to \$802 million in 1965, an increase of 23 percent. Increased purchases of cotton from the UAR and Pakistan accounted for a large part of the increase.

Although there was an increase in Soviet exports in 1965, deliveries under the Soviet economic aid program declined. In 1963 and 1964, Soviet exports under long-term credits accounted for approximately 45 percent of Soviet exports to less developed countries. In 1965, however, these exports accounted for only about 39 percent.

There was little change between 1964 and 1965 in the pattern of participation of Communist countries in their trade with less developed areas. The Soviet and East European shares of Communist trade with the less developed countries during the two years each hovered around 40 percent. Communist China's share was about 19 percent in both 1964 and 1965.

The less developed countries accounted for 10 percent of total Communist trade in 1965, compared with 9 percent in 1963 and 1964. The Communist area's share in the aggregate trade of the less developed countries remained at 5 percent, as in previous years.** In spite of these relatively low ratios, the Communist area continued to account for a major share of the trade of certain less developed countries. For example, Communist countries supplied more than one-fifth of the total imports of Afghanistan, Cambodia, Ghana, Guinea, Iraq, Mali, and the UAR and absorbed more than one-fifth of the total exports of Afghanistan, Ghana, Greece, Sudan, Syria, and the UAR. Communist countries also continued to purchase sizable portions of products that are major earners of convertible currency for some less developed countries. In 1965 these purchases included large amounts of cocoa beans from Ghana and cotton from the UAR and Syria.

2. Direction

The geographic distribution of Communist trade with the less developed countries during 1965 followed the pattern of 1964, show-

* For detailed data on Communist exports to and imports from individual less developed countries, see Tables 9 and 10, pp. 75 and 78, respectively.

** For data on the Communist share of the total exports and imports of selected less developed countries, see Table 13, p. 83.

SECRET

ing a concentration on Asia and the Middle East in general and on India and the UAR in particular. In 1965 these two countries accounted for 35 percent of the combined trade of the USSR and East Europe with the less developed countries and for 44 percent of Soviet trade with these countries. This concentration reflects in part the trade momentum generated by deliveries under Communist, particularly Soviet, long-term economic credits and by repayment of both economic and military credits in the form of commodities. In the case of the UAR, it also reflects Egypt's increasingly stringent foreign exchange shortages, which have led to increased Egyptian exchanges with all bilateral trading partners. Communist China's trade in 1965 continued to be conducted mainly with its Asian neighbors—Burma, Ceylon, Malaysia, Indonesia, and Pakistan—and the UAR. Because of large grain purchases from Argentina again in 1965, this country continued, as in 1964, to be a major trading partner of Communist China.

Asia continued to account for the largest share of Communist trade with the less developed countries in 1965, in spite of a decline in its relative share from 41 percent in 1964 to 37 percent in 1965. Communist trade with Asian countries in 1965 amounted to \$1.6 billion, an increase of 8 percent above the 1964 level. Communist exports to these countries rose by only 2 percent as Soviet deliveries to India under the Soviet economic aid program were reduced. Imports from Asia, however, increased by almost 16 percent, primarily because of larger Soviet purchases of Malaysian rubber and Indian products.

Communist trade with the Middle Eastern countries increased by 27 percent to \$1.5 billion in 1965, accounting for the largest increase in Communist trade with the less developed areas. The expansion of Communist exports to Greece, Iraq, Kuwait, and the UAR and of Communist imports from Turkey and the UAR accounted for most of this rise. As a result, the Middle East's share of total Communist trade with all less developed countries increased from 32 percent in 1964 to 34 percent in 1965.

Latin America's share of Communist trade with the less developed countries in 1965 was 12 percent, the same as in 1964. The value of Communist trade with Latin America in 1965 increased by 22 percent to \$523 million, primarily because of increased Soviet grain purchases from Argentina and Polish purchases from Mexico.

Communist trade with Africa in 1965 increased by 30 percent to \$626 million, but Africa's share in Communist trade with the less

developed areas rose only slightly, from 13 percent of the total in 1964 to 15 percent in 1965. More than one-half of this increase was accounted for by increased Communist trade with Ghana.

Communist trade with the less developed countries of Europe—Portugal and Spain—increased by almost three-fourths, rising from \$65 million in 1964 to \$112 million in 1965. About \$40 million of this increase was the result of larger Soviet and East European exports to Spain. In spite of the rapid rate of growth in their trade with Communist countries, these European countries accounted for almost 3 percent of total Communist trade with all less developed countries.

3. Commodity Composition

The commodity composition of the trade of Communist countries with the less developed countries showed little variation between 1964 and 1965 (*see Figure 4*). Imports of food products and crude materials continued to account for roughly 85 percent of total Communist imports from these areas. The share of food products fell slightly from 39 percent of the total in 1964 to 38 percent in 1965, while that of crude materials rose from 45 to 47 percent. Exports of machinery and transport equipment and manufactured goods continued to dominate Communist exports to less developed countries even though the share of these categories of goods fell slightly, from 65 percent of the total in 1964 to 63 percent in 1965.

The value of Chinese Communist imports of food products remained approximately the same in 1965 as in 1964 and as a result declined as a share of total Chinese imports, from 49 percent in 1964 to 35 percent in 1965. Eastern Europe's imports of food products from the less developed countries increased sharply in 1965, making up 42 percent of total imports in 1965, compared with 37 percent in 1964. Most of this increase reflects larger purchases of wheat and corn from Mexico by Poland and East Germany. Soviet imports of food products rose by more than 25 percent in 1965, reaching a new high of \$308 million and continuing to account for more than one-third of total imports from less developed countries. Coffee, cocoa, and tea continued to account for more than 35 percent of Soviet imports of food products.

Communist imports of raw materials increased slightly as a share of total imports, largely because of expanded Soviet and Chinese Communist purchases of rubber and cotton. The most pronounced change was in the share of raw materials in Chinese Communist imports, which rose from 45 percent in 1964 to 60 percent in 1965.

SECRET

In 1965, as in 1964, the share of manufactured goods in Communist imports from less developed countries was about 10 percent. Imports of manufactured goods, as a share of Communist China's imports, rose slightly—to 3 percent in 1965; the share of Soviet imports remained steady at the 1964 level of 13 percent; and the share of East European imports fell slightly from 12 percent in 1964 to 10 percent in 1965.

The most notable change in the commodity composition of Communist exports to the less developed countries was the decline in the importance of machinery and equipment as a share of total exports. While the absolute value of exports of machinery and equipment rose, their share of total exports to less developed countries declined from a high of 40 percent in 1964 to 36 percent in 1965. In the case of the USSR, exports of machinery and equipment to less developed countries rose by \$10 million in 1965, but their share of total exports declined from 59 percent in 1964 to 51 percent in 1965. Eastern Europe's exports of machinery and equipment to less developed areas also declined as a share of total exports, from 29 percent in 1964 to only 23 percent in 1965. Communist China remained an insignificant supplier of such goods.

Manufactured goods continued to be the second most important category of goods exported by Communist countries to the less developed countries, accounting for about one-fourth of Communist exports in 1965 as in 1964. Soviet exports of manufactures continued to consist primarily of textile fabrics and iron and steel. Exports of manufactured goods from Communist China and Eastern Europe again were dominated by textile fabrics, yarn and related products, iron and steel, and cement and other construction materials.

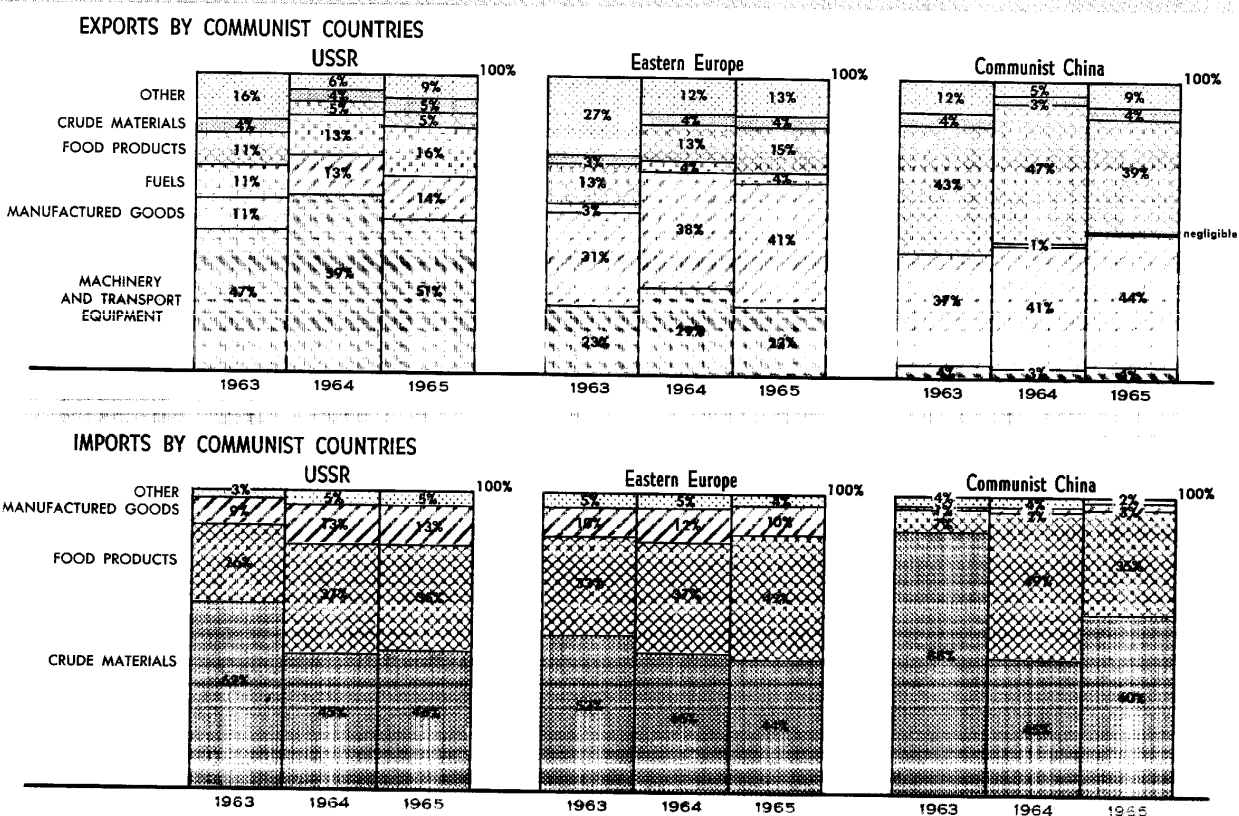
The share of food products in total Communist exports to less developed countries remained at the 1964 level of 13 percent. Food products increased slightly as a share of Soviet and East European exports to less developed countries but declined as a percent of total Chinese exports. Among the other products exported by Communist countries to less developed countries, petroleum is the most important. Exports of this commodity increased in 1965, mainly because of increased Soviet deliveries.

SECRET

CONFIDENTIAL

Figure 4

TRADE OF COMMUNIST COUNTRIES WITH LESS DEVELOPED COUNTRIES OF THE FREE WORLD, BY COMMODITY GROUP,* 1963-65



*Data for the USSR are from official Soviet trade yearbooks. Data for Eastern Europe and Communist China are based on trade returns of goods to which the USSR has received a report on commodity data.

CONFIDENTIAL

25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9

Next 61 Page(s) In Document Exempt

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010022-9