

SECRET

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010024-7

**AID AND TRADE ACTIVITIES OF COMMUNIST
COUNTRIES IN LESS DEVELOPED AREAS
OF THE FREE WORLD
1965**

MARCH 1966

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010024-7

25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010024-7

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010024-7

FOREWORD

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

This report, covering the 12 months from 1 January through 31 December 1965, constitutes the twentieth 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 semiannual report and includes the more significant developments during the reporting period. It also relates noteworthy noneconomic activities, including military aid, to economic operations of the Communist countries in less developed areas. Data have been revised to include new information, and figures in the current supplement supersede those in previous issues.

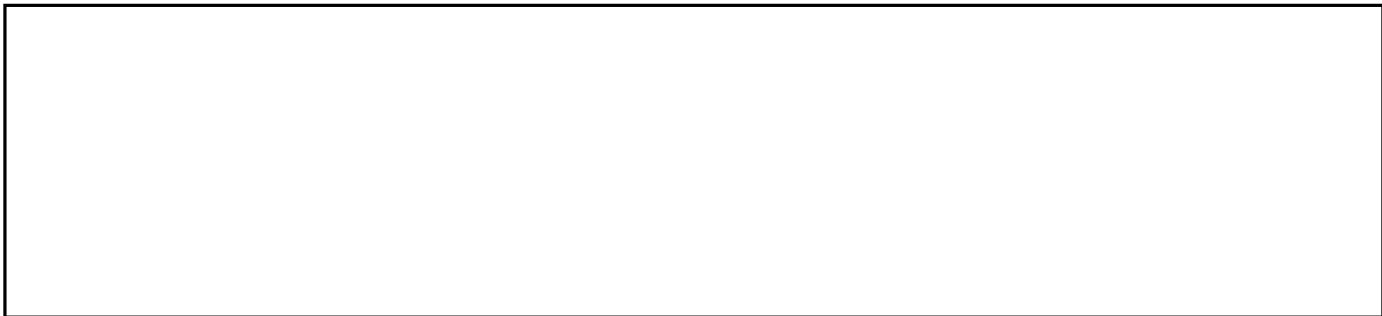
In this report the term Communist countries refers primarily to the following countries that extend aid to less developed countries of the Free World: the USSR, Communist China, and the following countries of Eastern Europe -- Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania. For 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) Iceland, 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

	<u>Page</u>
Summary	1
I. Communist Activities in Less Developed Areas, by Type of Activity	9
A. Introduction	9
B. Economic Assistance	11
1. Credits and Grants	11
a. Extensions	11
b. Distribution by Sector	13
c. Drawings and 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, 1964	22

25X1



25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010024-7

Next 2 Page(s) In Document Exempt

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010024-7

AID AND TRADE ACTIVITIES OF COMMUNIST
COUNTRIES IN LESS DEVELOPED AREAS
OF THE FREE WORLD, 1965

Summary

Introduction

The sizable new extensions* of economic aid by the USSR to less developed countries during 1965 and the continuing high level of deliveries of military equipment to these countries indicate the willingness of the new Soviet leadership to extend new economic aid where favorable opportunities exist and to fulfill its existing commitments. They also demonstrate that Moscow's current appraisal of the aid program and its prospects in less developed countries differs little from that of the previous regime (see Figure 1).

It is apparent, however, that the new leadership has adopted a more deliberate approach in undertaking new economic aid commitments. Unlike the earlier practice of announcing large umbrella credits before specific projects were negotiated, the USSR in 1965 apparently preferred to avoid definitive commitments pending detailed studies and negotiations. Moreover, the financial details of recent Soviet aid agreements have not been publicly announced in the USSR. This restraint may be an effort to allay internal criticism of the program while domestic shortages still persist. It may also reflect the uncertainty surrounding critical decisions over Soviet allocation of domestic resources still to be made for the upcoming long-term economic plan. The change in Soviet leadership has had no discernible adverse effect on military aid policy: new aid agreements to supply military equipment to nine less developed countries were signed during the year and the USSR continued to honor existing agreements.

* In this report the term extension refers to a commitment to provide, either as a grant or on deferred payment terms, goods and services not available in the recipient country. 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.

S-E-C-R-E-T

The year 1965 was one of serious problems and frustrations for Peiping's policy toward less developed countries. The Indonesian Army's suppression of the pro-Peiping Indonesian Communist Party during the last three months of the year was perhaps the most serious setback to Peiping's expectations. Chinese Communist failure in Algiers to marshal Afro-Asian support and Cuba's recent shift to more explicit support of many Soviet policy positions also appeared to have somewhat blunted Peiping's drive to expand its influence in the less developed world.

East European countries, on the other hand, expanded their aid programs in 1965 and continued to apply the more liberal aid policies that became apparent in their new aid undertakings during 1964. All major new aid extended during 1965 carried easier terms than in the past, and a more liberal attitude was applied to the repayment problems of a number of aid recipients. These developments, together with a record level of East European aid extended in 1965, demonstrate the determination of these countries to exploit the aid program as a means of strengthening further their economic and political ties with the less developed countries.

Economic Credits and Grants

Following peak annual extensions of almost \$1.7 billion in 1964, Communist countries extended a total of \$1.2 billion of aid to 22 less developed countries during 1965, increasing their aggregate aid commitments since the inception of the aid program in 1954 to more than \$7.7 billion. As in 1964, the major share of new economic assistance was allocated to Middle Eastern countries, with Iran the largest single aid recipient and the UAR second. East European countries extended a record \$491 million of new aid during 1965. The USSR extended \$656 million, more than 80 percent of which was designated for CEN/TO countries. Communist China was the smallest aid donor during the year, extending only \$62 million in economic credits, compared with its record commitments of \$338 million in 1964. New economic aid continued as in the past to be most heavily committed to the industrial sector of the economies of less developed countries, while an increasing allocation of aid to commodity imports reflected a growing Communist awareness of the need to generate local currency to implement the aid program more effectively.

Drawings on Communist aid in 1965 are estimated to have totaled about \$455 million (a decline of about 15 percent from the 1964 level), bringing total Communist deliveries since 1954 up to \$2.6 billion at the end of 1965. Concurrent with the rise in aggregate drawings, the net indebtedness of the less developed countries for economic aid to the USSR and to the countries of Eastern Europe increased to about \$2 billion by the end of 1965. In 1965 the less developed countries were scheduled to repay an estimated total of \$115 million for principal

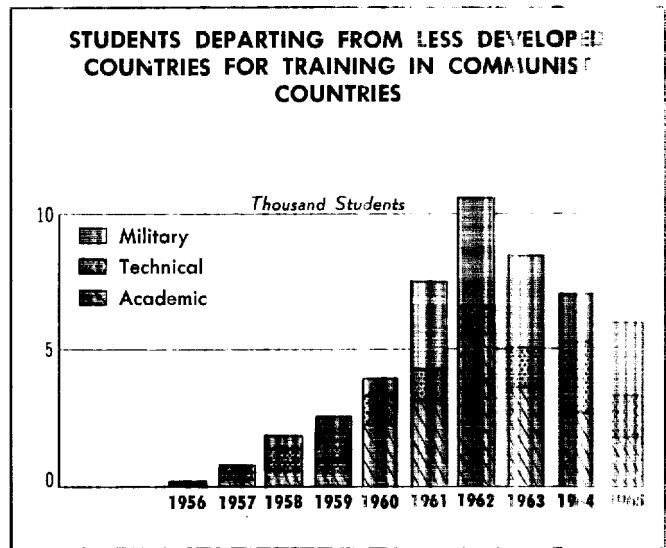
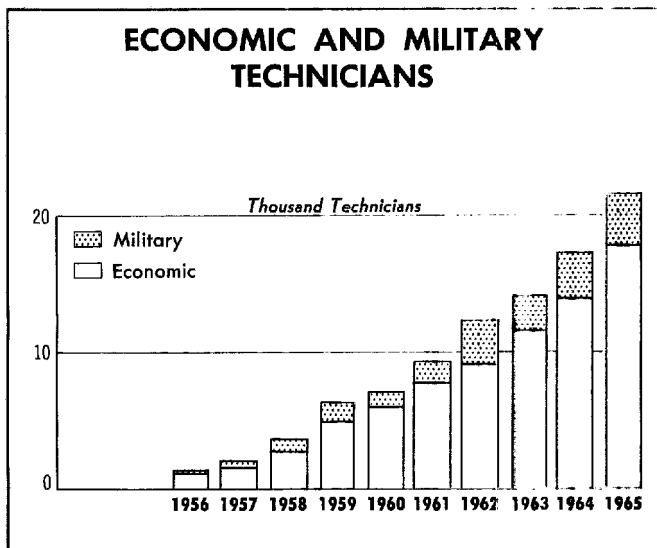
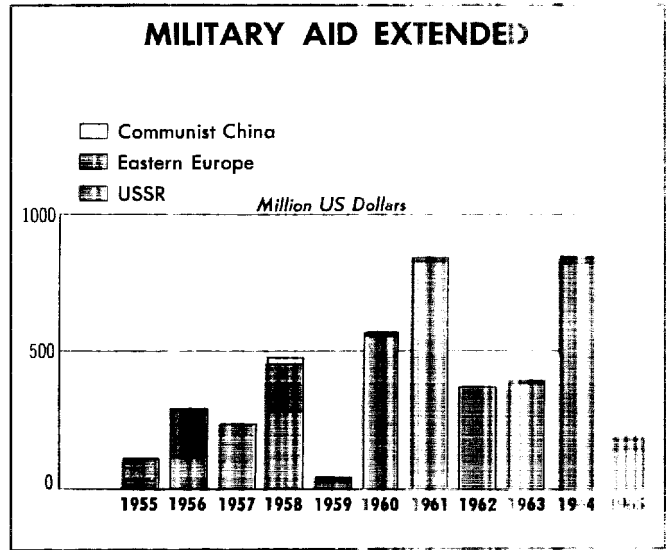
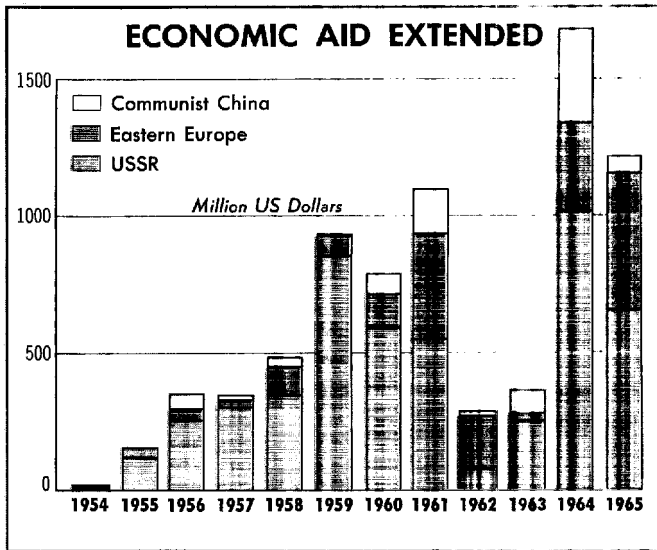
S-E-C-R-E-T

SECRET

Page 1

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

Selected Years, 1954-65



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

SECRET

and interest on Soviet credits and approximately \$45 million on credits from East European countries. As in 1964, there was evidence that a number of aid recipients were unable to meet these heavy repayment obligations, and concessions were made in some cases to allow deferment of current debt service payments. In addition, softer terms on new credit extensions were requested, and new assistance, especially by the countries of Eastern Europe, generally allowed longer repayment periods. Even if future aid program deliveries were to remain at current levels, annual debt repayments on credit extensions would increase at a rate of between 25 and 30 percent a year and thus will be a growing problem.

Economic Technicians

The technical assistance program continued apace with almost 14,000 Communist economic technicians employed in less developed countries during 1965, an increase of 30 percent over the previous year. A sharp expansion in the number of Chinese Communist technical personnel accounted for most of the increase and reflected the accelerated pace of Chinese project activity in Guinea, Mali, and Yemen as well as the labor-intensive character of Chinese aid activities. Approximately two-thirds of all Communist technical personnel in the less developed countries were employed in Afghanistan, Algeria, Guinea, India, Mali, Nepal, and the United Arab Republic (UAR). In the UAR alone there were nearly 2,500 Soviet technicians, 1,500 of whom were engaged in construction of the main dam and the electric power grid system eventually to be fed by the Aswan High Dam. About 2,100 Chinese were employed in Guinea and Mali developing agricultural areas and small-scale industrial facilities.

Technical Trainees and Academic Students

As part of the program to increase the technical proficiency of personnel in less developed countries, about 1,400 persons from these countries went to Communist countries during 1965 to receive technical training. This brought the total number of persons who have undertaken this training since 1956 to almost 11,000. These trainees have included professional and managerial personnel and skilled technicians whose training is related primarily to the manpower requirements for Communist aided projects in their homeland.

Academic Students

During 1965, 1,690 students from less developed countries enrolled in academic training programs in Communist countries. This number represents a drop of approximately 39 percent from the preceding year, which is also the third consecutive year in which a decline has occurred. Continuing the pattern of the past, by far the largest percentage of new enrollees went to the USSR and, as in recent years, most of the new students were from African countries.

S-E-C-R-E-T

Military Credits and Grants

Communist countries extended almost \$200 million of military aid to less developed countries during 1965, bringing the total of such assistance extended since 1955 up to \$4.3 billion. The USSR, which has provided more than 85 percent of total Communist military aid to less developed countries since the beginning of the program, continued to be the chief supplier in 1965. Although new aid commitments in 1965 were considerably below the near-record level of 1964, the USSR and Czechoslovakia each concluded important new agreements with India; in addition, the USSR concluded agreements with Algeria, Congo (Brazzaville), Indonesia, Uganda, and Yemen. A minor credit was extended by Communist China to Cambodia.

Military Technicians and Training

As materiel deliveries under old agreements continued at a high level in 1965, the number of military technicians sent to assist in the assembly of equipment and to instruct in its use rose to 3,870, an increase of 17 percent over 1964. Afghanistan, Algeria, and India accounted for the largest part of the increase although most of the other military aid recipients also employed more technicians in 1965 than they had in the previous year. During 1965, 2,720 nationals from 15 less developed countries enrolled in military training programs in Communist countries, primarily in the USSR. Since the start of the program, nearly 21,000 persons have received such training, and 4,355 still were being trained at the end of 1965. Indonesia has accounted for more than 40 percent of the total number trained, and five other countries -- Afghanistan, Algeria, Iraq, Syria, and the UAR -- have accounted for another 45 percent.

Trade

At the meetings of the United Nations Conference on Trade and Development in 1965, the Communist countries continued to avoid precise commitments to the less developed countries on grounds that the responsibility for the present economic plight of these countries rests with the "imperialists." In place of substantive undertakings, the Communist countries reiterated many of the same themes that they had presented at the Geneva Conference in 1964. In general, the less developed countries remained unimpressed by these Communist propaganda claims, realizing that the Communist area cannot match the developed countries of the Free World in fulfilling their trade and development needs.

Foreign trade turnover between the Communist and less developed countries during the first half of 1965 amounted to \$1.9 billion, or roughly 15 percent above the corresponding period of 1964. This expansion was accounted for primarily by increased Soviet and East European trade with the less developed countries. In 1964, total

S-E-C-R-E-T

Communist trade with these countries increased 12 percent over 1963 to \$3.6 billion. The growth during 1964 was accounted for by increased East European and Chinese Communist trade. Soviet trade with the less developed countries in 1964 remained at the 1963 level of \$1.4 billion, primarily because of a decline in Soviet imports of rubber and cotton and a leveling off of Soviet exports under long-term economic credits. The geographic distribution of Communist trade with the less developed countries during the first half of 1965 followed the pattern of 1964, concentrating on Asia and the Middle East in general and on India and the UAR in particular. In 1964 the commodity composition of trade between Communist and less developed countries showed some variations from earlier years. The share of food products in total Communist imports rose from 27 to 39 percent of the total, while crude materials declined from 60 to 45 percent. In the case of Communist exports, the most striking feature was the rise in the importance of machinery and equipment, which now accounts for two-fifths of total Communist exports to less developed countries, compared with one-third in 1963.

Africa

Communist relations with African countries during 1965 were highlighted by a low level of new economic aid commitments; by some sharp setbacks for Communist, particularly Chinese, policies in Africa; and by a general decline in overt Sino-Soviet competition for influence in African countries. Only \$98 million in new aid was extended during the year, a precipitous drop from the peak annual level of \$348 million in 1964. The USSR did not conclude any major agreements in 1965, compared with \$215 million extended to African countries during the previous year.

The overthrow of Ben Bella in Algeria and the assumption of power by the Boumedienne regime ended the use of that country as a forum for Communist, especially Soviet, propaganda. The Afro-Asian (Bandung II) Conference, avidly sought by Communist China as an instrument for expanding its influence among participating countries, was canceled. In spite of these policy reversals, however, Communist aid activities, particularly military, continued, and a Boumedienne visit to Moscow in December served to assure the continuance of Soviet programs in Algeria.

No new Communist aid commitments were made to Congo (Brazzaville), but some progress was noted under existing Soviet and Chinese credits. The favorable Chinese position in the Central African Republic (CAR) came to an abrupt end with the overthrow of the Dacko government and CAR's severance of diplomatic relations with Communist China. Morocco was the recipient of the largest Communist credit extended to an African country in 1965, \$30 million from Poland. Nigeria received its first economic aid credit from a Communist country with the acceptance of a \$14 million credit from Czechoslovakia.

Ghana was the recipient of a \$20 million credit from East Germany and President Nkrumah announced his decision to initiate discussions with the USSR for the construction of a \$100 million hydroelectric dam at Bui. Guinean President Touré visited the USSR and Hungary and claimed that he had received Soviet assurances of assistance for construction of the Konkouré dam and related aluminum facilities. About 770 Chinese technicians were employed in Guinea, mainly at the site of the Kinkon dam and at the Macenta textile project. Mali also was host to a large number of Chinese technical personnel, about 1,230 employed largely on agricultural and light industrial projects. In Tanzania, Communist aid programs were characterized by Chinese cash disbursements, a modest amount of East German construction activity, and deliveries of Soviet military equipment.

Asia

Major Communist aid activities in Asian countries during 1965 generally followed the pattern of recent years. Construction activities in Afghanistan and India continued at a high level, while the programs in Ceylon and Indonesia reflected the usual confusion and lack of satisfactory progress. Military aid, however, continued to be delivered rapidly, concentrated in Afghanistan, India, and Indonesia.

Although Soviet construction projects in Afghanistan progressed satisfactorily, the USSR also initiated action to ease some of Afghanistan's financial problems. Commodity credits were extended to generate local currency for Soviet projects, and the services of a number of Soviet technicians were provided without charge. Soviet military aid activities also continued at a high level. In March, Afghanistan accepted its first aid from Communist China, a \$28 million interest-free credit.

In Burma, Chinese construction activity continued to increase, and the Kunlong bridge was opened to traffic in November. There was little significant economic aid activity in Cambodia. Communist China agreed to provide military equipment sufficient to equip about 10,000 Cambodian military personnel. A change in government in Ceylon early in 1965 brought a shift in that country's foreign policy and an effort to improve relations with the West. Prior to the election, East Germany had extended a \$42 million credit to Ceylon.

India continued to search for substantial amounts of foreign economic assistance during 1965 for its Fourth Five Year Plan, and two high-level delegations traveled to Moscow to obtain Soviet aid. Prime Minister Shastri's visit in May formalized the Bokaro steel mill agreement. In November, Finance Minister Krishnamachari reportedly sought as much as \$1.5 billion from the USSR for India's development program. No specific Soviet commitments, however, have been made public. Soviet

military aid to India picked up in tempo after September with the signing of a \$100 million agreement with the USSR for naval equipment. The USSR delivered at least 6 -- and perhaps an additional 10 -- MIG-21 jet fighters to India.

The abortive "coup" in Indonesia in September highlighted that country's relations with the Communists. Relations with Communist China deteriorated rapidly as Indonesian military leaders became convinced that the Chinese were implicated. All trade with China was embargoed and Chinese economic technicians withdrawn. Indonesian-Soviet relations however, remained relatively unchanged. Military deliveries continued, and a new agreement totaling \$26 million was signed in May.

Soviet and Chinese aid activities in Nepal continued to focus on roadbuilding projects. Pakistan further expanded its relations with the Communist countries, especially Communist China, during 1965. A \$40 million Chinese credit was formally signed in February, and half the total was allocated for industrial installations. Soviet aid to Pakistan totaled \$50 million, largely for the import of machinery and equipment.

Latin America

Latin American economic relations with Communist countries were confined largely to trade. Large grain sales by Argentina to Communist China and the USSR, totaling at least \$245 million, highlighted such trade. In September the USSR extended a \$15 million credit to the Argentine oil industry. Brazil's foreign economic policies reflected a cautious interest in expanding trade with the Communist countries. An agreement was concluded between the USSR and a private Brazilian firm for an unspecified credit to construct a pilot plant for processing shale oil. During the year, Communist China purchased 11,500 tons* of copper and 40,000 tons of sodium nitrate from Chile, paying for these purchases in hard currency.

Middle East

Communist aid activities in the Middle East were highlighted by major commitments to Iran and Turkey, an \$84 million credit to a Greek shipowner, and additional sizable aid commitments for the UAR's Second Five Year Plan (July 1965 - June 1970). In Cyprus the USSR completed its military aid deliveries under the September 1964 agreement (transshipped through the UAR, where some SAM equipment still was in storage), and a number of Communist countries concluded trade protocols designed to absorb much of Cypriot agricultural surpluses. Trade between Greece and the Communist countries remained at a high level. The USSR extended

* Tonnages are given in metric tons throughout this report.

S-E-C-R-E-T

an \$84 million credit to a private firm for the purchase of Soviet ships with payment to be made over a period of eight years in hard currency and Greek commodities.

The USSR achieved a significant economic breakthrough in Iran with the negotiation of a \$290 million credit for the construction of a steel mill, a machine tool plant, and a natural gas pipeline. The credit will be repaid over 12 years at 2.5 percent interest in Iranian commodities and natural gas. The pipeline will be built to carry gas to the Soviet border, but the USSR apparently will not supply the large-diameter pipe required for the line. Iran also accepted credits from Czechoslovakia and Hungary totaling \$25 million.

No new Communist credits were extended to Iraq, but the USSR agreed to obligate part of its 1959 credit for the construction of a dam on the Euphrates River and a tractor assembly plant. Syria was the recipient of credits from East Germany totaling \$29.7 million. A defunct Polish credit of \$15 million was revived and raised to \$25 million. The Soviet Union may have negotiated a new military agreement with Yemen in mid-summer.

Turkey showed a willingness to expand economic relations with the USSR. During an August visit to Moscow, Prime Minister Urguplu accepted a Soviet commitment to construct a number of plants in Turkey under a credit unofficially placed at \$200 million. Although a new government emerged in October, Soviet surveys subsequently were initiated to determine the precise cost of seven projects which may be undertaken. In December an agreement was announced by Turkey, resulting from an official exchange of letters.

During 1965 an additional \$255 million was extended by Communist countries to the UAR, bringing to almost \$900 million the total of Communist aid commitments made during the past two years for the UAR's Second Five Year Plan. Economic difficulties in the UAR, however, compelled the regime to initiate a review of the development program, resulting in the cancellation of a number of Soviet, Czechoslovak, Polish, and Rumanian projects. A new military aid agreement with the USSR may have been signed during the year.

S-E-C-R-E-T

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

A. Introduction

In the weeks following Khrushchev's ouster from power, concern was evident among many of the leaders of new states that his successors might view differently the Soviet foreign aid program in the less developed world. In fact, however, the foreign aid policy of the new regime suggests an appraisal of its prospects in less developed countries which differs little from that of its predecessor. The willingness of the new Soviet leadership to extend new economic aid where favorable opportunities exist reveals that Moscow believes that socialist revolutions in such countries are unlikely in the near term. Thus the USSR has little alternative to supporting existing regimes, and their economic development programs, if it hopes to make any progress toward accomplishment of its objectives in the less developed world.

Although the \$656 million in new economic aid extended by the USSR in 1965 was almost two-thirds the record level of economic aid it extended in 1964, Moscow concentrated its efforts on wooing the Central Treaty Organization (CENTO) countries of Iran, Pakistan, and Turkey with substantial offers of economic aid. Taking advantage of the growing receptivity of these countries to Soviet aid blandishments, the USSR signed aid agreements with the three CENTO members totaling approximately \$540 million, or more than four-fifths of all economic aid extended to less developed countries by the USSR during the year.

Moscow has, however, adopted a more deliberate approach in undertaking new economic aid commitments. Unlike its earlier practice of announcing sizable credit extensions prior to negotiations on specific projects, the USSR in 1965 apparently preferred to avoid definitive aid commitments pending detailed studies and negotiations. Definite Soviet commitments to Iran and Turkey and to India's Fourth Five Year Plan (1966-70) presumably were made contingent on the results of extensive and protracted surveys. Moreover, none of the financial details of recent Soviet aid agreements is known to have been publicly announced domestically. This restraint may be an effort to allay internal criticism of the program while domestic shortages still persist in the USSR. In larger part, it may reflect the uncertainty surrounding critical decisions over the Soviet allocation of domestic resources still to be made for the upcoming long-term economic plan.

The change in Soviet leadership also has had little discernible effect on the military aid policy of the USSR. Although the close relationship enjoyed with the Ben Bella regime has not been established with the successor government, the USSR has become less restrained in its attitude toward the new Boumedienne regime and has continued to honor existing military aid agreements. The current Soviet leadership concluded new military aid agreements with nine less developed countries, and earlier agreements were implemented rapidly.

The year 1965 was one of serious problems and frustrations for Peiping's policy toward less developed countries, and Communist China extended only \$62 million in economic credits to these countries in 1965, compared with the record \$338 million in 1964. The Indonesian Army's suppression of the pro-Peiping Indonesian Communist Party during the last three months of the year was perhaps the most serious setback to Peiping's expectations. The Chinese Communist failure in Algiers to marshal the Afro-Asian support for Peiping's policies and the recent shift by Cuba to more explicit support of many Soviet policy positions also appeared to have somewhat blunted Peiping's drive to expand its influence in the less developed world.*

East European countries in 1965 continued to apply the more liberal aid policies that became apparent in their new aid undertakings during 1964. All major new aid extended during 1965 carried easier terms with longer amortization periods than the 5 to 8 years that usually have been applied to these credits. Moreover, a more liberal attitude was applied to the repayment problems of a number of aid recipients by East European creditors. These developments, together with a record level of East European aid extended in 1965, demonstrate the determination of these countries to exploit the aid program as a means of strengthening further their economic and political ties with the less developed countries.

In 1965 the meetings of the United Nations Conference on Trade and Development (UNCTAD) offered a forum for examination of Communist policy on trade with the less developed world. Communist countries were careful to avoid any precise commitments to the less developed countries on grounds that the responsibility for the present economic plight of these countries rests with the "imperialists." In place of the substantive undertaking proposed for them by other conference members, the Communist countries reiterated many of the same themes that they had presented at the Geneva Conference in 1964. Among these were the recurrent espousal of the need for a truly universal trade organization and a relaxation of East-West trade controls which, they alleged, hamper further improvement in Communist trade with the less developed countries. The USSR also repeatedly stressed the fact that as of 1 January 1965 it had fulfilled a promise made at the Conference by abolishing tariffs on all goods imported from less developed countries -- an action with little practical meaning since tariffs do not significantly affect the planned imports of the Soviet foreign trade monopoly. In general, the less developed countries remained unimpressed by these Communist generalities and propaganda claims, realizing that the Communist area cannot match the developed countries of the Free World in fulfilling their trade and development needs. The developing countries also continued to press the Communist countries for more liberal terms on aid and trade and for improved performance in carrying out bilateral trade agreements.

* Early in January 1966 the Central African Republic and Dahomey severed diplomatic relations with Communist China.

B. Economic Assistance

1. Credits and Grants

a. Extensions

Communist commitments of new economic assistance to less developed countries continued at a high level in 1965 as East European countries extended a record volume of new aid and the USSR extended sizable credits to three CENTO countries. Following peak annual extensions of nearly \$1.7 billion in 1964, Communist countries extended a total of \$1.2 billion of aid to 22 less developed countries during 1965, increasing their aggregate aid commitments since the inception of the program in 1954 to more than \$7.7 billion (see Table 1 and Figure 2). Nigeria and Greece were added to the list of countries that have received Communist aid in the past. As in 1964, the major share of new economic assistance was allocated to Middle Eastern countries. Iran* was the largest single aid recipient; the UAR, which received the largest amount of aid in 1964, was the second largest.

The USSR and East European countries provided about 55 percent and 40 percent, respectively, of the new aid extended in 1965 and the remainder was supplied by Communist China. East European extensions of \$491 million of economic aid in 1965 were about 50 percent above the 1964 level and 25 percent more than their previous peak year extensions in 1961. The record commitments in 1965 reflected the sharp upsurge in East Germany's aid undertakings as well as heavy commitments made by four of the East European nations to the UAR Second Five Year Plan. East Germany assumed the lead among East European aid donors with extensions of \$202 million that exceeded the aggregate of all East German aid undertaken during the previous 11 years of the aid program. Of the other East European countries, Czechoslovakia contributed \$118 million to the total for 1965 while Bulgaria, Hungary, and Poland accounted for \$172 million.

The USSR extended approximately \$656 million of new economic assistance during 1965, of which an estimated \$540 million, or approximately 80 percent of the total, was designated for CENTO countries. Although these countries had accepted only \$91 million of Soviet aid prior to 1965, their recent willingness to accept large-scale economic assistance was in part generated by a general dissatisfaction with the level and type of Western aid, and Turkish and Pakistani dissatisfaction with the lack of Western support in their conflicts with Greece and India in Cyprus and Kashmir. It also reflected the careful Soviet avoidance in recent years of attaching any political conditions

* The Soviet aid agreement with Iran was signed initially in October, but the amount of aid was not announced until January 1966 after surveys had been completed and a final agreement signed.

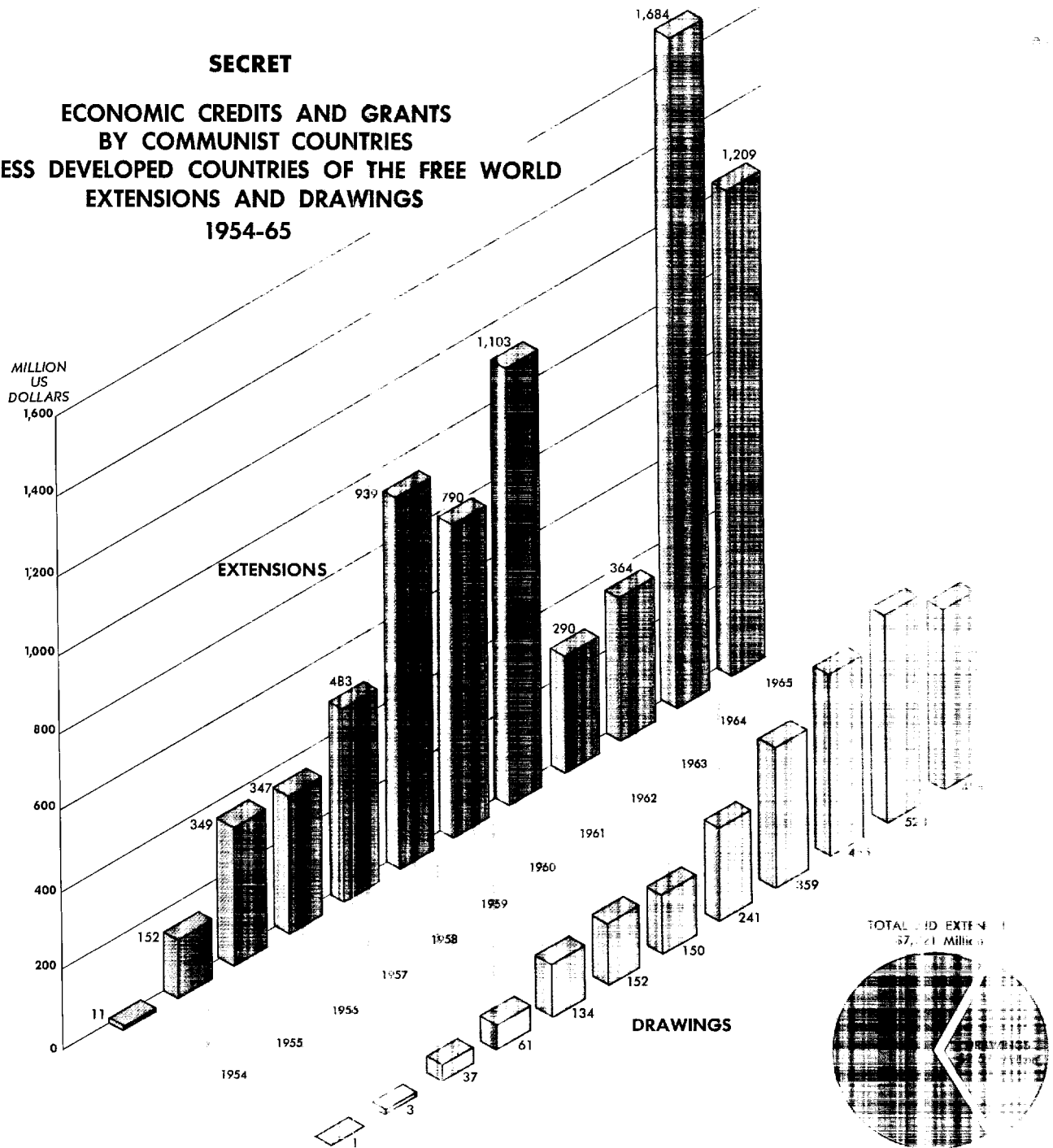
25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010024-7

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010024-7

SECRET

**ECONOMIC CREDITS AND GRANTS
BY COMMUNIST COUNTRIES
TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD
EXTENSIONS AND DRAWINGS
1954-65**



53785 4-66

SECRET

to its aid -- namely, the disassociation of these countries from the CENTO alliance. The USSR also extended credits totaling \$84 million to a private Greek firm for the purchase of ships, adding Greece to the list of aid recipients in spite of the fact that a government-to-government transaction was not involved.

Communist China was the smallest aid donor during the year, extending only \$62 million in economic credits, compared with its record commitments of \$338 million in 1964. Afghanistan and Uganda, recipients of credits totaling \$28 million and \$15 million, respectively, were added to the list of countries receiving aid from Communist China.

b. Distribution by Sector

At the end of 1965 the distribution by sector of total Communist aid in recipient countries coincided roughly with the pattern apparent four years earlier (see Figure 3). As in the past, by far the largest portion of economic assistance is being allocated to the industrial sector, with assistance to agricultural and multipurpose projects and to transportation and communications ranking next in importance. The share of industry in the total has been increasing, however, with recent Communist commitments to the Second Plan in the UAR, the Bokaro steel plant in India, and to industrial development projects in Iran and Turkey. Industry's share of the total rose from approximately 54 percent at the end of 1961 to 58 percent at the end of 1965. Obligation for the construction of steel plants has assumed particular significance with the USSR having agreed to assist in the construction of facilities with a total annual capacity of 8 million tons, two-thirds of which was obligated during the past two years. Another important change in recent years has been the increase in the share of aid allocated to commodity imports, reflecting the growing Communist awareness of the need to generate local currency to implement the aid program more effectively. The share allocated for commodity imports rose from 3 percent of the total obligations during the earlier period to 6 percent at the end of 1965.

c. Drawings and Repayments

Drawings on Communist aid in 1965 are estimated to total about \$455 million, a decline of about 15 percent from the 1964 level of about \$530 million. Total Communist outlays since 1954 rose to about \$2.6 billion at the end of 1965. The drop that occurred in 1965 is accounted for by a reduction of about 40 percent in drawings on East European credits and 10 percent on Soviet credits. On the other hand, drawings on Chinese Communist credits rose by more than 50 percent to their highest annual level, primarily because of increased transfers of cash.

SECRET

Concurrent with the rise in aggregate drawings, the indebtedness of less developed countries to Communist nations for economic aid also is increasing. At the end of 1965, their net indebtedness to the USSR and the countries of Eastern Europe was estimated at approximately \$2 billion. The less developed countries were scheduled to repay in 1965 an estimated total of \$115 million for principal and interest on Soviet credits and approximately \$45 million on credits from East European countries (see Figure 4). This compares with approximately \$90 million and \$40 million that was due to these respective donors in 1964 and demonstrates the rapid increase in the rate of repayments due as additional deliveries are made annually under the program. As a result of these scheduled repayments, the net outflow of economic aid from the USSR totaled an estimated \$215 million in 1965 and about \$20 million from the East European countries.

Again in 1965 there was evidence that a number of aid recipients were unable to meet these heavy repayment obligations. In some cases they requested concessions on old credits and softer terms on new credit extensions. At least three countries -- Guinea, Mali, and Yemen -- were allowed to defer current debt payments due to the USSR in 1964 and 1965. Some concessions also were made by Czechoslovakia and Poland to Guinea and Ghana, and Czechoslovakia agreed to extend the amortization period on its 1962 credit to the UAR from the original 5 to 8 years to 12 years. Extensions of new assistance especially by the countries of Eastern Europe indicated an increasing awareness of this problem as longer repayment periods were applied to most new extensions of aid. Most of the major new East European aid extended in 1965 carried 10-to 12-year amortization periods and 2-1/2 percent interest compared with the previous 8 year, 2-1/2 to 3 percent terms. Nevertheless, by the end of the year, repayments totaling about \$560 million were scheduled to have been repaid by the less developed countries to Communist countries. Even if program deliveries were to remain constant at the 1964 level, annual repayments would increase at a rate of between 25 and 30 percent a year and would thus be a continuing problem.

2. Technical Assistance

a. Economic Technicians

In spite of the decline in the level of drawings on Communist economic aid in 1965, the number of Communist economic technicians employed in less developed countries increased by about 30 percent, rising to nearly 18,000 from the 14,000 present during 1964 (see Table 7*). A sharp expansion in the number of Chinese Communist technical personnel accounted for about two-thirds of this increase, with the remainder almost equally divided between the USSR and Eastern Europe. The rise in the number of Chinese technicians present in the less developed countries reflected an acceleration in the pace of Chinese project activity in Guinea, Mali, and Yemen and

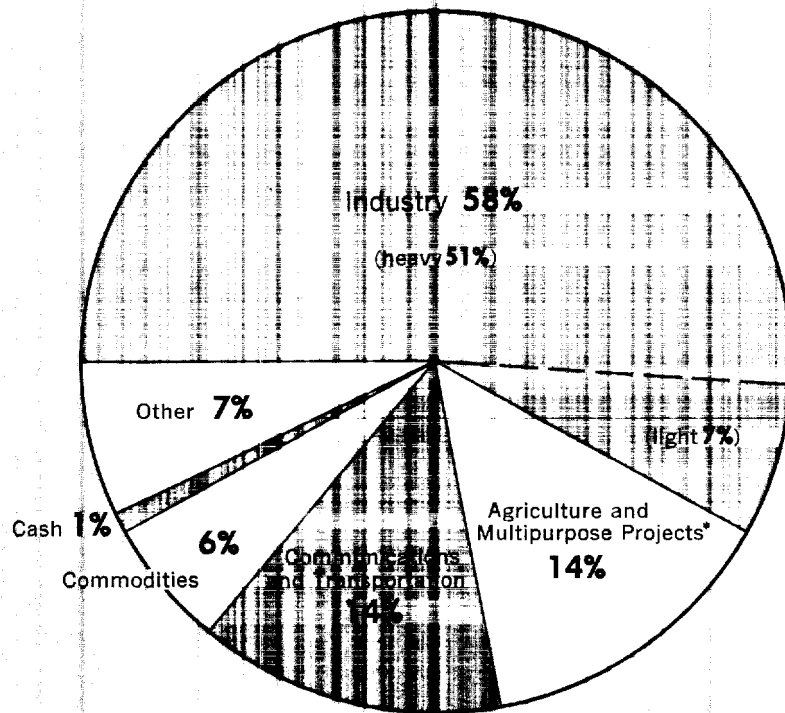
* P. 59.

SECRET

Figure 3

**ALLOCATION OF ECONOMIC AID BY COMMUNIST COUNTRIES
TO LESS DEVELOPED COUNTRIES OF THE FREE WORLD
BY END USE, Cumulative 1954-65**

(percent of total)



*The component parts cannot be broken out since multipurpose projects include dams that contribute to both the agricultural sector and to the generation of electricity.

53152 2-66

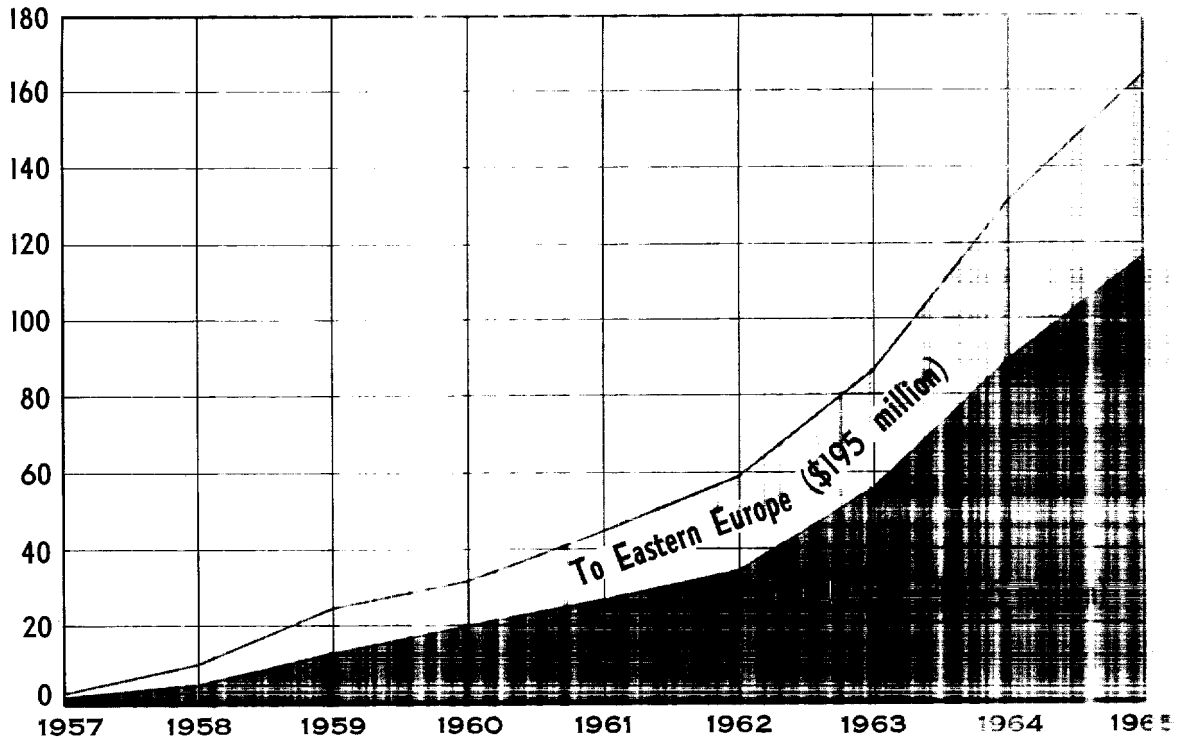
SECRET

SECRET

Figure 4

Scheduled Repayments to the USSR and Eastern Europe by Less Developed Countries of the Free World for Economic Aid Drawn 1957-65

Million US Dollars



53153 2-66

SECRET

increased the share of Communist China in the total number of technical personnel present in the less developed countries in 1965 to 24 percent, compared with only 12 percent in 1964. Although Chinese aid expenditures during 1965 represented only 12 percent of total Communist outlays, they accounted for nearly one-quarter of all Communist technicians in that year, reflecting the labor-intensive character of Chinese Communist aid activities.

Concentration of Communist technicians in a few countries continued to characterize Communist technical assistance programs in the less developed areas. While about two-thirds of all technical personnel were employed in Afghanistan, Algeria, the UAR, India, Guinea, Mali, Nepal, and Yemen, the first four of these countries accounted for approximately 60 percent of all Soviet technicians and the latter four for nearly 80 percent of Chinese technicians. About 2,500 Soviet technicians were in the UAR, of whom 1,500 were engaged in construction of the main dam and the electric power grid system eventually to be fed by the Aswan High Dam. About 1,230 Chinese were employed in Mali establishing rice, sugar cane, and tea plantations, and constructing small-scale industrial facilities.

Communist technical assistance programs not connected with specific aid projects continued to employ approximately one-fourth of all technicians sent to the less developed countries. The bulk of this activity was concentrated in Africa, where more than 40 percent of the technical personnel from Communist countries were engaged in nonproject programs. Most of these personnel were employed as advisers and planners, medical specialists, or administrators. For the first time, Communist technicians were noted in Libya, where about 100 Soviet and East European personnel were employed in nonproject activities.

b. Academic Students and Technical Trainees

In 1965, 1,690 students from less developed countries enrolled for the first time in academic training programs in Communist countries (see Table 9*). This was the third consecutive year in which new enrollments have declined and the lowest annual total since 1959. After the peak year of 1962, when about 5,600 students initiated academic programs, the number of new enrollees dropped to 3,670 in 1963, to about 2,775 in 1964, and to 1,690 in 1965. The total number of students from developing countries who have undertaken academic training in Communist countries since 1956 is now 21,200.

Continuing the pattern of recent years, African students were the most numerous and accounted for more than one-half of the students enrolled in Communist institutions at the end of 1965. Asian students -- predominantly from Indonesia -- comprised the second largest contingent, followed closely by those from the Middle East, while Latin American students accounted for more than 10 percent of the total.

* P. 63.

Almost two-thirds of the total number of students who have undertaken training in Communist academic institutions since the beginning of the program in 1956 have done so in the USSR. An estimated 700 students have gone to Communist China for training, the remainder to Eastern European countries.

The declining enrollment of academic students in Communist universities could be attributed, in large part, to the backlash of repeated incidents of racial discrimination, clashes with Communist authorities, and student dissatisfaction with conditions in Communist countries. Repercussions are still being felt in several African countries as a result of the murder in mid-March of a Ghanaian student at Baku Preparatory School and the continued unwillingness of the host governments to permit student political associations on a national basis. Moreover, in contrast to the program in earlier years, both donor and recipient governments are apparently adhering to more rigid academic standards in the award of scholarships and insisting on certification of completed secondary education as a minimum. The application of educational prerequisites undoubtedly has reduced the number of students eligible to fill scholarship quotas.

During 1965, 1,405 nationals from less developed countries initiated technical training programs in Communist countries, bringing the total number who have undertaken this training since 1956 to almost 11,000 persons (see Table 8*). These trainees have included skilled laborers and professional, organizational, and managerial personnel whose training is related primarily to the manpower requirement for Communist-aided projects in their homeland. Although a large part of this training is provided under economic aid agreements, personnel also are being trained under agreements for scientific and technical cooperation.

Concomitant with and complementary to the programs for academic and technical training being conducted within Communist countries, the Communists are expanding their educational assistance programs abroad through the distribution of books and educational aids; the provision of teachers; technical assistance to ministries of education; the establishment of schools, institutes, and vocational training centers; and on-the-job training related to Communist economic aid projects. In June 1965 a Soviet source stated that 90 educational institutions were being constructed with Soviet assistance in Asia and Africa.

C. Military Assistance

1. Credits and Grants

Communist countries extended about \$200 million of military aid to less developed countries during 1965, bringing the total of such

* P. 61.

aid extended since 1955 up to \$4.3 billion (see Table 2). Although the new aid commitments in 1965 were considerably below the near-record level of the previous year, the USSR and Czechoslovakia concluded important new agreements with India which accounted for approximately 60 percent of total aid extended in 1965. The USSR also signed agreements with Algeria, Congo (Brazzaville), Indonesia, and Uganda. Communist China concluded agreements with Algeria, Cambodia, and Uganda. The USSR continued to be the chief supplier of Communist arms aid to less developed countries and has provided more than 85 percent of the total up to the present.

Table 2

Military Aid Extended by Communist Countries
to Less Developed Countries of the Free World
September 1955 - December 1965

	<u>Million Current US \$</u>
Estimated minimum value	4,512
Less downpayments	163
<u>Amount of aid</u>	<u>4,349</u>
Credits	2,637
Discounts and grants	1,712

During 1965 arms deliveries under earlier agreements continued on schedule, relatively unimpeded by internal political upheavals in some of the recipient countries. The flow of arms under the aid program continued in spite of the governmental overthrow in Algeria, open warfare between India and Pakistan, and an abortive coup in Indonesia. In October, Morocco became the first recipient country to discontinue a Soviet military aid program, when the last six Soviet air force technicians departed.

Soviet deliveries to the UAR of Tu-16 bombers, An-12 transports, all-weather MIG-21 jet fighters, and surface-to-air missile (SAM) equipment ordered in November 1964 were made during the year. India expanded its equipment orders in 1965 to include for the first time large quantities of naval materiel, and at the same time progress was made on the construction of the nascent MIG assembly plant. The war with Pakistan over Kashmir in September heightened India's concern over the possibility that only limited military aid might be forthcoming from non-Communist suppliers in the future. By the end of the year, additional agreements, covering a wide range of defense needs, had been or were being negotiated with the USSR and other Communist countries.

During 1965, arms aid to Indonesia was marked only by the signing of a new agreement with Moscow for equipment repair facilities, although deliveries under old agreements continued. In Afghanistan, MIG-21's (the first deliveries of this type), T-54 tanks, and additional SAM's were delivered. The SAM delivery indicates that Kabul intends to install an air defense system based on the MIG-21 and SAM mix established in India, Indonesia, and the UAR.

The USSR also implemented earlier agreements with Algeria, Cyprus, Iraq, and Somalia and continued its shipments of arms to dissident groups in Africa through such countries as Congo (Brazzaville) and Ghana. In Cyprus the arrival of tanks, artillery, and SAM-associated equipment, under the 1964 Soviet-Cyprus accord, intensified Greek-Turkish communal tensions on the island. In Iraq the first known deliveries were made of the all-weather version of the MIG-21 jet fighter, and SO-1 subchasers were delivered to Algeria. With deliveries of MIG-15's in 1965 the USSR continued to provide aid under the commitment made to Somalia in November 1963.

2. Technical Assistance

a. Military Technicians

The number of Communist military technicians in less developed countries rose to 3,870 in 1965, an increase of 17 percent over the level achieved in 1964. Most recipients of military aid employed more Communist technicians during 1965 than they had a year before, but the major part of the increase was accounted for by the expanding requirements of Afghanistan, Algeria, and India. In Indonesia the number of military technicians declined, and in Syria, the UAR, and Yemen the number remained the same as in 1964.

Besides assisting in the assembly of equipment and instructing in its use, technicians are being sent to less developed countries to help establish military production and repair facilities, as in the MIG-21 production facility in India and the repair centers to be built in Indonesia. With continued proliferation of modern weapons systems into the less developed countries the number of Communist military technicians present in these countries should rise.

b. Military Trainees from Less Developed Countries

During 1965 a total of 2,720 nationals from 15 less developed countries enrolled in military training programs in Communist countries, primarily in the USSR. The number from Algeria increased more than from any other country. Nearly 21,000 persons have received this training, and 4,355 still were being trained at the end of 1965. Indonesia has accounted for more than 40 percent of the total number trained, and five other countries -- Afghanistan,

Algeria, Iraq, Syria, and the UAR -- account for about another 45 percent. Since the start of the program in 1955, the USSR has been responsible for the bulk of the instruction and has accommodated about 85 percent of the total number trained.

D. Trade

1. Value

During 1965, Communist countries continued to conclude trade agreements with the less developed countries, many of which called for increased trade. In the first half of 1965, foreign trade turnover between the Communist countries, excluding Cuba,* and the non-Communist less developed countries amounted to \$1.9 billion, or roughly 15 percent above the corresponding period of 1964. This expansion was accounted for primarily by increased Soviet and East European trade with the less developed countries. Communist China's trade with these countries declined slightly below the level recorded in the first half of 1964. Of particular interest in 1965 was the continuation of large sales of wheat by Argentina to the USSR and Communist China. Together, these two countries contracted to buy 4.6 million tons of wheat, worth at least \$240 million, to be delivered between April 1965 and mid-1966.

In 1964, total Communist trade with the less developed nations of the Free World rose to \$3.6 billion, an increase of 12 percent over the previous year.** The increase in imports exceeded that

* Cuba's trade with the less developed countries during the first half of 1965 totaled \$77 million, compared with \$74 million during the comparable period of 1964. Morocco, Spain, and the UAR continued to account for the major portion of this trade. For data on Cuba's exports to and imports from individual less developed countries during 1962-64, see Tables 12 and 13, pp. 75 and 77, respectively.

** Because of a lack of complete data for 1965, the remainder of this section analyzes developments during 1964. It should be noted that 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, which do not report such comprehensive trade data, 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 \$1,441 million. This handbook also gives a total figure for trade with the less developed countries of \$1,589 million. The difference between the two total figures could include Soviet deliveries of military items, which are excluded from the country breakdowns and also from this section.

of exports. The USSR did not contribute to this increase in trade as it did during the first 6 months of 1965; instead, the growth during 1964 was accounted for by increased East European and Chinese Communist trade with the less developed areas. East European trade with less developed countries rose 12 percent in 1964 over the 1963 level to almost \$1.5 billion, and for the first time since 1961 this trade with less developed countries exceeded the total value of Soviet trade with these areas. Communist China's trade with the less developed nations showed the largest increase, rising 43 percent in 1964 to an all-time high of \$693 million to reflect its large grain purchases from Argentina. On the other hand, Soviet trade with the less developed countries during 1964 remained at the 1963 level of \$1.4 billion. This leveling off was caused primarily by the following factors: (a) a \$69 million decline in Soviet purchases of Malaysian rubber as the USSR apparently drew down its stockpiles to conserve foreign exchange, (b) a \$50 million reduction in Soviet cotton purchases, and (c) a leveling off of Soviet exports under long-term economic credits.

Although Soviet imports from less developed countries showed an absolute decline in 1964, there was a 2-percent increase in Soviet exports to these countries. As has been the case since 1958, this growth in Soviet exports was caused by deliveries under long-term credits rather than by commercial exports. The latter remained stable at the 1963 level in 1964 (see Figure 5). Inasmuch as exports by the USSR on long-term credit have accounted for 45 percent of its total exports to the less developed countries in both 1963 and 1964 and since Soviet deliveries under these credit arrangements did not increase significantly in 1965, Soviet exports to the less developed countries for the year 1965 probably will show only a small increase. Total Soviet trade turnover with the area, however, should be well above the 1964 level partly because of increased purchases of Malaysian rubber and Argentine wheat.

As a result of the leveling off of Soviet trade in 1964, the Soviet share of Communist trade with the less developed countries fell from 44 percent in 1963 to 40 percent in 1964. The share of East European countries in this trade maintained the 1963 level of 41 percent, and Communist China's share of the total increased from 15 percent in 1963 to 19 percent in 1964.*

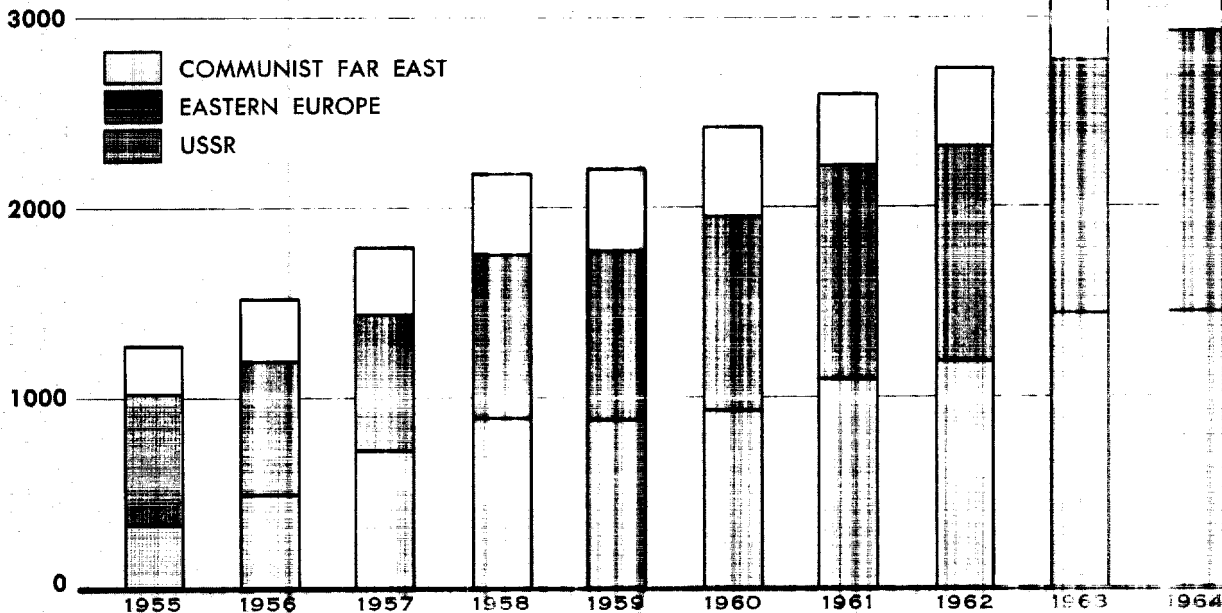
The share of the less developed countries in total Communist trade in 1964 was 9 percent, the same share as in 1963: the Communist area's share in the aggregate trade of the less developed countries remained at 5 percent as in previous years. In spite of these relatively low ratios, the Communist area 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 Guinea,

* For detailed data on Communist exports to and imports from individual less developed countries during 1963-64, see Tables 10 and 11, pp. 67 and 71, respectively.

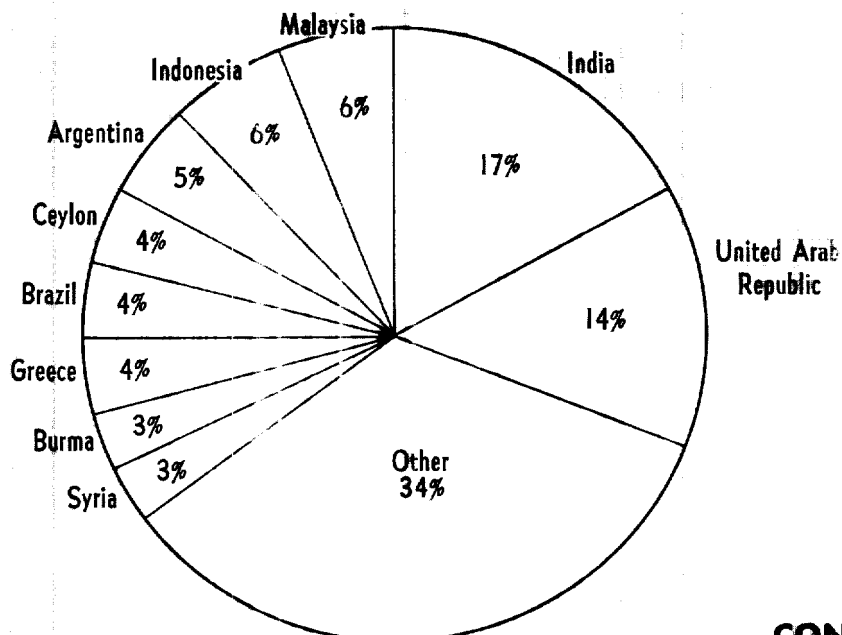
CONFIDENTIAL

Trade of Communist Countries with Less Developed Countries of the Free World, 1955-64 and Percentage Distribution, 1964

Million US Dollars



*Excluding \$11.1 million of trade with Southern Rhodesia and Zambia which cannot be distributed by Communist countries



CONFIDENTIAL

Mali, Afghanistan, Cambodia, Ceylon, and the UAR and absorbed more than one-fifth of the total exports of Guinea, Mali, Greece, Afghanistan, Syria, the UAR, and the nonpetroleum exports of Iran.* Communist countries also continued to purchase sizable portions of products that are major earners of convertible currency for some less developed countries. In 1964 these included purchases of 15 percent of Ghana's total exports of cocoa beans and of 59 and 65 percent, respectively, of the UAR's and Syria's total exports of cotton during the 1964-65 marketing year.

2. Direction

The geographic distribution of Communist trade with the less developed countries during the first half of 1965 followed the pattern of 1964, concentrating on Asia and the Middle East in general and on India and the UAR in particular. In 1964, India and the UAR accounted for 37 percent of Soviet and East European trade with the less developed countries and for more than 45 percent of Soviet trade alone. This concentration reflects the trade momentum generated by deliveries under Communist, particularly Soviet, long-term economic credits and the repayment of both economic and military credits in the form of commodities. Communist China's trade in 1964 continued to be conducted mainly with its Asian neighbors -- Burma, Ceylon, Malaysia, and Indonesia -- and with the UAR. In addition, Argentina, because of large grain sales to Communist China, became a major trading partner and accounted for almost 30 percent of Chinese imports from less developed countries in 1964. This relationship will continue in 1965 because of the large purchases of grain made by China again in 1965.

Asia continued in 1964 to account for the largest share of Communist trade with the less developed countries (41 percent). Communist trade with Asian countries in 1964 amounted to \$1.5 billion and was 13 percent above the 1963 level. Communist exports to these countries rose by 12 percent mainly because of increased shipments to Pakistan, India, Ceylon, and Indonesia. Increased imports by Communist nations from the latter three countries more than offset the nearly 40-percent decline in purchases of Malaysian rubber and accounted for most of the 13-percent increase recorded in Communist imports from the area. Those from India increased almost 50 percent above the 1963 level, with the USSR taking the major portion of this increase. In fact, India was the only less developed country to score a significant absolute increase in its exports to the USSR during 1964.

Communist trade with the less developed countries of the Middle East rose by 5 percent to \$1.1 billion in 1964 and accounted

* For data on the Communist share of the total exports and imports of selected less developed countries in 1964, see Table 14, p. 79.

for 31 percent of Communist trade with all less developed countries. Expanded imports -- primarily from Greece, Syria, and the UAR -- accounted for most of this increase. Communist exports to the Middle East rose by only 3 percent to a level of \$610 million in spite of increased Soviet deliveries to the UAR.

The share of Latin America in trade between the Communist and less developed areas rose to 12 percent in 1964, compared with 9 percent in the previous year. This trade, amounting to \$426 million, showed an increase of 41 percent over its value in 1963, primarily because of the large Chinese Communist grain purchases in 1964. Communist exports to Latin America rose only by 12 percent.

Communist trade with Africa in 1964 increased by 13 percent to \$483 million, but Africa's share in Communist trade with less developed areas remained at 13 percent. Communist imports from Africa showed almost no increase, primarily because of smaller Soviet purchases of cotton from Sudan and of copper from Zambia. Communist exports to Africa, on the other hand, grew by 25 percent, largely because of increased Soviet deliveries to Algeria and East European deliveries to Ghana.

Communist trade with the less developed countries of Europe -- Iceland, Portugal, and Spain -- declined by 18 percent to \$100 million in 1964 because of reduced trade with Spain. As a share of total Communist trade with all less developed countries, these European countries accounted for only 3 percent.

3. Commodity Composition, 1964

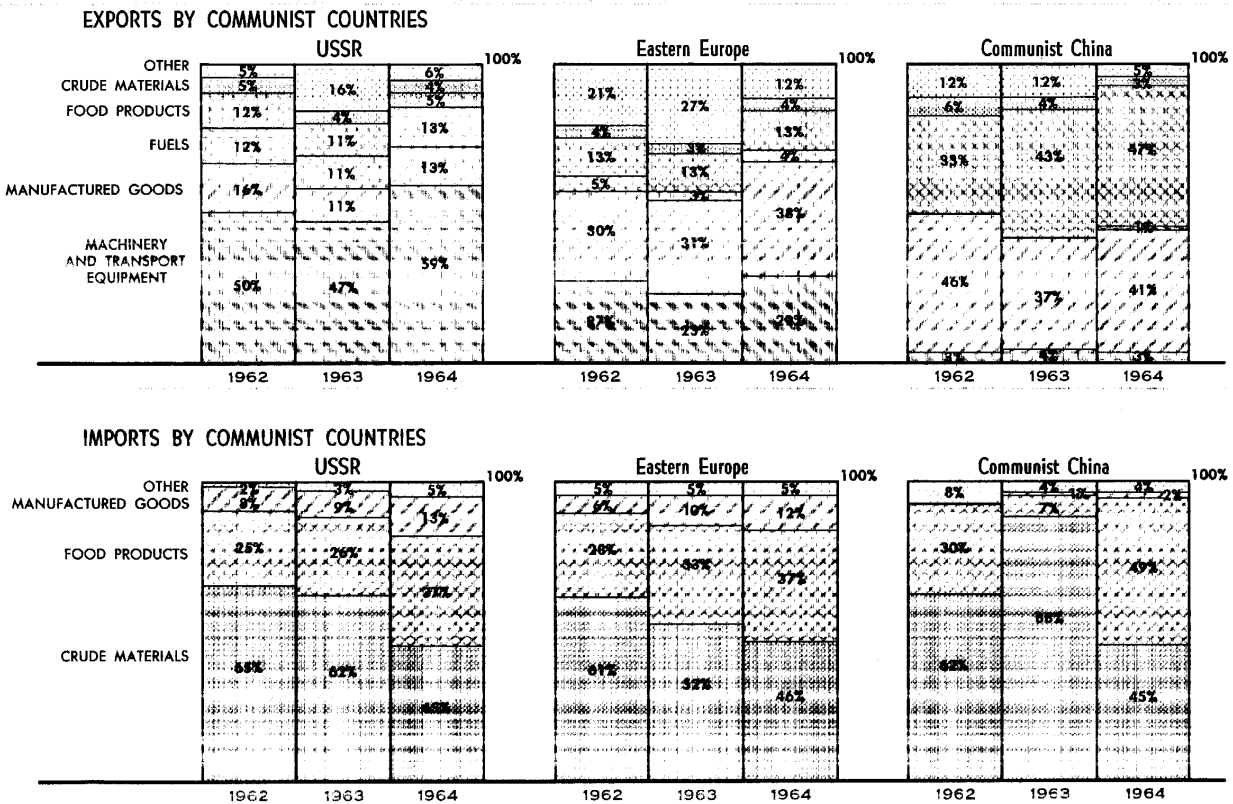
The commodity composition of the trade of Communist countries with less developed countries in 1964 showed some variations from earlier years, particularly for Communist imports. Although imports of food products and crude materials continued to account for roughly 85 percent of total Communist imports, the share of food products rose from 27 to 39 percent of the total, while crude materials declined from 60 to 45 percent. This shift in the relative importance of these two groups of goods applied to all Communist countries (see Figure 6).

Chinese Communist purchases of food products, rising by almost \$100 million over the 1963 level, showed the largest absolute gain in 1964, primarily because of heavy imports of Argentine wheat. Soviet imports of food products rose more than 40 percent above the 1963 level to a record \$250 million. Most of this increase was accounted for by larger imports of rice and of coffee, cocoa, and tea. The last three commodities, as a group, continued to hold first place among Soviet imports of food products, accounting for more than 45 percent of the total. Eastern European imports of food products from the less developed countries were almost 30 percent above the 1963 level.

CONFIDENTIAL

Figure 6

TRADE OF COMMUNIST COUNTRIES WITH LESS DEVELOPED COUNTRIES OF THE FREE WORLD, BY COMMODITY GROUP,* 1962-64



*Data for the USSR are from official Soviet trade yearbooks. Data for Eastern Europe and Communist China are based on trade returns of the United States.

CONFIDENTIAL

This increase was distributed among a wide range of foodstuffs such as meat, grains, fruits and vegetables, coffee, tea, and feeding stuff for animals.

Communist purchases of raw materials declined sharply in 1964 both in absolute terms and as a share of total imports, primarily because of smaller Soviet purchases of these goods. The decline in Soviet imports of crude materials from \$416 million in 1963 to \$300 million in 1964 resulted mainly from (a) a reduction by \$69 million in Soviet purchases of Malaysian rubber that was not compensated for by increased purchases of crude rubber elsewhere in the less developed world, and (b) a reduction by \$50 million in purchases of cotton from the UAR, Brazil, Mexico, and Sudan. Although purchases by Eastern Europe of rubber and cotton also declined in 1964, its total purchases of crude materials held steady at the 1963 level of roughly \$275 million as purchases of oilseeds and oilnuts, crude fertilizers, nonferrous metals, and hides and skins rose well above the 1963 levels. Chinese Communist purchases of crude materials as a share of total Chinese imports fell precipitously from 88 percent in 1963 to 45 percent in 1964, as the absolute value of these imports declined by almost \$20 million. As in the case of the USSR, this decline was due primarily to smaller purchases of cotton and rubber.

In 1964 the Communist area offered a somewhat larger market for the manufactures of less developed countries than in earlier years. Imports of this category of goods increased by more than 40 percent and amounted to \$160 million, or roughly 10 percent of total Communist imports from less developed countries. This increase was due almost entirely to larger Eastern European purchases of textile products and increased Soviet imports of rope, fishnets, and industrial cloth from India, yarn from the UAR, and tin from Malaysia and Indonesia.

The most striking feature of the commodity composition of Communist exports to the less developed countries in 1964 was the sharp rise in the importance of machinery and equipment. Exports of this category of goods expanded by more than 30 percent and accounted for two-fifths of total Communist exports to less developed countries, compared with one-third in 1963. Soviet exports of machinery and equipment, which rose by 28 percent to a record level of \$460 million in 1964, were primarily responsible for this increase. Exports to India and the UAR accounted for most of the increase. In absolute terms, exports of equipment for complete plants showed the largest gain, rising about \$75 million above the 1963 level and again accounting for more than three-fifths of Soviet machinery exports to the less developed areas. East European exports of machinery and equipment also continued to expand in 1964, although at a lower rate than those of the USSR. Again, these exports consisted primarily of transportation equipment, metalworking machinery, and electrical machinery. Communist China remained an insignificant supplier of machinery to the less developed countries in 1964.

~~S-E-C-R-E-T~~

Manufactured goods continued to be the second most important category of goods exported by the Communist area to the less developed countries. Exports of manufactures by all Communist countries increased absolutely, and the share of this category of goods in total Communist exports to less developed areas rose from roughly 20 to 25 percent. Soviet exports of manufactures continued to consist primarily of textile fabrics, iron and steel, and aluminum and other nonferrous metals. Again, Chinese Communist and East European exports of manufactured goods were dominated by textile fabrics, yarn and related products, iron and steel, and nonmetallic mineral manufactures such as cement and other construction materials.

In spite of increased Chinese Communist and Eastern European exports of food products, the importance of total Communist exports of food to the less developed countries declined in 1964, primarily because of the cessation of Soviet wheat sales and reduced Soviet deliveries of refined sugar. Among the other products exported by the Communist area to less developed countries, petroleum is most important. Exports of this commodity increased mainly because Soviet deliveries increased 20 percent above the 1963 level to \$97 million in 1964.

25X1

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010024-7

Next 54 Page(s) In Document Exempt

Approved For Release 2006/02/07 : CIA-RDP92B01090R000400010024-7