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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

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PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events
25 August - 7 September 1961

On 21 August, Communist China and Brazil signed a trade and payments agreement in Peiping providing for a total trade turnover of \$56 million during an "initial trade exchange" of unspecified duration, with a swing balance of \$4.2 million. It is not clear how Brazil's recent policy of accelerated trade with the Bloc will be affected by the current political crisis or whether the above agreement and others recently concluded with Bloc regimes will enter into force.

Recent negotiations in Kabul have led to an agreement for the USSR to construct a small atomic reactor for producing electricity. In addition, 20 Afghan undergraduates are to go to Moscow to study nuclear physics.

The USSR and Yemen have drawn up a draft agreement for building a road between Al Hudaydah and Ta'izz, apparently to be financed by a Soviet credit repayable in local currency or goods.

On 30 August the USSR dispatched to Mali a team of railroad surveyors and an Il-14 mapping plane and crew to lay out a projected Mali-Guinea rail line. This line will connect with the port of Conakry and thus will provide Mali with an outlet to the sea to replace the Bamako-Dakar rail line, which was closed as a result of the dissolution of the Mali Federation.

A Soviet delegation has formally transferred to Burma three Soviet "gift" projects -- a technological institute, a hotel, and a hospital. These projects were originally proposed for construction by the USSR under an agreement of 1957.

The Finance Minister of India is expected to visit Hungary in the near future for the purpose of accepting a credit offer of \$16.8 million repayable by exports in 8 or 9 years at 2.5 percent interest. Hungary also has agreed to collaborate in the establishment of India's first factory for producing detonators and also will aid in establishing an aluminum plant and a textile-testing laboratory.

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The Belgrade conference of nonaligned countries that was held from 1 to 5 September included most of the underdeveloped countries of the Free World that have received assistance from the Bloc. Twenty countries represented at the conference have received \$3.9 billion, or 96 percent of all Bloc economic aid to underdeveloped countries, and 11 participants, including representatives of the Provisional Algerian Government, have been the recipients of all military aid provided by the Bloc, which amounted to \$1.8 billion as of mid-1961. The communiqué issued at the close of the conference declared that aid to underdeveloped countries must be "unconditional" and that recipients of external assistance "must be free to decide the priority application of aid according to necessity."

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SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS*

I. General

The Belgrade Conference

The Belgrade conference of nonaligned countries that was held from 1 to 5 September brought together heads of state and other representatives from 28 countries in Asia, Africa, and Latin America. The countries participating in the meeting -- the largest convocation of leaders from underdeveloped countries since the Afro-Asian conference at Bandung in 1955 -- included most of the underdeveloped countries of the Free World that have received assistance from the Sino-Soviet Bloc. Twenty coun-



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Although the Belgrade meeting was particularly concerned with critical world problems such as disarmament and nuclear testing, the participants also discussed economic and social matters and, in particular, the economic development of the less developed countries. In a communiqué issued at the close of the conference the conferees declared that aid to underdeveloped countries must be "unconditional" and that recipients of external assistance "must be free to decide the priority application of aid according to necessity." They also recommended the establishment by the UN of a fund for capital development that presumably

* Although the main emphasis of the Biweekly Report is on economic activities of the Sino-Soviet Bloc in underdeveloped areas of the Free World, significant Bloc activities of this nature in areas not considered underdeveloped also will be discussed.

** All dollar values in this report are in terms of US dollars.

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would expand considerably the UN's present limited lending resources available for development purposes. (UNCLASSIFIED)

The Belgrade conference served as a well-publicized forum from which representatives of the underdeveloped countries could voice their desire for economic growth. Although the countries represented at Belgrade vary in their political orientation, they are similar in their determination to proceed as rapidly as possible with economic development programs and in their willingness to obtain assistance from the Sino-Soviet Bloc. (UNCLASSIFIED)

II. Latin America

Trade Agreement Between Brazil and Communist China

On 21 August the Peoples Bank of China and the National Bank of Brazil signed a trade and payments agreement in Peiping providing for a total trade turnover of \$56 million during an "initial trade exchange" of unspecified duration, with a swing balance of \$4.2 million. No further provisions of the agreement have as yet been disclosed. Brazil's trade with Communist China in 1960 was well below \$1 million. This trade agreement is the second to be concluded between a Latin American country and China, Cuba having concluded such a pact in 1960. (UNCLASSIFIED)

Joao Goulart, successor to the presidency of Brazil, headed the official trade delegation that negotiated the agreement. Goulart's trip was interrupted by a political crisis in Brazil resulting from the resignation of President Janio Quadros on 25 August. This event has been attributed in part to Quadros' drive to strengthen the country's economic and political relations with the Bloc. (UNCLASSIFIED)

Although Goulart succeeded to the Brazilian presidency on 7 September in accordance with constitutional provisions, his future activities may be narrowly circumscribed by a recently adopted constitutional amendment aimed at curtailing his executive powers. It is not clear how the recent Brazilian policy of accelerated trade with the Bloc will be affected or whether or not this agreement and others recently concluded with Bloc regimes will enter into force. (UNCLASSIFIED)

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