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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC WGR 1/189

6 May 1963

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

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events
19 April - 2 May 1963

After prolonged negotiations, Brazil and the USSR on 20 April finally signed a new 5-year trade agreement to replace their 1959 pact, which expired at the end of 1962. Major items to be traded include Soviet machinery, wheat, and crude oil and petroleum products and Brazilian coffee, cotton, and rice. An important feature of the new agreement, long sought by Brazil, is the provision for the use of earnings from exports to the USSR to pay for imports from other Bloc countries.

Trade agreements between Brazil and six Soviet Bloc countries, negotiated in the spring of 1961, are now being effectuated. These agreements call for greatly expanded trade levels and provide for upwards of \$180 million in credits. Recent ratification of the agreements is being followed up by trade missions from most of the Satellite countries, and Coleste, the Brazilian coordinating group for trade with the Bloc, is considering the proposals set forth by the missions.

With the aid of the USSR, the Castro government has begun a significant expansion of Cuba's electric power industry. Two major powerplants, one at Mariel and one at Punta Rente, are currently under construction; upon their completion, Cuba's electric power capacity will be increased by 30 percent. The foreign exchange costs of the two plants, estimated at \$42 million, presumably will be covered under the Soviet line of credit of \$100 million extended in 1960.

Iraq has signed two contracts with the USSR for the delivery of six MIG-21's and spare parts for T-54 tanks and armored personnel carriers. These are the first contracts between the two countries since the overthrow of the Qasim regime in February.

The Moscow Narodny Bank of London, a Soviet-controlled institution, has declared its intention of establishing a branch in Beirut. Soviet authorities may expect that an expansion of the Bank's activities will enable the USSR to take better advantage of opportunities for trade transactions in underdeveloped countries.

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The arrival of approximately 500 Soviet personnel at Hudaydah in mid-April indicates that the USSR is stepping up implementation of its aid program in Yemen. Approximately 700 Soviet technicians are estimated to be in Yemen at the present time.

The Government of the Somali Republic has announced that Prime Minister Abdirascid has accepted an invitation to visit Communist China in the near future. Abdirascid, indicating pessimism about receiving military assistance from the US and fear of an Ethiopia-Kenya alliance, wants to see what military assistance the Chinese may provide. An announcement was also made regarding the granting of air and landing rights to Aeroflot.

Communist China has offered a \$50 million commodity credit to Indonesia. An Indonesian trade mission is scheduled to go to Peiping in the near future to discuss the details of the offer. Previous economic assistance extended by China is valued at \$57.4 million.

The delivery of Soviet surface-to-air missile equipment to Yugoslavia has been confirmed. The equipment, including two types of radar associated with the Soviet SA-2 missile system, was recently observed at Batajnica Airfield. This is the first missile equipment actually delivered to Yugoslavia and is probably the first unit of a SAM system to be set up for the defense of the Belgrade area.

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