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BIWEEKLY REPORT

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

EIC WGR 1/218

15 June 1964

**PREPARED BY THE WORKING GROUP
ON COMMUNIST AID AND TRADE ACTIVITIES
IN LESS DEVELOPED AREAS OF THE FREE WORLD**

ECONOMIC INTELLIGENCE COMMITTEE

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Approved For Release 2005/08/22 : CIA-RDP92B01090R000700020090-0

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Summary of Events
29 May - 11 June 1964

During May, Algeria received 100 armored vehicles from the USSR -- allegedly to be used to equip the first of five planned experimental divisions. The delivery reportedly consisted primarily of T-34 tanks as well as a few T-54 tanks and some self-propelled guns.

Because of Ghana's shortage of foreign exchange and favorable trade balance with the USSR, the Ghanaians have signed a contract with the USSR for the purchase of 500,000 tons of crude oil to be delivered over the period June-December 1964. The Soviet crude oil will be refined at the GHAIP refinery at Tema, which is jointly owned by Ghana and AGIP, a subsidiary of the Italian petroleum monopoly ENI.

President Karume of Zanzibar (Vice President of the Union of the Republics of Tanganyika and Zanzibar -- URTZ) has announced that Communist China has extended an interest-free credit of \$14 million to Zanzibar. In addition to granting Zanzibar \$518,000 earlier this year, Communist China has delivered 25 tractors, other agricultural equipment, and consumer goods. Meanwhile, the URTZ officials announced that they were sending a mission to Communist China on 8 June.

Recent reports indicate increasing Rumanian participation in the minerals industries in Burma. Since March, four Rumanian geologists, one of whom will take over the post of chief adviser to the People's Oil Industry (POI), have arrived. Technical training also is being provided in Rumania for four senior Burmese officials of the POI. Indications are that the Rumanians also may be asked to assist in the development of iron, tin, and wolfram mines and in the gem-mining industry in Burma.

Soviet military assistance to Cambodia, which was apparently negotiated in the USSR in April, will be delivered in two installments, the first of which is expected to reach Cambodia this summer. Although this first delivery, consisting of two MIG-17 jet fighters, twelve 76-mm guns, eight 85-mm antiaircraft guns, fifteen 82-mm mortars, thirty-six machineguns, and 500 submachineguns, will be a gift, the second shipment presumably will be on credit.

Indonesia's inability to meet its financial obligations to Czechoslovakia has resulted in an alteration of the latter's aid program and a rescheduling of Indonesia's military aid repayments. Two Czechoslovak aid projects reportedly will be postponed because of Indonesia's

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failure to make the required downpayment for the projects. Indonesia's military repayment obligations have been rescheduled by the "suspension" of the 1963 installment and the extension of the repayment period until 1970.

The overthrow of President Goulart in Brazil has been followed by an apparent pause in the course of Brazil's economic relations with at least one of the Communist countries. A Committee of the Brazilian Congress has announced its intention to review all of Brazil's interbank agreements with foreign countries, including Communist China. A review also may be made of all bilateral trade-and-payments agreements, including pacts negotiated during 1961 with six Eastern European Communist countries, an unratified pact with Cuba, and possibly the new trade agreement signed with the USSR early in 1964.

Although Hungarian and Bulgarian proposals were not made at the same time, both countries have signed basically similar trade offers with Uruguay. Up to \$22 million worth of industrial items, including railroad rolling stock, track, related equipment, and a concrete crosstie factory, will be supplied by Hungary and Bulgaria in return for meat, wool, hides, and other Uruguayan raw materials.

The government of Cyprus, after extending civil air rights to the USSR in February 1964, has granted aviation rights to the civil airlines of East Germany and Hungary. The East German line Interflug has been given a temporary permit to operate a scheduled service between East Berlin and Nicosia during the next 6 months. The air agreement between Cyprus and Hungary provides for service between and beyond the two countries, indicating that Hungary, with Greek concurrence, may plan to integrate the Cyprus service into its prospective route to the Arab Middle East.

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