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BIWEEKLY REPORT

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

EIC WGR 1/220

13 July 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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Summary of Events
26 June - 9 July 1964

The scope of Soviet assistance for India's petroleum industry will expand as the result of recently concluded agreements. A ship equipped with modern geophysical equipment will be provided to India to undertake offshore petroleum exploration activities, and Soviet petroleum technicians will be provided to operate the equipment. To date the USSR has extended about \$148 million in economic credits to India for petroleum exploration and development and refinery construction. Indian purchases of Soviet petroleum products also have been increasing; Soviet petroleum sales have increased from 23,000 tons in 1960 to about 750,000 tons in 1963. Current oil trade negotiations reportedly involve possible Indian imports of more than 2 million tons over a period of 3 to 4 years.

Under a recently negotiated trade protocol the USSR has made a significant trade concession to Indonesia by providing for Indonesian imports from the USSR on a 1-year deferred-payment basis. This is the first time that the USSR is known to have granted such liberal trading terms to a less developed country of the Free World. The payment deferral will allow Indonesia to use approximately \$10 million in foreign exchange for additional imports or to meet pressing repayment obligations. In addition, the USSR is continuing to encourage Indonesia to maintain a surplus on its current commercial trade account; this trade surplus then can be used to meet repayment obligations on Soviet long-term credit extensions.

Information recently received indicates that the Soviet-Indonesian arms agreement of November 1963 provides for more equipment than previously had been reported. The equipment is now valued at \$51.6 million; equipment for the Indonesian navy accounts for \$24.9 million, for the air force \$18.5 million, and for the army \$3.2 million, with the residual covering miscellaneous civilian-type vehicles for all three services.

The USSR has concluded a trade agreement with Cyprus for Soviet purchases of 10,000 tons of cognac alcohol in return for Cypriot purchases of 400,000 tons of fuel oil. The agreement will provide fuel oil for the Cyprus Electricity Authority at a favorable price and assures Cyprus of a market for a significant part of its surplus vine products. The USSR reportedly also has offered Cyprus a long-term credit equivalent to \$84 million. Economic assistance of this magnitude, however, at this time, appears highly improbable.

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The USSR reportedly has expressed interest in extending economic aid to Jordan. Although no details of a Soviet proposal are known, it is believed that Jordan may be interested in obtaining assistance for a potash plant. Although past Soviet offers of aid have not been accepted, Jordan's increasing desire to develop its potash industry plus inaction on the part of Western sources of economic assistance has increased the likelihood that current Soviet overtures will be received more favorably.

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