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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Chinese Aid in the Third World

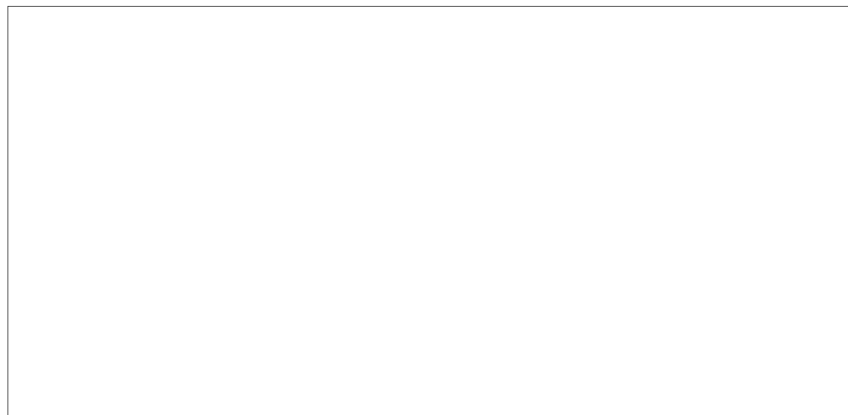
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No 674

30 June 1972
No. 0376/72A

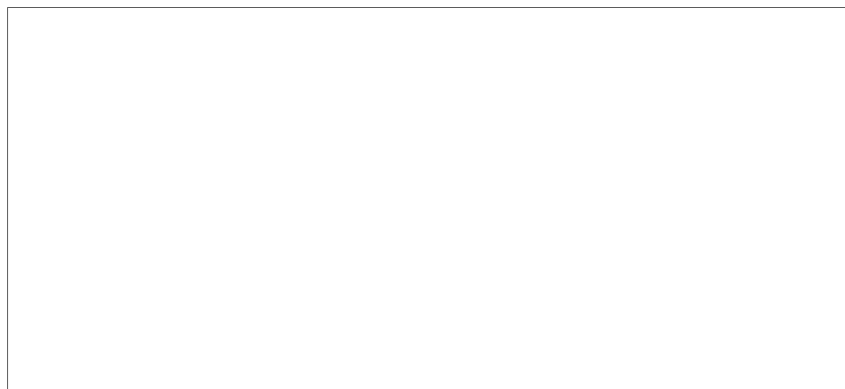
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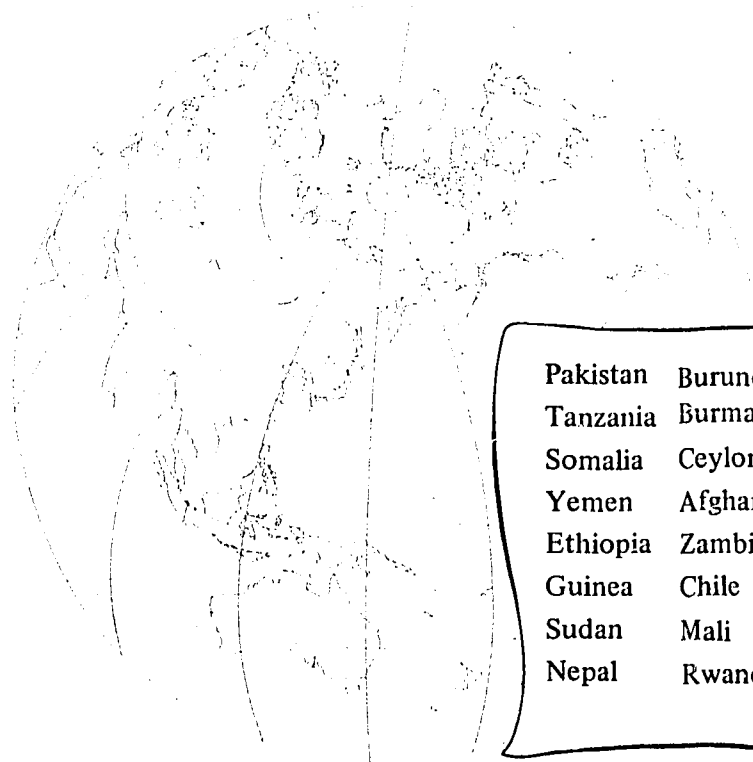
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Chinese Aid



in the Third World



Pakistan	Burundi
Tanzania	Burma
Somalia	Ceylon
Yemen	Afghanistan
Ethiopia	Zambia
Guinea	Chile
Sudan	Mali
Nepal	Rwanda....

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China moved from the isolation of the Cultural Revolution in 1969 to recoup its diplomatic losses and compete for major power influence. The Chinese economic aid program in the Third World was revived after being stagnant, in terms of new commitments, for some five years. Chinese aid commitments of nearly \$1.6 billion in the past two years have more than doubled Peking's previous total. Aid allocations thus far in 1972 maintain the pace of the previous two years, indicating the priority given to economic aid diplomacy. Military aid, although totaling only an estimated \$440 million, has become important for some recipients.

Peking has at the same time sought to remove the subversive taint many Third World countries associated with Chinese aid. Ideological rhetoric has given way to the pragmatic consideration of expanding Chinese influence. Peking realizes that its earlier tactics, such as aiding dissident groups seeking to overthrow the host government, impede normal state-to-state relations. Peking is making compromises with monarchies and military juntas and is courting non-revolutionary regimes in Ethiopia, Iran, Kuwait, and Turkey. The Chinese have even warmed to the Numayri regime in Sudan, which decimated the Sudanese Communists in mid-1971.

Economic Aid Step-Up

Some 60 percent of the nearly \$2.6 billion worth of aid extended under Peking's 16-year-old program has been committed during the past two and a half years. During this period aid has been extended to 27 countries, many of them new recipients.

Of the peak extensions of nearly \$710 million in 1970, about 60 percent was allocated for the Tan-Zam Railroad while some \$200 million went to Pakistan. About one fifth of the \$553 million extended in 1971 went to Somalia alone. Peking also revived \$57 million of unused credits to Burma and extended an additional \$24-million commodity credit in an effort to normalize relations with Rangoon. Last year also saw China's first economic aid commitments to Chile, Ethiopia, Iraq, Peru, and Sierra Leone.

The pace has quickened this year with nearly \$305 million already extended to ten countries. Burundi, Guyana, Malta, Mauritius, and Rwanda, accepting their first Chinese aid, received almost half. The largest Chinese credit to a Latin American country also was recorded this year when \$65 million was committed to Chile.

Diverse Aid

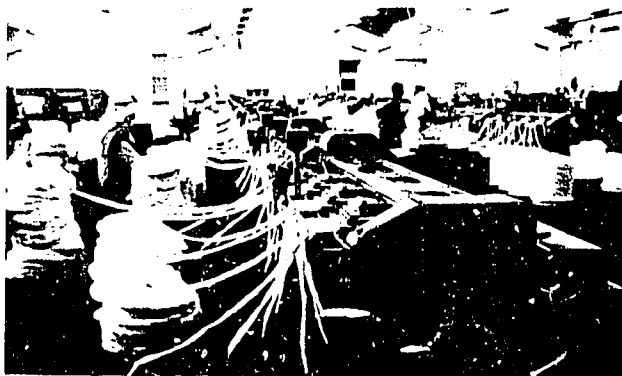
About 40 percent of Chinese aid has been allocated for the construction of railroads and roads. More than \$400 million has been extended for the Tan-Zam Railroad, the largest single Communist financial commitment for an aid project in a less developed country. The Chinese also have built roads in Nepal, Pakistan, Yemen (Aden), and Yemen (Sana), and others are scheduled for Somalia and Sudan.

A third of total Chinese aid has been in the form of commodities and foreign exchange, contrasting with less than five percent of Soviet aid devoted to these purposes. China has committed at least \$160 million in hard currency, of which almost \$60 million has been supplied since early in 1970.

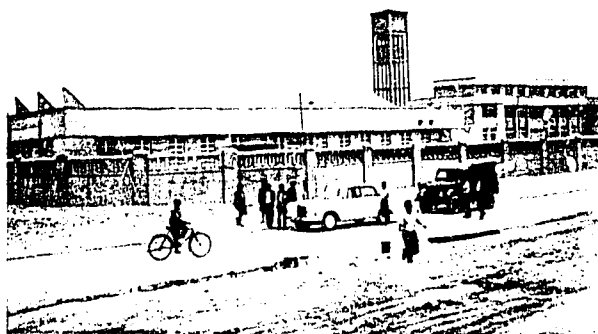
Light industrial projects such as textile, plywood, paper, food processing, and agricultural implement plants, which are simple to operate and maintain and require a minimum of imported raw materials, account for about 15 percent of Chinese aid. The only heavy industrial project under China's foreign aid program is a machine-building complex and foundry-forge plant in Pakistan. The balance of Peking's aid has been for agricultural and multipurpose projects, sports stadiums, conference halls, schools, hospitals, theaters, and hotels.

The repayment terms of Chinese aid are almost unbeatable among world assistance offers. All credits are extended without interest and are repayable in goods over ten to 30 years after grace periods of five to ten years. The Tan-Zam railroad agreement, for example, calls for repayment over 30 years beginning in 1983. The lengthy repayment periods are intended to ensure that the projects financed by the credits will pay

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Chinese-aided textile factory in Yemen (Sana).



for themselves. Projects usually are scheduled for full-scale operation long before repayments fall due.

Technical Assistance

The Chinese characteristically flood their aid projects with their own personnel, including semi-skilled as well as skilled workers. This has speeded construction of Chinese projects, because it avoids many labor problems encountered under Western and Soviet programs which depend on local workers to perform all but the highly skilled and professional tasks. The number of Chinese technicians in less developed countries has grown from 25 in 1957 to some 20,000. More than 90 percent are in Africa.

Despite this growth, the number employed has fluctuated sharply and has been determined largely by the demands of a few labor-intensive

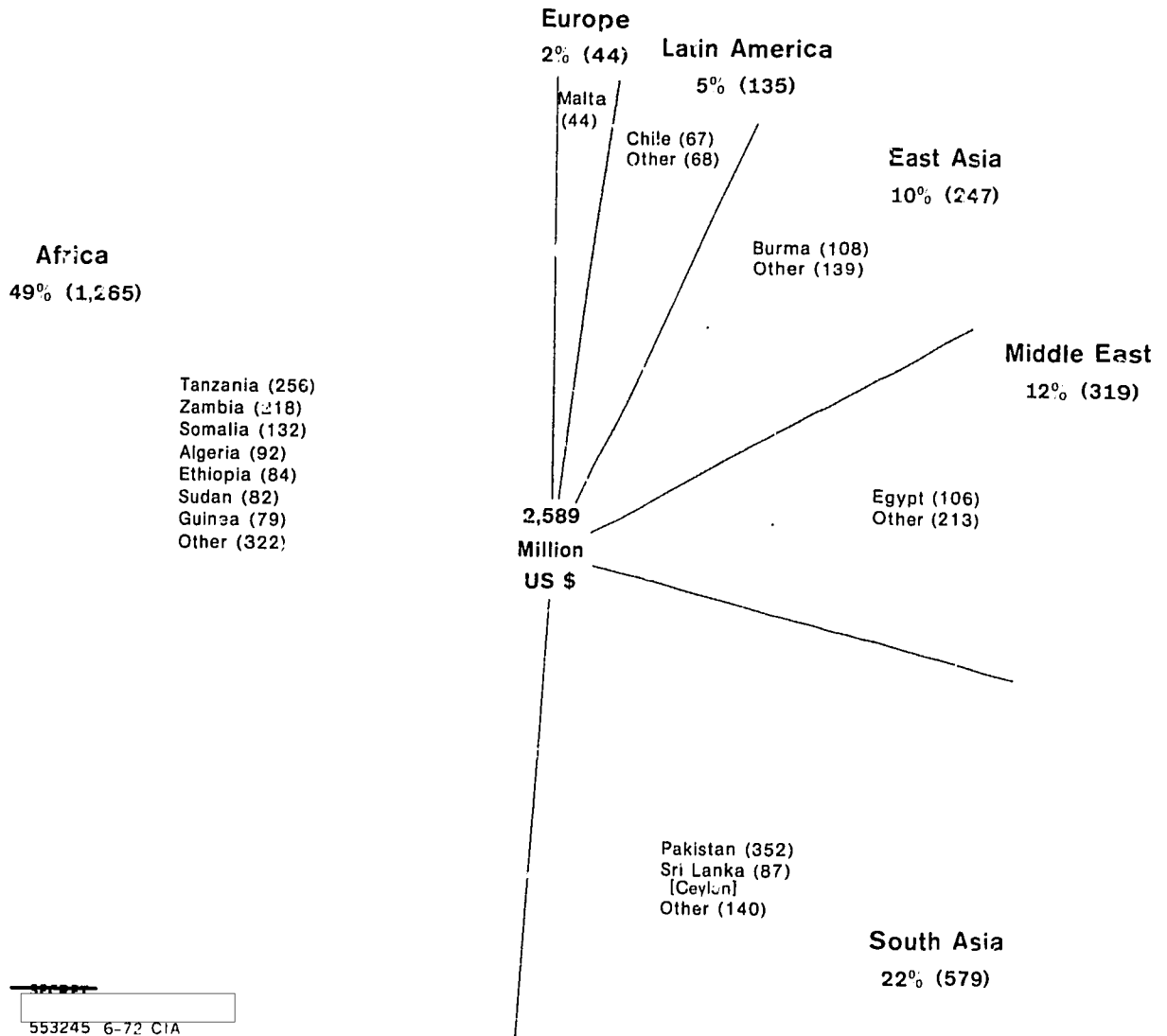
construction projects. The 1,000 working on the Sana - Al Hudaydah road in 1961 represented more than 70 percent of all Chinese technicians abroad at that time. During the mid-1960s large numbers were used to construct a road in Nepal and several plants in Guinea and Mali. The number of technicians abroad increased fivefold from 1968 to 1971 as work on the Tan-Zam Railroad accelerated. By mid-1972, an estimated 15,000 Chinese were in Tanzania and Zambia, nearly three fourths of all Chinese in the less developed countries.

The presence of Chinese technicians costs the host country little. Peking pays all of the foreign exchange costs, such as transportation and salaries. This contrasts with Soviet and most Western aid programs, which usually require hard currency repayment for technical services. China asks only that the recipients pay room and board and other local costs, and these usually are covered by

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Chinese Economic Aid Extended 1956-June 1972



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Chinese technician in Guinea teaches operation of Chinese machinery.



Local and Chinese personnel work on Tan-Zam Railroad.

commodity imports under the Chinese credit. Furthermore, Peking requires its technicians to live at the same standard as their local counterparts, keeping expenditures to a minimum.

Military Aid—Small but Selective

Military assistance has played a comparatively small role in the Chinese aid program. Only about \$440 million has been provided since 1956. Most of this has gone to legitimate governments and only a negligible amount to revolutionary movements. About \$300 million went to Pakistan and nearly \$40 million to Tanzania, the only countries which have developed some dependence on Chinese arms.

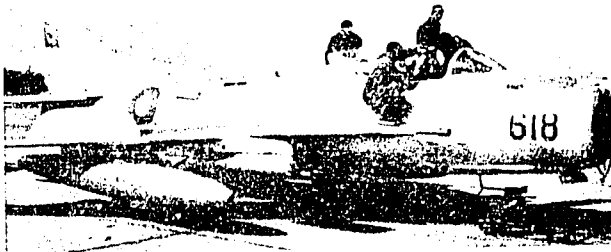
Pakistan, apparently concerned over its dependence on US arms, began seeking an arms aid relationship with Peking in 1965 even before that year's Indo-Pakistani war, during which the US

halted its arms shipments. During the war, Pakistan negotiated an agreement with China for \$75 million worth of arms, which were delivered not only rapidly, but without charge. The following year China provided an additional military aid grant of \$42 million. Through 1971 several other pacts totaling \$130 million were concluded.

By mid-1972, China had delivered an estimated \$200 million worth of military equipment to Islamabad. Ground force materiel included 750 medium tanks, about 700 artillery pieces and anti-aircraft guns, more than 50,000 small arms, ammunition, communications and other support equipment, and spare parts. The Pakistani Air Force received about 165 MIG-19 jet fighters, at least four IL-28 jet light bombers, and various jet trainers. Chinese-supplied equipment currently accounts for about half of Pakistan's air and ground force inventories.

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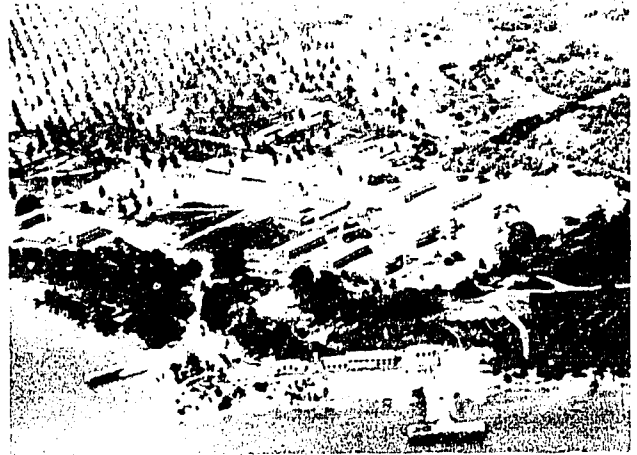
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MIG-19 supplied by Chinese to Pakistan.

Pakistan is believed to have signed another agreement valued at more than \$50 million early this year, presumably to replace equipment losses of the most recent Indo-Pakistan war as well as for additional ground force equipment and jet fighters to modernize the armed forces. Naval equipment, including Shanghai-class gunboats, was ordered for the first time.

China has also become Tanzania's chief source of military aid. Peking has delivered light tanks, patrol boats, landing craft, anti-aircraft



Naval base under construction in Tanzania.

guns, and large quantities of small arms and other military-related equipment. In addition, it has constructed an arms repair facility and a police training school. Tanzania also acts as a storehouse and distribution center for Chinese assistance to southern African dissident groups. Guerrilla training for these organizations is conducted in Tanzania by Chinese instructors.

Dar es Salaam's decision to unify its mainland and Zanzibar armed forces and to place the servicing of its military establishment largely in the hands of the Chinese apparently was made early in 1969. Within a year, Canadian and Soviet programs were pushed out. The number of Chinese military advisers and technicians rose from 220 in 1969 to an estimated 735 in 1971. Advisers are attached to infantry, artillery, logistic, and communications units of the Tanzanian Peoples Defense Force on the mainland, and some are training Tanzania's newly authorized Peoples Militia. Chinese engineers also are supervising construction of a naval facility at Dar es Salaam, scheduled for completion this year. In addition, almost 350 Tanzanians have gone to China for one to two years of naval training, half of whom have returned.

China also is developing an air defense system for Tanzania, including the construction of an airfield some 90 miles from Dar es Salaam.

**Chinese Military Aid to
Less Developed Countries
1956 - June 1972**

	<u>Million US \$</u>
TOTAL	440 ^{a/}
Pakistan	300
Tanzania	38
Indonesia	21
Cambodia	14
Ceylon	6
Congo	3
Syria	2
Guinea	2
Burundi	2
Sudan	2

^{a/} Not including Algeria, Ghana, Iraq, Mali, Sierra Leone, Uganda, and Zambia. Military aid has been provided to these countries, but there is no information on its magnitude. However, the total is not believed to be significant.

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About 240 air force trainees are undergoing two years of training in China; at least 20 are pilots and the rest presumably are support personnel. An undisclosed number of jet fighters will be provided after the airfield and training are completed this year.

Two new military aid clients already have been added this year—Burundi and Sudan. The Sudan, looking for a way to eliminate its dependence on Soviet arms, is receiving MIG-17 jet fighters and tanks, and China is to train Sudanese in the use and maintenance of Soviet-built ground forces equipment. The agreement with Burundi provides for Chinese assistance for the construction of military barracks and probably the supply of some engineering equipment and small arms.

Outlook

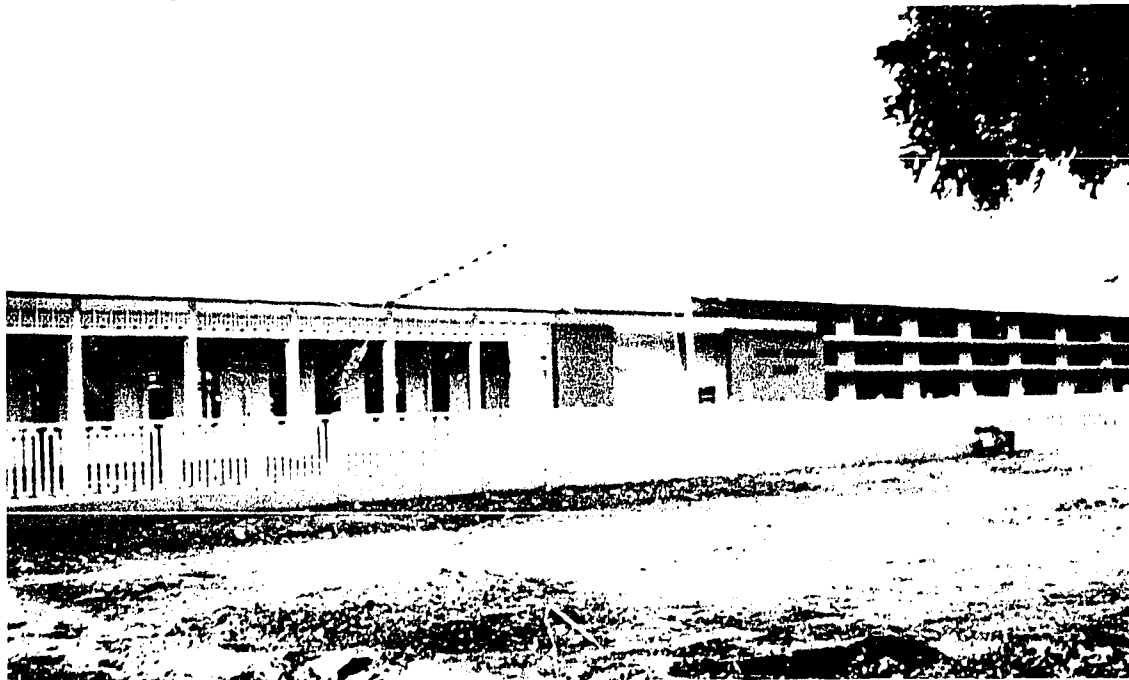
Foreign aid will continue to serve as a key instrument of Peking's policy in Third World

countries. Aid in each case has reflected the general warming of relations between China and the recipient and has most often followed diplomatic recognition. It has been China's means of establishing a presence in many Third World countries and promises to remain the most effective tool for expanding Chinese influence in these countries.

New aid commitments are likely to fluctuate with political considerations and new opportunities, but over the next few years, are likely to remain at a high level. Chinese programs will continue to emphasize labor-intensive projects, and are expected to continue to focus on Black Africa, where Peking can meet aid requirements and effectively challenge Soviet and Western influence. While the emphasis remains on Africa, more Chinese economic and military aid may flow to Asia, the Middle East, and Latin America, but in those areas it is not likely to be as great as Soviet aid. (b)(3)

Chinese-built cigarette factory in Mali.

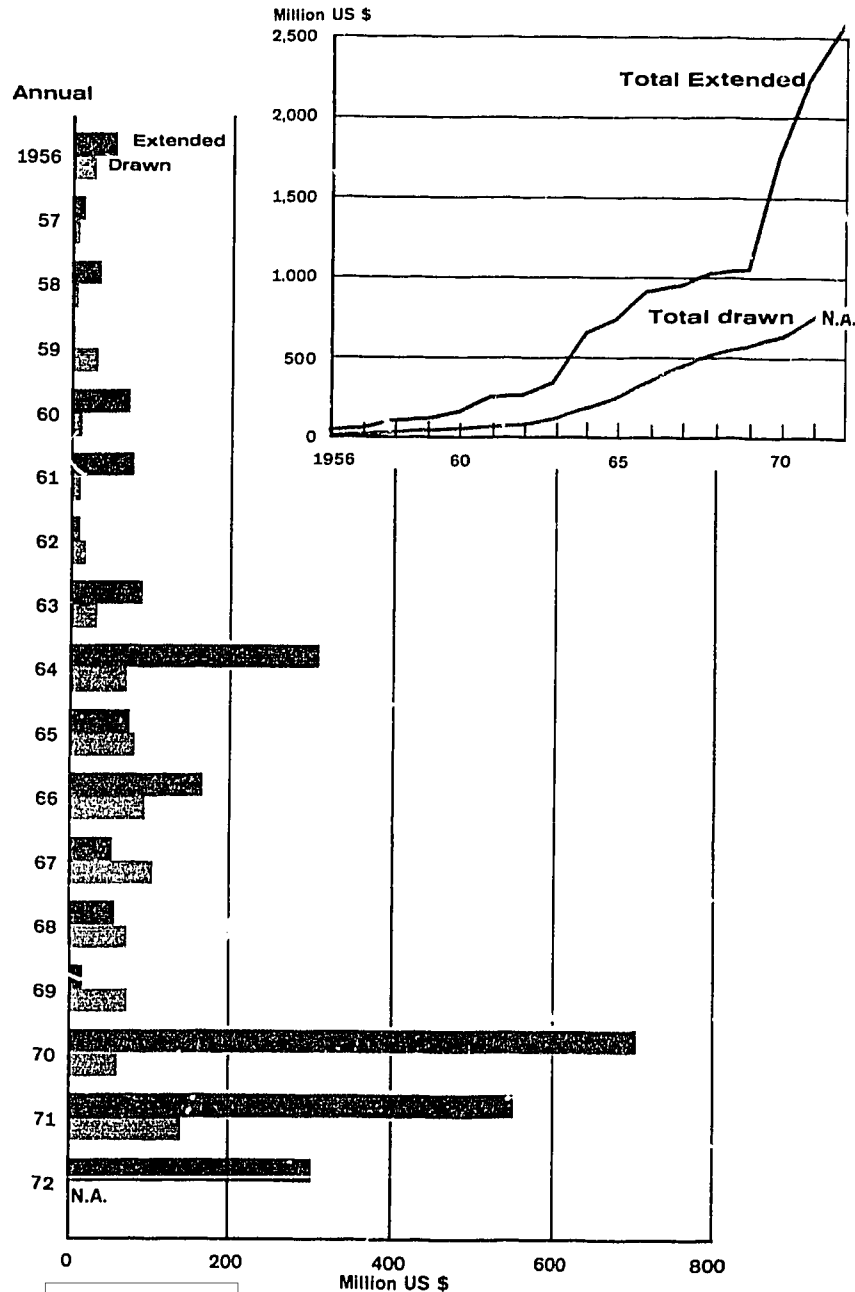
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Chinese Economic Aid to Less Developed Countries, Extended and Drawn



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