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COMMUNIST ECONOMIC ACTIVITIES IN THE DEVELOPING COUNTRIES

Ninth Report by the Sub-Committee on Soviet Economic Policy  
covering the period July 1962 - December 1963

Note by the Chairman of the Sub-Committee

The attached report is the ninth in a series that was initiated in August 1957(1). The title under which these reports were presented had traditionally been "The Economic offensive of the Sino-Soviet bloc in the less-developed countries", but during the last few years several developments took place which altered the overall picture. The Sub-Committee on Soviet Economic Policy, which is responsible for the preparation of these reports, has thought that the new wording of the title used above "Communist Economic Activities in the developing countries" corresponds better to the contents of the present report covering the period from mid-1962 to the end of 1963.

2. This ninth report follows generally the outline of the previous one(2). It contains four parts:

- |          |   |
|----------|---|
| Part I   | Summary and Conclusions   |
| Part II  | Main developments of the communist economic activities in the developing countries during 1962 and 1963 |
| Part III | Statistical Annex   |
| Part IV  | Analysis by country   |

(1) C-M(57)116 - First Report.

(2) C-M(63)39 - Eighth Report and AC/127-D/119, Part III Analysis by country.

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3. The Sub-Committee submits this report for consideration to the Committee of Economic Advisers which may decide, according to previous practice, to transmit to the Council such parts of it as may be found relevant.

(Signed) A. VINCENT

OTAN/NATO,  
Paris, Xvie.

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THE COMMUNIST ECONOMIC ACTIVITIES IN THE DEVELOPING COUNTRIES

Ninth Report by the Sub-Committee on Soviet Economic Policy  
covering the period 1st July, 1962 to 31st December, 1963

PART I

SUMMARY AND CONCLUSIONS

1. Since the first report(1) in this series submitted in August 1957, significant developments have taken place in the Communist economic activities in the developing countries. Recent events suggested that the Soviet/Chinese ideological rift has by now reached a point that might effect their respective foreign aid policies. Economic penetration efforts by the Soviet Union and the European satellites on the one hand, and Communist China on the other, seem less co-ordinated than in the past and are even, in some cases, clearly competitive. Apart from Soviet aid to India at the time of Chinese aggression, the timing of aid extended by both sides to Algeria and the Somali Republic, the more favourable terms offered by Communist China as against those required by USSR loans, the readiness of Communist China to extend aid for budget support refused by the Soviet Union, are indicative of increasing competition especially in East Africa. Although both the Soviets and the Chinese aim at eliminating Western influences in the developing countries, to describe such Communist economic activities as originating from "a Sino-Soviet bloc" would suggest a higher degree of co-ordination than warranted by recent developments.

2. During the ten years period now covered since the beginning of the Communist economic penetration, the intensity of their efforts has fluctuated. After a rapid start in 1954, the volume of aid extended and the rate of trade expansion directed towards the developing countries reached their top momentum five years later and were kept at that level up until 1960-1961. They lost apparently much of their impetus thereafter, although a resumption of large-scale aid commitments by Communist countries has been reported during the early months of 1964(2). At the same time, Communist economic penetration may become more subtle and technical assistance will probably remain one of the most dynamic sectors in such efforts. These increasingly

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- (1) C-M(57)116 - "The Economic Offensive of the Sino-Soviet bloc".
- (2) From January until May 1964, \$618 million new loans have been promised by the Communist countries mainly to United Arab Republic, India and Algeria. If this rate was to be maintained throughout the year, new aid commitments would again reach the record levels of the 1959-1961 period.

sophisticated Communist economic activities remain, therefore, dangerous to the West, although the Communist rulers, taking account probably of their own economic difficulties, appear anxious to keep the actual costs of their foreign aid programmes within more closely controlled limits.

3. At the recipient end, during recent years, a considerable number of developing countries became independent, but some of them, which do not belong to the Communist world have not yet reached Western democratic standards. Notwithstanding the serious Communist economic penetration efforts during the difficult transition period towards independence, so far the danger of the Soviets or Chinese gaining control in these areas has not materialised, although the Communist threat still remains, as was recently illustrated by the Zanzibar episode. The Soviet and Chinese Communists have apparently resigned themselves to accept yields from their efforts at a much more distant future than originally contemplated. Cuba raises a special problem. It has ostensibly parted from the free world and has become, from an economic point of view, entirely dependent on the Communist world, but it is interesting to follow the development of Communist assistance to Cuba in order to assess the cost it entails for the economies of the USSR, its satellites and Communist China.

(a) Pattern of Communist Foreign Aid and Trade in 1962 and 1963

4. The trends that became apparent a year ago(1) have been confirmed during 1963. They may be summarised as follows:

- a sharp reduction of the new commitments for economic aid;
- a steady increase of actual expenditures under existing programmes;
- a further growth of military assistance programmes;
- a rapid expansion of technical assistance to developing countries and training facilities in Communist countries;
- a slackening rate of trade expansion with the developing countries.

5. Since the end of 1961, the flow of new Communist economic aid commitments has been reduced to about \$350 million per year. This represents less than half the amount extended during each of the three preceding years 1959/61, when an average of \$900 million per year of new economic aid commitments had been announced by the

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(1) See eighth report C-M(63)39

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Communist countries. In total, since the beginning of the foreign aid policy introduced by the Soviets in 1954 and up to the end of 1963, about \$5 billion has thus been promised by the Communist countries. This total reaches \$5.5 billion if economic development aid to Cuba is added.

6. Concomitant with the reduction of new extensions, the implementation of aid programmes initiated earlier has required larger deliveries and annual drawings on Communist credits have steadily increased to reach over \$450 million during 1963. By the 1st January, 1964, a total of \$1.6 billion economic aid from Communist sources had thus been drawn, while some \$3.3 billion was still outstanding at the disposal of the developing countries and about \$450 million to Cuba.

7. The Soviet military assistance programmes have continued unabated, making use of all occurring opportunities: the military build-up of Indonesia at the time of the Dutch New Guinea question, the strengthening of the Iraqi Army under the Kassim régime, further arms deliveries to Egypt, military equipment for Algeria, for India, even during and after the Chinese aggression, and, more recently, for Somali. By the end of 1963, roughly \$2.6 billion had been drawn by the developing countries, representing some 85% of the military assistance extended. The volume of military aid to Cuba, not included in this total, has fluctuated. After the withdrawal of Soviet missiles from that island, total military aid to Cuba has been estimated to over \$550 million by the end of 1963.

8. Technical assistance is steadily growing in importance in the overall foreign aid efforts of the Communist countries. By mid-1963, some 15,800 technicians (including 4,600 military advisers) were at work in the developing countries outside the Communist camp, i.e. more than twice the number of those reported at the end of 1960 (7,400, including 1,200 military advisers). At one time, military technicians in Cuba largely outnumbered those in all other developing countries taken together, while civilian Communist technicians, at the beginning of 1963, numbered more than 2,500. At the end of the year the total number of technicians currently working in the developing countries (Cuba excluded) declined to 14,200 as a result of the large number of military advisers that left some of these countries during the second half of 1963, but the civilian technicians from Communist countries currently in the developing ones further increased their total number to 11,885, by far the highest figure ever reached since 1956.

9. Simultaneously, the number of nationals from developing countries receiving some kind of training in the Communist countries has risen steadily from 1956, the year of the beginning of this kind of activity. By 1960, it had reached a total of 11,700, out of which 4,600 were military personnel. From 1956 till end 1963, 37,550 students from 78 developing countries,

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including 16,200 military personnel had received some form of training in Communist countries. The size of the military training schemes has thus grown more rapidly than that of technical and academic training. At the end of 1963, some 17,000 students (including over 3,000 military trainees) were currently studying in the Communist countries. In addition, the number of Cuban nationals trained in Communist countries in purely academic and technical fields (thus excluding military training for which no figure is available) had already reached 7,200 at the beginning of 1963.

10. After a steep rise from a very low starting point during the second half of the 1950's, trade between the less-developed countries and the Communist countries had been growing since 1960 at almost the same rate as the former's trade with the free world. At the end of 1962, the annual trade turnover (imports plus exports) between the developing countries and the Communist countries rose to \$2.3 billion(1), representing an increase over the two years of about 15% over the 1960 figures. The share of the Communist countries in the total trade of the developing countries has remained almost constant since 1960, at about 5%, while the industrialised free world (including Japan) absorbed roughly 70% of the foreign trade of the developing countries. If Cuban foreign trade, amounting to over \$1 billion (exports plus imports) were to be included, this picture would be fundamentally altered in that total trade of developing countries would then present a continuing trend of rapid growth. During the first half of 1963, foreign trade between Communist countries and developing ones continued to show a moderate expansion comparable to that noted in 1962 but with a more rapid increase in Communist trade with Africa. On the contrary, trade with Cuba tended to decline.

(b) The Burden of Foreign Aid on the Economies of the Communist Countries

11. During 1963, drawings by the developing countries amounted to roughly \$383 million on credits extended by the Soviet Union, \$60 million on European satellites, and hardly more than \$21 million on Communist Chinese aid. As a percentage of GNP, this may be considered as a very small cost for Communist countries; about 0.1% for the USSR, 0.06% for the European satellites as a whole and a much smaller fraction for China (0.02%). Even in the case of Czechoslovakia, where aid to developing countries has been mentioned among the reasons for the failure to fulfil the domestic economic plan in 1962/63, it amounted only to less than 0.2% of GNP. If Soviet assistance to Cuba under its various forms (development credits, deliveries of consumer goods covering of Cuban trade deficit, etc.), amounting to about \$360 million in 1963, is included, the burden for the USSR economy

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(1) Foreign trade of Cuba excluded.

approaches 0.3% of GNP. More important is perhaps the short-term effect of foreign aid on balance of payments of Communist countries. No precise information is available in this respect but the experience of Western countries shows that, even when a large part of aid is "tied", there is a significant margin of expenditure to be paid in hard currency. The foreign aid programme has also indirect effects on the balance of payments of Communist countries to the extent that it absorbs resources which could be exported to earn hard currency, or used as a substitute for imports from hard currency areas. To the extent that repayments were to be obtained in hard currencies, foreign aid might not necessarily constitute a drain on such currency resources. However, no repayments of this kind have, so far, been reported.

12. Economic aid provided by the Communist world compares poorly, both in absolute value and as related to GNP, with the aid efforts of the industrialised free world, which amounted in recent years (1960/62) to an annual average of \$5.6 billion governmental assistance, of which nearly half consisted of grants(1). If, in addition, the flow of net private capital favouring the economic development of the more backward countries is considered(2), the free world effort in recent years is currently eighteen times greater in absolute value than the economic aid provided by the Communist countries.

13. The general slackening of the rate of growth discernable during the last two or three years in all the Communist economies and the problem of reallocation of resources have, however, brought foreign aid policies to the limelight in the Communist countries. Economic aid has been increasingly criticised within the Communist world and Communist China can be expected to continue to exploit the internal opposition against the Soviet assistance policy favouring nations where "consistently progressive forces are not in power"(3). At a time when the Communist countries are compelled to take measures to redress their own internal development plans, they will weigh carefully possible political gains before undertaking substantial new aid commitments.

(c) Results so far obtained by the Communist countries

14. To the extent that economic aid from Communist sources aims at reducing Western influence in the developing areas traditionally linked to the industrialised countries of the free world, and to building up a Soviet or a Communist Chinese presence in these areas, there is no doubt that some results have been obtained. The influence of the USSR in the Middle East has been

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- (1) \$5.4 billion of this total is provided by NATO countries.
  - (2) The net capital flow from private sources averaged about \$2.6 billion in 1960/62, and is by itself 6 times larger than the total economic aid provided by all the Communist countries.
  - (3) PRAVDA, on 7th August, 1963, published in reply to Chinese criticism a lengthy justification of the Soviet aid policy, charging the Chinese of sowing mistrust of the USSR among the peoples of Asia, Africa and Latin America.

considerably enhanced through the Communist military assistance programmes in the Arab countries. The economic aid and trade offensive has encouraged neutralist policies in many Afro-Asian countries. The Communist aid experiment with Cuba, by demonstrating that military and economic assistance will be forthcoming under appropriate circumstances, may have added confidence to Communist subversion in Latin America.

15. On the other hand, as could be foreseen, the phase of actual implementation of economic aid programmes proved much less glamorous than the initial announcements of the extension of large-scale lines of credit and political yields of Communist foreign aid policies have shown a tendency to diminish. A number of spectacular errors have had to be reported and both the Communist donor countries and the recipient developing countries are becoming increasingly conscious of the limitations and the real cost of foreign aid programmes.

16. Economic and military aid by itself has not led to the emergence of Communist régimes in any of the recipient countries. Countries like Iraq and Guinea, where bloc penetration had gone furthest, have recently redressed their balance of neutralism more in favour of the West. Even in the case of Afghanistan where a constant flow of Communist aid has been maintained since the end of 1953, the more recent developments do not suggest any further progress of Soviet influence. The Communist countries still derive profits from the heavy concentration of foreign aid on a small number of countries and from their ability to take prompt action motivated by political considerations on whatever vulnerable spot they might think fit to select. The recent Communist military aid agreement with Somali may be quoted as another example of how the West can be outbid by the USSR.

17. It is difficult to assess the repercussions of the ideological rift between the USSR and Communist China and of the internal economic difficulties encountered by the Communist countries on their foreign aid and trade policies. On the one hand, the present situation in the Communist world may stimulate the efforts of Moscow and Peking and encourage the under-developed countries to accept increased aid from both at the expense of their ties with the West. On the other hand, the schism between the USSR and Communist China has complicated the task of the Communist foreign aid and trade planners, as it introduced a new dimension to the growing competition between both leading Communist nations. Communist China tends to rely on the emotional appeal of racism and close identification with the have-nots, while the USSR seeks to capitalise on its prestige as a major power.

18. The fact that the previously united front of the Communist bloc has now openly been broken has damaged the image of Communism in the developing countries. The effectiveness of the Communist economic offensive may be further blunted as a consequence of the recent slackening in the rate of economic

growth within the Communist countries, since in the past Communist propaganda had constantly stressed the superiority of the Communist economic system, presented as a model to be copied for a short cut to prosperity.

(d) Prospects

19. For the reasons explained above, and while Cuba may well continue to absorb a large portion of the Communist foreign aid capabilities, it seems unlikely that the volume of actual Communist economic aid expenditures in the developing countries will rise significantly above the level of \$500 million annually during the coming years. The major expenditures will probably continue to be directed to the few countries where large-scale economic aid programmes are already in operation (India, Afghanistan, Egypt). Some areas of Africa, and possibly also Latin America, may offer opportunities for increased Communist aid activities. Economic and military aid will not of itself produce pro-Communist régimes. Where political conditions result in a successful seizure of power by a pro-Communist group, however, Soviet and/or Chinese Communist aid could be essential to its survival and consolidation of power.

20. Learning by experience, the Communist countries can be expected to seek to improve the political usefulness of their foreign aid policies by a higher degree of sophistication with the combination of a variety of aid and trade techniques and a closer scrutiny of the potential aid opportunities. They will try to maintain their positions where they have already gained a foothold (as in Asia and the Middle East), with possibly some additional loans, while in Africa and Latin America the Communist countries may try to expand their influence to new areas with important aid proposals, during the coming years. Anyhow, new extensions will not be granted before a much more thorough examination than in the past of the advantages the Communist countries may expect to derive from the deal, and Communist economic aid may well be increasingly concentrated on countries who are most likely to take the side of the Communist camp in international matters, or where the Communist countries have already invested large-scale economic aid.

21. Whether collaboration among European Communist countries may become more effective than in the past remains an open question, but the USSR will have to devote greater attention to Chinese competition, and may try to support its efforts to contain the latter with additional aid offers, particularly in Africa and in some Asian countries (Nepal, India). The COMECON Bank, which came into being in January 1964, still has many intra-bloc problems to tackle before it can play any perceptible co-ordinating rôle in Communist aid policies. On the whole, it would seem that the European satellites are likely to discount aid for ideological reasons and rather consider it as an adjunct to their foreign trade expansion for such commodities as they are unable to sell to or to buy from more advanced Western countries.

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22. The general trend to stress increasingly the technical assistance side of economic aid may well be continued. Current Communist efforts may concentrate on influencing future key political and technical leaders of the developing countries through training and scholarship programmes and to gain greater sympathy for Communist objectives among the military and other elite groups. Similarly the prestige of the Communist countries now depends more on actual performance and achievement, and the type of projects to be assisted may be increasingly affected by these considerations. Pure impact projects aiming at spectacular showpieces of no economic interest may well become a thing of the past.

23. The future volume of Communist military assistance is more difficult to forecast. Military aid has proved to be politically effective, and it can be expected that this form of foreign aid will be continued whenever the opportunity to exploit contentions between regional disputants presents itself. The future volume of military equipment sent to the developing countries would obviously be affected if an agreement was reached on disarmament and in particular if the USSR accepted the United States proposal not to pass on to the developing countries their surplus or outdated military items.

24. As compared with economic aid, the delivery of military items has generally been considered to be less costly than the implementation of economic aid. This was especially true in the past, when the USSR could dispose of technically obsolete equipment, but, with the increasing sophistication of the requirements of the developing countries, this advantage of military assistance over economic aid seems to be declining. The Communist countries are, however, rarely faced with a choice between the two forms of aid, as military aid cannot be considered as a substitute for economic aid and the two forms of assistance are extended to meet quite different needs.

25. As far as trade is concerned, in view of the small share of Communist compared to Western imports from developing countries and the possibility that for some years at least the Communist leaders may be increasingly preoccupied with their own internal economic problems, the future of the developing countries will continue to be ultimately linked to the answer that the West will give to this crucial question.

PART II

MAIN DEVELOPMENTS OF THE COMMUNIST ECONOMIC  
ACTIVITIES IN THE DEVELOPING COUNTRIES DURING 1962 AND 1963

I. ECONOMIC ASSISTANCE(1)

(a) Credits extended

26. The value of new economic aid extensions to developing countries declined from a peak of over \$1 billion in 1961 to \$328 million in 1962 and to \$362.5 million in 1963(2). This reduction to less than half the annual average of the preceding three years would have been even more severe were it not for the important contribution that was provided in 1962 by the European satellite countries. Poland played a major rôle in this regard during the second half of 1962 by extending a \$70 million line of credit to Brazil and other important loans to India, the United Arab Republic and Syria. Czechoslovakia added some of the other significant new extensions. In 1963, however, the participation of the European satellites in the Communist aid drive declined markedly, reflecting possibly growing opposition to foreign aid in the Eastern European countries. The total economic aid extended by the European satellite countries amounted to \$230 million in 1962 and to only \$20 million in 1963.

27. Extensions of new economic aid by the USSR did not exceed \$77 million in 1962 and hardly more than \$203 million in 1963. The most spectacular of the Soviet Union's commitments were announced during the second half of 1963, when Iran accepted for the first time a large-scale Soviet offer of \$38.8 million loan, and when Algeria finally received, after prolonged consideration by the Soviet Union, a line of credit of \$100 million.

28. During 1962, Communist China practically stopped undertaking any new commitments for economic aid, but she resumed her efforts in 1963, apparently in an attempt to challenge the monopoly of Communist aid being extended by the USSR and its satellites. China extended her main credits generally under more favourable terms than the Soviet Union (interest free, longer periods of repayment, etc.) to Syria, Somali and, by the end of 1963, following the USSR's move, an interest free loan of \$50 million repayable by 1990 to Algeria. In total, Communist China extended new credits and grants amounting to some \$16 million in 1962 and \$88 million in 1963.

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(1) See Part III - Statistical Annex: Chart I and Table II.

(2) For summarised information on new economic credits and grants extended between 1st July, 1962 and 31st December, 1963, see Part III - Statistical Annex: Table I, Chronological list of new economic assistance commitments.

(b) Drawings

29. The geographical distribution of drawings reflects the chronological development of the Sino-Soviet aid commitments since 1954. The main recipients of economic aid deliveries are still India, the United Arab Republic, Afghanistan and Indonesia, who among themselves absorb about 70% of all Sino-Soviet aid drawn so far. The other countries where Sino-Soviet contributions to economic development play an important rôle are: in the Middle East, Syria, Iraq and Yemen; in Asia, Cambodia and Nepal; in Africa, Guinea, Ghana, Mali and Somali. The flow of Sino-Soviet economic aid actually delivered continued during 1962 and 1963 to follow the earlier pattern of distribution, with Africa receiving more active consideration.

30. Despite the attempts to accelerate the rate of implementation of credits previously extended, the drawings during 1963 did not increase according to the wishes of the recipient countries and reports of dissatisfaction as to the slow rate of utilisation among many Communist aid recipients became more frequent. The available outstanding credits by the end of 1963 still amounted to roughly twice the total of aid actually drawn since 1954.

31. In a number of cases where forthcoming local currency had been inadequate to support the local costs of joint projects, the USSR provided commodity credits. Thus \$22 million of previously extended credits were obligated for commodity exports to Ghana to generate the funds for the local cost element in Soviet aid projects. In Guinea, the USSR established a special administration to assume full responsibility for the completion of Soviet aid projects.

32. In 1962, about \$376 million had been drawn, of which about \$270 million on Soviet, \$94 million on Satellite and \$12 million on Chinese economic credits and grants. In 1963, these figures were: \$464 million in total, \$383 million on Soviet, \$60 million on Satellite and \$21 million on Chinese economic credits and grants.

(c) Repayments

33. One of the advantages of the financial aid extended by the Sino-Soviet countries is the possibility of repayment in the form of local commodities. So far the repayments on Soviet economic credits have been relatively small and only reached any significance in the cases of India, Indonesia and Egypt. They may be estimated to represent annually a total of some \$60 million. The only country where annual repayment obligations have created a real economic problem is Indonesia, because in addition to her economic purchases, considerable indebtedness for military deliveries has been incurred. The attitude of the Communist countries to repayment has generally been tough, even at the risk of unpleasantness.

II. MILITARY ASSISTANCE(1)

(a) Extensions

34. Although the volume of new military assistance extended, running at about \$600 to \$800 million a year during 1960 and 1961, was reduced in 1962 and 1963, the decline in this field was far from reaching the proportions it had in the extension of economic aid. New military aid commitments during 1962 and 1963 were probably of the order of \$300 to \$350 million a year. In 1962, the main recipients of military aid had been Indonesia, Iraq, the United Arab Republic and Ghana, while India and the Yemen were added to the list of recipients of Soviet military equipment. In 1963 new military assistance agreements were concluded with Algeria, the United Arab Republic, India, Cambodia and Somali.

35. It is generally agreed that military aid is politically more effective than economic aid of comparable size and tends to create stronger links between recipient and donor countries. In total, since 1955 the Soviet countries have extended about \$3.2 billion military aid, of which some 40% was in the form of discounts and grants and 60% in the form of credits.

36. Of total military aid extended from September 1955 to the end of 1963, Indonesia remains by far the most important recipient, followed by the Arab countries (Egypt, Syria, Iraq and the Yemen), while military aid provided to other countries (Afghanistan, Ghana, Algeria, Cambodia, India and Somali) may in some cases be considered important from the point of view of the recipient country, but remained relatively small in terms of absolute value.

(b) Drawings

37. Another advantage of military aid over economic assistance results from its easier implementation. During 1962/63, deliveries of military equipment to the above-mentioned countries continued at a rapid rate. Bloc military aid helped Indonesia to stage a military build-up on the occasion of the conflict with the Netherlands over Dutch New Guinea and assist her in her opposition to Malaysia.

38. In the Middle East, Soviet military aid to rival Arab countries now includes the supply of missiles and aircraft as advanced as those they supply to Eastern European countries and even if the USSR can produce these readily, the cost of supplying them has obviously been growing. Soviet military aid has provided Afghanistan with an increased capability to overcome internal dissension in the tribes. Iraq, after the February 1963 revolution, decided to cancel her surface-to-air missile programme

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(1) See Part III Statistical Annex Chart II.

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and was reportedly seeking to substitute conventional weapons for these missiles if the Soviets would agree.

39. The Soviet countries have also undertaken negotiations to resolve the problems of spares, replacement parts and material maintenance with India, Iraq and the United Arab Republic.

(c) Repayments

40. As said earlier, Indonesia, who has to pay for more than \$1 billion worth of military equipment delivered by the USSR and some European satellites, has been able to obtain after prolonged negotiations a reduction in her annual repayment obligations. Conditions under which military credits are extended usually remain undisclosed, but it would seem that the period of reimbursement might be shorter than the generally agreed twelve years' duration of economic loans. Repayments are reflected in the export trade of the recipient country, although it is often difficult to indicate the portion of such trade devoted to reimbursement of military credits.

III. TECHNICAL ASSISTANCE(1)

(a) Technicians in developing countries

41. The rapidly gathering momentum of Communist technical assistance and training programmes may well justify added attention from the NATO countries. Civilian technicians and advisers from communist countries in the developing areas rose from 8,650 by mid-1962 to 11,215 by mid-1963 and to 11,885 at the end of the year. To this must be added the number of military technicians assigned to developing countries (2,140 by mid-1962, 4,600 by mid-1963 and 2,310 at the end of 1963). To some extent this increase reflects the further accelerated implementation of the projects under the economic assistance programmes. Since 1962, however, the Soviets have started to conclude technical aid agreements, as distinct from any major economic credit arrangements and by mid-1963 some 15% of civilian technicians were engaged in medical, education, planning, advisory and managerial activities not related to economic assistance projects.

42. About 75% of Communist civilian technicians currently at work in the developing nations are concentrated in seven countries: Afghanistan, Algeria, Guinea, India, Iraq, the United Arab Republic and the Yemen. Throughout the year a group of 1,700 Soviet technicians were at work on the Egyptian Aswan Dam. The number of bloc military technicians during 1963 increased considerably in Syria, the United Arab Republic and the Yemen. The number of military advisers in Iraq began to decline after the fall of Kassim in February 1963, while in Indonesia  $\frac{1}{2}$  the total number of military advisers left during the 2nd half of 1963.

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(1) See Part III: Statistical Annex Chart I and Table III

43. The West obviously greatly outnumbers the 14,200 civilian and military personnel from the Communist countries at work in 30 different developing countries of the free world. Although there is so far no evidence that the Sino-Soviet technicians have been engaged in political activities(1) to the extent that they occupy strategic positions, as for instance in the central planning administration of the recipient country, they may be able to influence the development of an economy in such a way as to extend or reinforce its connection with the Communist bloc and thus create links that may prove later extremely difficult to sever.

(b) Training of nationals of developing countries in the Sino-Soviet bloc

44. Approximately 14,400 academic and technical students during 1963 were currently being trained in Communist institutions. In addition at the end of 1963, some 3,000 military trainees were reportedly enrolled in military training programmes in the Communist countries. The bulk of the academic trainees comes from various African countries, while the group of technical trainees consists mainly of Indian, Indonesian, Egyptian, Guinean, Malian and Algerian nationals. The major portion of the military trainees came from Indonesia, Algeria, Yemen and Syria.

45. The efforts of the Communist countries to enhance this prestige through the provisions of educational facilities for students of the developing countries received much unwelcome and adverse publicity during 1963. The substantial exodus of African students from Bulgaria after the February student demonstrations in Sofia, the serious incidents following the death of a Ghanaian student in Moscow in mid-December and the persistent dissatisfaction of students in other bloc countries since then has shown to the Communist leaders the difficulties involved in this kind of aid. The main grievances openly expressed by the students from developing countries include racial discrimination and segregation; excessive political indoctrination; exploitation for propaganda purposes; restrictions of personal movement, association and expression and dissatisfaction with academic curricula. There are many indications, however, that the Communist countries intend to pursue their programme for training personnel from developing countries and that the developing countries will continue to accept scholarships in view of the lack of badly needed education facilities. The expansion of the "Peoples Friendship University" in Moscow is making further progress and enrollment for the 1963/64 academic year will exceed 2,600 according to an announcement by the rector. In November 1963, a new Institute for foreign students was opened in Sofia, apparently in an attempt to isolate foreign students from Bulgarians and thus to reduce future tensions.

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(1) However, in Guinea, Sekou Touré has mentioned Soviet civilians among the elements which allegedly attempted to foment the overthrow of his government.

46. The significance of the 14,400 students and trainees from developing countries currently in Communist countries has to be seen in relation to the educational efforts of the West. In 1962, there were reportedly some 80,000 students from developing countries in universities and technical education institutions of the United Kingdom, France and the Federal Republic of Germany. In addition, 43,000 were studying in the United States and another 7,500 in Italy, Canada, Portugal and the Benelux countries(1). In the field of academic and technical training facilities, the West has obviously more to offer than the Communist countries and the number of nationals from developing countries in the West is almost 10 times greater than that of such students and trainees in Communist countries. Nevertheless, in absolute terms, the number of students going to Communist educational institutions is already substantial and their numbers may well continue to increase in coming years.

47. Western selection methods, by stressing academic achievement, often tend to recruit privileged pupils of missionary schools and scholarships do not always provide fully financial support. By waiving academic and language requirements, the Soviets encourage the poor, less-educated students; they generally offer stipends which include travel expenses, food and lodging, tuition fees and even clothing allowances. Such students are frequently selected from among the younger age groups; their courses cover a longer period of time than in the West and once selected they can expect to be supported until they receive their degrees. Although many complaints have been raised, it appears that the Soviet system still presents the advantage of extending educational facilities to bright students whose financial situation prevents them from considering alternatives in Western countries.

#### IV. TRADE(2)

##### (a) Overall trade

48. According to the official trade statistics reported by the developing countries who entertain trade relations with the Sino-Soviet bloc, total imports and exports to and from the Sino-Soviet countries increased rapidly from 1954 to 1960. From 1960 onwards, the rate of increase slackened, 1961 indicating only a 4% increase over 1960. In 1962, a 12% increase was reported which showed an improvement but remained well below the 20% around gains of earlier years. During the first half of 1963, total trade turnover increased by 13% over the comparable period of 1962. The share of the USSR in total trade of Communist countries with the developing ones, increased slightly at the expense of the European satellites.

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(1) On the basis of information provided by Western countries to OECD, see Angus MADDISON "The rôle of Technical Assistance in Economic Development in the OECD Observer, No. 7, December 1963".

(2) See Part IV: Statistical Annex Chart IV and Table IV.

49. The share of Communist countries in total trade of under-developed countries remained at about 5% but the Communist countries continue to occupy a predominant place in a limited number of selected developing countries. They are, for instance, supplying more than half the imports of Afghanistan and about a quarter of the imports of Mali and the United Arab Republic. They provide between 15 and 20% of all Indonesian, Burmese and Cambodian imports. The Communist countries are also providing a significant market for some developing countries, absorbing about 45% of the exports of the United Arab Republic, about 40% of the exports of Afghanistan and Mali, between 20 and 25% of Syrian and Guinean exports and more than 10% of Uruguayan, Sudanese, Burmese, Cambodian, Ceylanese, Indian and Indonesian exports.

50. Exports from Communist countries to the developing countries of the free world have in recent years increased more than imports from these countries. While total trade rose from \$707.7 million in 1954 to \$2,289.5 million (1954 = 100, 1962 = 322), imports by Communist countries from developing countries have remained almost at the same level since 1959 (1954 = 100, 1962 Sino-Soviet imports = 292). The recent growth of total trade is thus mainly the consequence of increased deliveries of capital goods from Communist countries to developing ones. In 1954, total exports from Communist countries to the developing ones amounted to \$330 million and have since increased fairly steadily to \$1,188 million in 1962 (1954 = 100, 1962 Sino-Soviet exports = 360).

(b) Main developments

51. The importance of credit extensions has been increasingly stressed as a basis for a substantial expansion of trade between Communist countries and the developing ones. In view of the balance of payments problems of some of the developing countries receiving aid from Communist countries, there has been on the Communist side an increasing tendency to link future aid more closely with bilateral trade. In 1963, India and the USSR had been negotiating an agreement according to which the USSR would undertake to construct consumer goods factories on credit, with repayment to be made eventually by exports of the goods produced therein. Such agreements had been devised earlier and proposed by Czechoslovakia. The trade agreement between the USSR and Indonesia provides for an annual Indonesian trade surplus of \$20 million, which will be used to repay part of the Indonesian debt obligations.

52. The Soviet Union has for many years owned and controlled in London a bank, the Moscow Narodny Bank, which specialises in financing the convertible currency trade of the USSR. After visits by officials of the bank to the Lebanon and elsewhere in the Middle East, Africa, Mexico and Cuba, a new branch has been opened in Beirut in the hope of deriving greater advantages from convertible currency trade transactions in developing countries, without abandoning the bilateral arrangement system.

53. Some developing countries have been expressing dissatisfaction with their bilateral trade arrangements with the Communist countries. Ghana has proposed that trade and payments agreements should be renegotiated in order to ensure periodic settlements of the bilateral accounts in hard currencies or otherwise to provide for the payment of interest on the outstanding trade balances. Indonesia is attempting to liquidate its clearing agreements with the European satellites with payments to be effected in freely convertible currency, while at the same time trying to guarantee a trade surplus by binding agreements with respect to the total value of trade. Brazil, after running a favourable trade balance with the bloc for two years, has managed to include in its new five-year trade agreement with the USSR, a provision by which Brazil can use the surplus on its trade with the USSR to finance imports from the European satellite countries, provided the latter agree. Such polygonal trade, though a far cry from multilateralism, might facilitate Brazil's trade with the Soviet countries.

(c) Recent trends

54. Price movements during the 1960s have resulted in a 15% decline in primary product prices, accompanied by an 11% increase in the average unit value of manufactures. The deterioration in the terms of trade was more or less continuous from 1954 to 1961; in 1962, commodity prices were firmer, and in 1963 have on the whole remained stable, with the exception of a considerable increase in the price of sugar and a steady decline in that of natural rubber. The long-term outlook for the further evolution of primary product prices is not encouraging for the developing countries in the light of further technological advances and shifts in consumers' preferences.

55. Against this background the Communist countries generally portray themselves as having economies whose demand for a wide range of foodstuffs and consumer goods enables them to absorb the agricultural surpluses of primary producing countries. In addition, they claim that their planning system allows for the provision of stable markets in terms of both prices and quantities for products from developing countries. Trade statistics have often contradicted these claims and trade of Communist countries has shown wide fluctuations in the volume of purchases from year to year, quotas included in bilateral agreements have frequently not been met, developing countries have occasionally found it difficult to obtain from the Communist countries the kind of goods and equipment they wanted most and the prices paid for the primary commodities exported, although kept stable, have not always been favourable to the developing countries. However, to the extent that the depressed prices for primary commodities in the West have encouraged developing countries to seek markets elsewhere, the unfavourable long-term trends for such price movements will continue to make trade with the Communist countries attractive.

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56. The recent firmer trend in primary product prices is mainly due to increased economic activity in the United States, and the maintenance of a high level of demand in Western Europe. The increasing volume of credits for investment goods extended by the West, the negotiation of international commodity agreements, protective measures favouring selected producing countries, have all helped to alleviate the adverse movement in the terms of trade. Most important of all is the growing awareness of the free world of the importance of this problem, which presents a major challenge to the free world on international economic relations.

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PART III

STATISTICAL ANNEX

Chart I: Economic aid extended by Communist countries

- recapitulative totals 1954/63;
- credits and grants extended to and drawn by less-developed countries of the free world from 1954 to 1963 inclusive.

Chart II: Military aid extended by Communist countries

- recapitulative totals 1955/63;
- aid in the form of discounts, grants and credits extended to and drawn by less-developed countries of the free world from 1954 to 1963 inclusive.

Chart III: Technical assistance provided by the Communist countries

- civilian and military personnel (technicians experts and labourers) in less-developed countries of the free world (half-yearly situation from mid-1956 to end-1963).

Chart IV: Trade between Communist countries and the less-developed ones of the free world outside Europe

- annual total turnover at the end of each year 1954/62 inclusive.

Table I: Chronological list of new economic assistance commitments (credits and grants) undertaken by the Communist countries and accepted by the developing countries of the free world during the period from 1st July, 1962 till 31st December, 1963

Table II: Economic credits and grants extended by Communist countries and drawn by the developing countries of the free world outside Europe

(Recapitulative totals January 1954 to December 1963)  
(country breakdown).

Table III: Civilian technicians from Communist countries in the developing countries

Situation as at end-1963

Table IV: Trade of developing countries with the USSR, the European Satellites, Communist China and its Asian Satellites (1960, 1961 and 1962)

- A. Imports
- B. Exports

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**CHART 1**

**ECONOMIC AID EXTENDED BY COMMUNIST COUNTRIES**

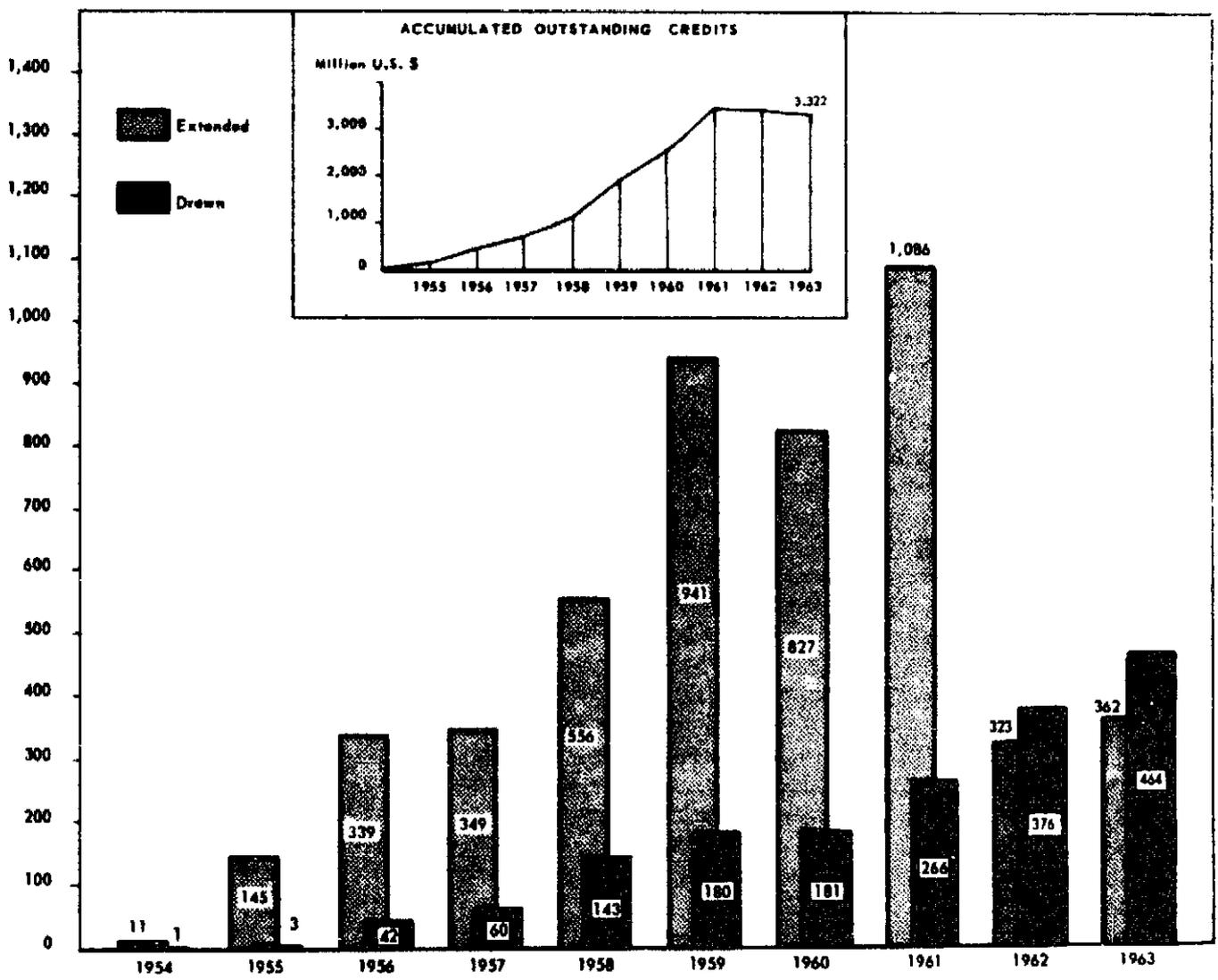
RECAPITULATIVE TOTALS 1954/63

(Million US \$)

1. AMOUNT OF AID EXTENDED	4,940
OF WHICH :	
IN THE FORM OF GRANTS	325
IN THE FORM OF CREDITS	4,615
2. DRAWN	1,618 or 32,8 % of extensions
3. OUTSTANDING ON 1st JANUARY, 1964	3,322

**CREDITS AND GRANTS EXTENDED TO AND DRAWN BY LESS-DEVELOPED COUNTRIES OF THE FREE WORLD FROM 1954 TO 1963 INCLUSIVE (1)**

Million U.S. \$



(1) If compared to the chart under the same heading in previous reports, it should be borne in mind that :

- Cuba, which accepted aid from 1960 onwards, has now been deleted from the list of less-developed countries belonging to the free world.
- figures have been revised on the basis of most recent information.

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**CHART II**

**MILITARY AID EXTENDED BY COMMUNIST COUNTRIES**

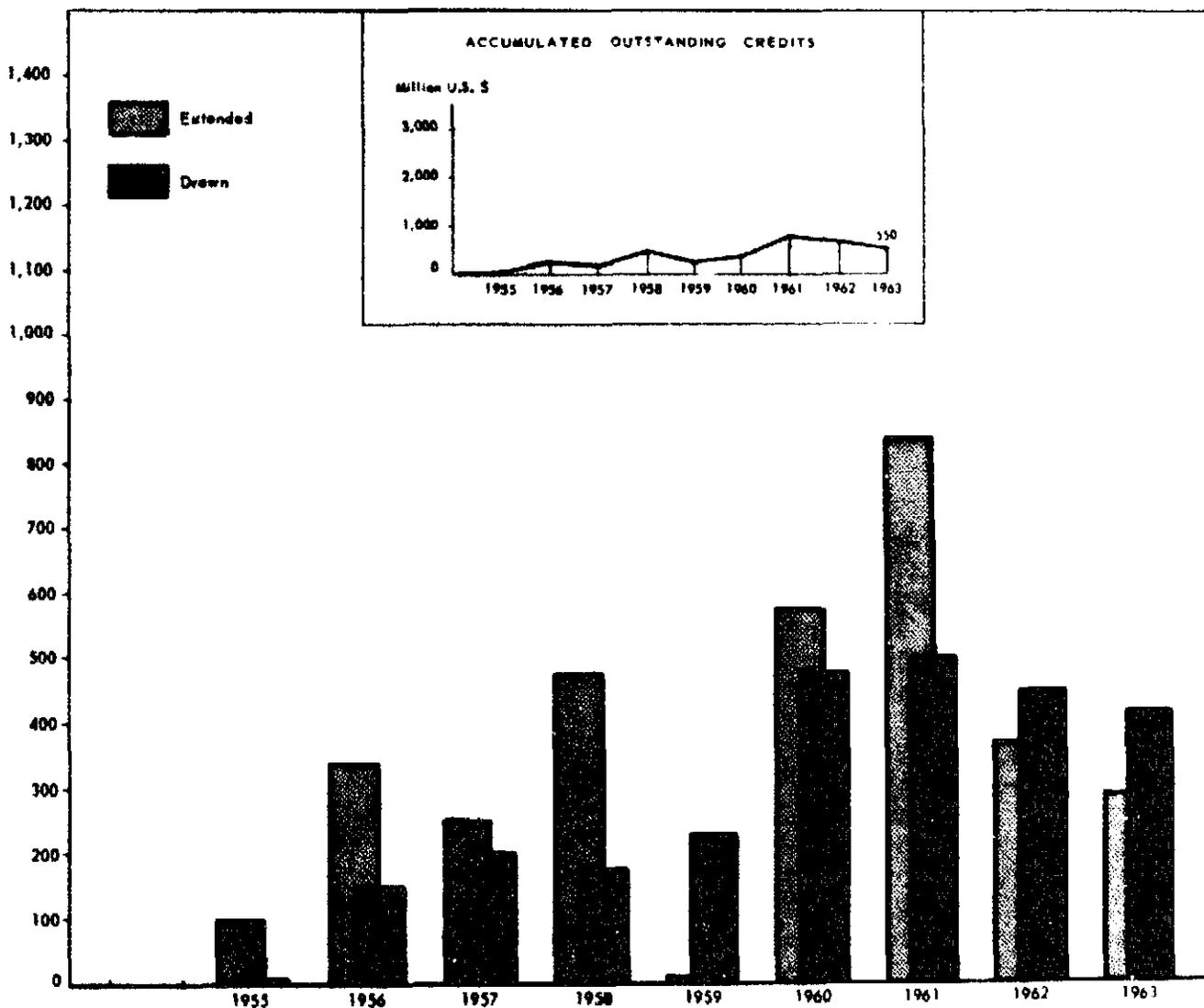
RECAPITULATIVE TOTALS 1955/63

(Million US \$)

1. AMOUNT OF AID EXTENDED		3,200
OF WHICH :		
IN THE FORM OF DISCOUNTS AND GRANTS	1,300	
IN THE FORM OF CREDITS	1,900	
2. DRAWN		2,650 or 85 % of extensions
3. OUTSTANDING ON 1st JANUARY, 1964		550

AID IN THE FORM OF DISCOUNTS, GRANTS AND CREDITS EXTENDED TO AND DRAWN BY LESS-DEVELOPED COUNTRIES OF THE FREE WORLD FROM 1955 TO 1963 INCLUSIVE (1)

Million U.S. \$



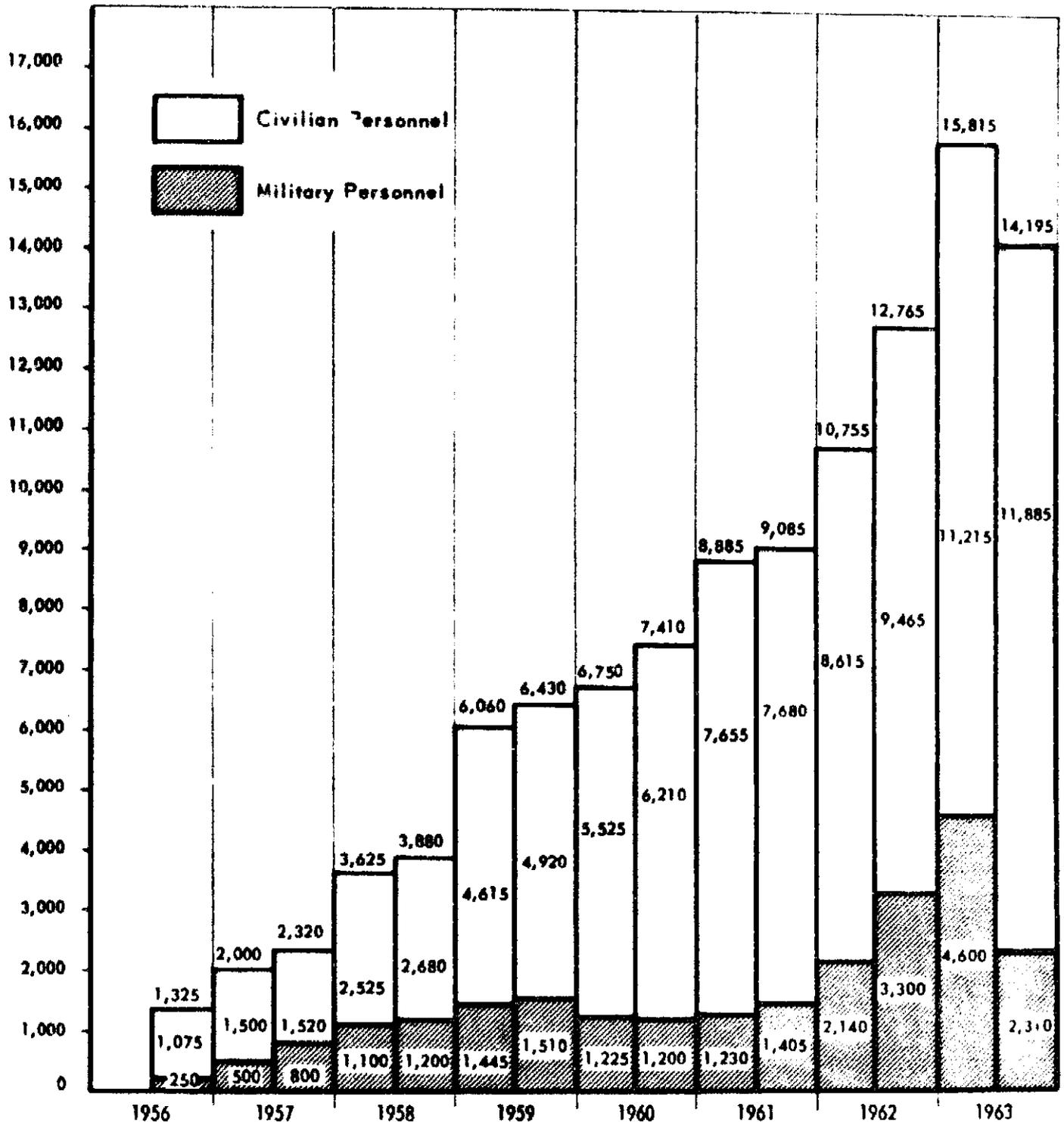
(1) Since military assistance for a number of countries cannot be distributed by year, annual figures are only estimates

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**CHART III**

**TECHNICAL ASSISTANCE PROVIDED BY THE COMMUNIST COUNTRIES**

PERSONNEL (TECHNICIANS, EXPERTS AND LABOURERS) IN LESS DEVELOPED COUNTRIES OF THE FREE WORLD OUTSIDE EUROPE (1)



(1) Minimum estimates on a 6 monthly basis of Communist personnel in less developed countries of the Free World for a period of at least one month excluding personnel solely engaged in trade promotion. The present chart is not comparable to the one included in previous reports under the same heading in that Cuba has been excluded from the list of Free World less developed countries.

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# CHART IV

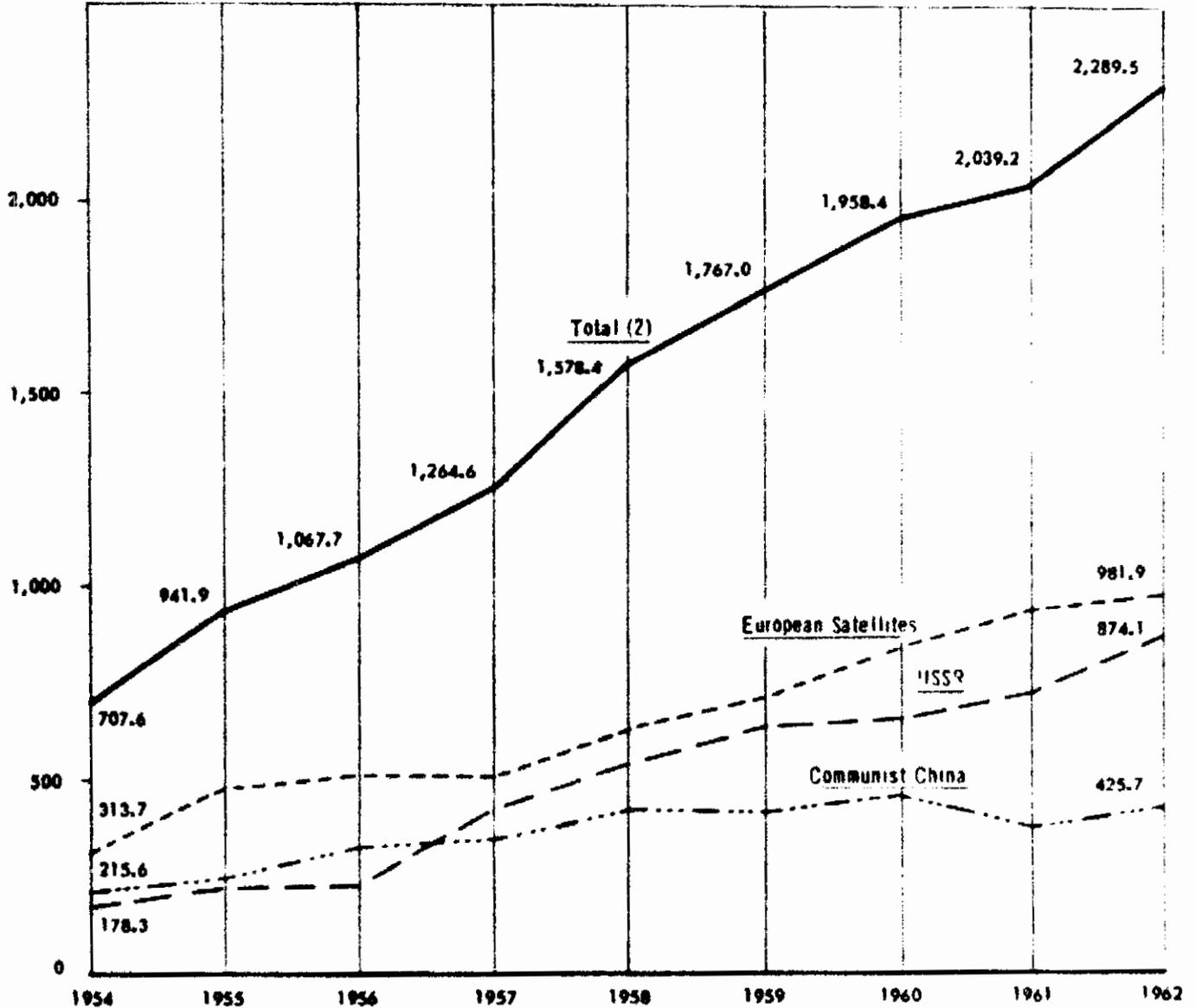
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## TRADE BETWEEN COMMUNIST COUNTRIES AND LESS DEVELOPED COUNTRIES OF THE FREE WORLD OUTSIDE EUROPE (1)

ANNUAL TOTALS (IMPORTS & EXPORTS) AT THE END OF EACH YEAR

Million US \$



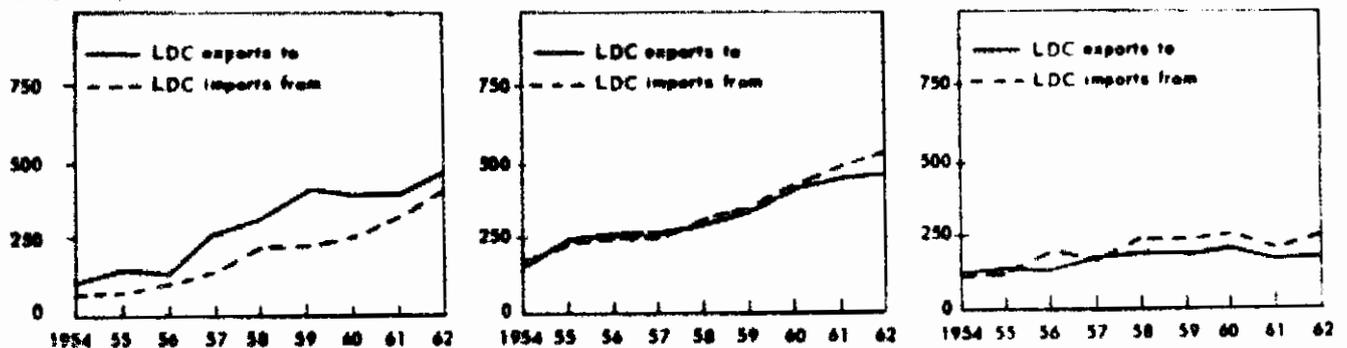
### LESS DEVELOPED COUNTRIES EXPORTS TO AND IMPORTS FROM THE SINO-SOVIET COUNTRIES

Million US \$

USSR

EUROPEAN SATELLITES

COMMUNIST CHINA



(1) Based on official trade statistics of the non-European free world countries. From 1960 onwards Cuba has been deleted from the list of the reporting countries of the free world.

(2) Totals do not correspond to the addition of USSR plus European satellites plus Communist China owing to the inclusion in the total of the trade of Asian satellites.

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TABLE I

CHRONOLOGICAL LIST OF NEW ECONOMIC ASSISTANCE COMMITMENTS  
(CREDITS AND GRANTS) UNDERTAKEN BY THE COMMUNIST COUNTRIES  
AND ACCEPTED BY THE DEVELOPING COUNTRIES OF THE FREE WORLD  
DURING THE PERIOD FROM 1st JULY, 1962 TILL 31st DECEMBER, 1963

- July 1962:
- (1) Poland - UAR(Egypt): \$20.0 million(credit)
    - Purchase of industrial equipment and technical assistance
    - Repayment in commodities
  - (2) Czechoslovakia - Burma: \$2.2 million (credit)
    - Agricultural equipment (1,000 tractors, lorries, ploughs and a tractor assembly plant)
    - 2.5% interest, repayable over 12 years
  - (3) USSR - Iraq: \$1.4 million (credit)
    - Addition to the line of credit for economic development extended in March 1959
    - 2.5% interest, repayable over 12 years
- 
- August 1962:
- (4) USSR - Burma: \$3.8 million (credit)
    - Irrigation dam in central Burma
    - 2.5% interest, repayable over 12 years with deliveries of rice
- 
- September 1962:
- (5) Bulgaria - Algeria: \$0.5 million (relief grant)
    - Medical mission, medicines, 50 beds
  - (6) Czechoslovakia - Algeria: \$1.0 million (relief grant)
    - Medical mission, clothing, medicines
  - (7) Soviet Zone of Germany - Algeria: \$0.5 million (relief grant)
    - Medical supplies, clothing

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- (8) Hungary - Algeria: \$1.0 million  
(relief grant)
    - Equipment for a 100-bed hospital
  - (9) Poland - Algeria: \$1.0 million  
(relief grant)
    - Sugar, wheat, fruit juices, soap,  
10 ambulances, dental equipment, a  
medical mission, various commodities
  - (10) Communist China - Algeria: \$0.5 million  
(relief grant)
    - Wheat, construction steel, medicines
  - (11) USSR - Algeria: \$1.5 million (relief grant)
    - Wheat, sugar, rice oil, fish,  
condensed milk
- 

- October 1962:
- (12) Poland - Morocco: \$12.0 million (credit)
    - Imports of capital goods and equipment
    - 3% interest, repayable over 8 years,  
20% in cash and 80% in Moroccan goods
  - (13) Hungary - UAR(Egypt): \$23.0 million (credit)
    - Capital goods and equipment,  
including \$12.0 million for railway  
rolling stock
    - 2.5% interest, repayable over 8 years
- 

- November 1962:
- (14) Poland - Syria: \$15.0 million (credit)
    - Purchase of industrial goods and  
services for development projects
    - 3% interest, repayable over 8 years
  - (15) Poland - India: \$32.5 million (credit)
    - Development of coal mines and  
equipment for coal industry
    - 2.5% interest, repayable with Indian  
commodities
  - (16) USSR/Czechoslovakia - Yemen:
    - No details available
-

December 1962:

- (17) Poland - Brazil: \$70.0 million  
(line of credit)
- Various economic development projects including \$26 million for a 200,000 kw thermal electrical station, the largest of the kind in South America; and \$7.5 million for steel rails for the railway system
  - 3% interest - repayable over 7 years
- (18) USSR - Laos: \$2.6 million (grant)
- 4 transport aircraft and 1 helicopter, a 200-bed hospital, and a 50 kw radio station
- (19) USSR - Laos: \$5.0 million (credit)
- Construction of a hydro-electric station on the Nam Nhiep River and several small installations
  - 2.5% interest, repayable in local currency over 12 years starting 1 year after the station is put into operation
- (20) Soviet Zone of Germany - Laos: \$0.1 million (grant)
- Various gifts (photographic equipment, sports goods, etc.)
- (21) Communist China - Laos: \$4 million (credit)
- Long-term loan for economic development including construction of a road to Phong Saly
- (22) Czechoslovakia - Brazil. Amount not available (credit)
- Loan to a private Brazilian firm for the establishment of a shoe factory

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February 1963:

- (23) Communist China - Syria: \$16.3 million (credit)
- Industrial equipment and machinery, technical assistance for implementation
  - Interest free - repayable over 10 years starting 1st January, 1976

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- (24) Bulgaria - Tunisia: \$1.5 million(credit)  
- Construction of a "Sports' City" near Tunis  
- 3% interest, repayable over 5 years
- 

- March 1963.
- (25) USSR - Afghanistan: \$5.5 million(credit)  
- Addition to earlier line of credits including \$1.5 million to generate local currency for Soviet aid projects
- (26) USSR - Burma: \$2.6 million(credit)  
- Purchase of 1,000 tractors, spare parts, accessories, and other agricultural implements. Technical assistance in tractor assembly and maintenance. Training in the USSR for Burmese tractor technicians
- 

- April 1963:
- (27) Poland - Ceylon: \$6.4 million (credit)  
- Complete industrial plants, machinery and equipment including \$1.2 million for a hardware factory  
- 5% interest - repayable over 8 years
- (28) USSR - Cambodia: \$12.2 million(credit)  
- Hydro-electric power station on the Kamchoy River  
- 2.5% interest repayable over 12 years starting 2 years after completion of the work
- 

- May 1963:
- (29) Bulgaria - Algeria: \$6.0 million(credit)  
- Construction of a textile mill, a tannery and an electric motor factory
- (30) Czechoslovakia - Indonesia: \$5.6 million (credit)  
- Purchase of trucks and lorries  
- 5% interest, repayable over 6 years
- (31) Communist China - Yemen: \$0.2 million (grant)  
- Wheat, proceeds of the sales to be used for governmental operations
-

- June 1963: (32) USSR - UAR(Egypt): \$44.4 million(credit)  
- Unspecified industrial projects
- 
- July 1963. (33) USSR - Iran: \$38.8 million(credit)  
- Construction of a jointly financed dam on the Soviet-Iranian border; eleven grain silos; sturgeon hatchery, dredging  
- 3.6% interest, repayable over 12 years starting after completion with Iranian exports
- 
- August 1963: (34) Communist China - Somalia:  
~~\$20.0 million (credit)~~ \$3.0 million(grant)  
- Credit for economic development  
- Grant for budgetary support
- 
- September 1963: (35) USSR - Algeria: \$100.0 million (line of credit)  
- For economic development (primarily in the field of agriculture) and technical assistance, including delivery of 500 tractors, construction of tractor stations, development of cotton and sugar beet cultivation; land reclamation; plants for processing agricultural products; technical assistance for development of Saharian oil and gas resources  
- 2.5% interest - repayable over 12 years
- 
- November 1963: (36) Communist China - Algeria: \$50.0 million (line of credit)  
- Economic development projects and budgetary assistance  
- Interest free, repayable by 1990
- (37) Czechoslovakia - India. \$50 million (credit)  
- Czechoslovakian participation in Indian economic development plan
- 

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TABLE II

COMMUNIST ECONOMIC CREDITS AND GRANTS EXTENDED TO AND DRAWN  
BY THE DEVELOPING COUNTRIES OF THE FREE  
WORLD OUTSIDE EUROPE

Recapitulative totals January 1954 - December 1963  
(in million US \$)

Recipient country	Extended by			Extended Total	Drawn Total
	USSR	Eastern Europe	Communist China		
<b>MIDDLE EAST</b>	952.5	267.5	38.2	1,258.2	491.0
Cyprus	0	1.3	0	1.3	0.9
Iran	39.4	6.1	0	45.5	6.6
Iraq	183.9	33.6	0	217.5	79.0
Syria	150.5	42.6	16.3	209.4	50.2
UAR (Egypt)	553.0	182.9	4.7	740.6	320.1
Yemen	25.7	1.0	17.2	43.9	34.2
<b>AFRICA</b>	527.8	190.8	139.1	857.7	160.3
Algeria	100.6	7.4	51.8	159.8	3.8
Ethiopia	101.8	11.8	0	113.6	7.4
Ghana	88.8	81.5	19.6	189.9	28.3
Guinea	73.1	25.2	26.5	124.8	65.9
Mali	55.5	22.6	19.6	97.7	29.3
Morocco	0	17.2	0	17.2	5.1
Somali	57.2	5.6	21.6	84.4	14.3
Sudan	23.0	0	0	23.0	2.9
Tunisia	27.8	19.5	0	47.3	3.9
<b>ASIA</b>	1,789.7	470.3	275.0	2,535.0	926.6
Afghanistan	493.5	7.1	0	500.6	251.2
Burma	13.7	1.5	84.0	99.2	16.7
Cambodia	21.4	5.4	49.4	76.2	45.9
Ceylon	30.0	10.4	36.8	77.2	21.3
India	811.1	221.2	0	1,032.3	384.3
Indonesia	368.9	224.6	57.4	650.9	178.8
Laos	7.6	0.1	4.0	11.7	1.5
Nepal	10.3	0	43.4	53.7	12.7
Pakistan	33.2	0	0	33.2	14.2
<b>LATIN AMERICA</b>	100.0	189.1	0	289.1	40.2
Argentina	100.0	3.7	0	103.7	36.7
Bolivia	0	1.9	0	1.9	0
Brazil	0	183.5	0	183.5	3.5
<b>T O T A L</b>	3,370.0	1,117.7	452.3	4,940.0	1,618.1
<u>Pro memoria:</u>					
Cuba	370.0	107.0	60.0	494.0	50.0

TABLE III

COMMUNIST CIVILIAN TECHNICIANS IN THE DEVELOPING COUNTRIES (a)  
July-December, 1963

(persons)

Area & Country	USSR	Eastern Europe	Communist China	TOTAL
<b>MIDDLE EAST</b>	4,085	685	20	4,790
Cyprus	0	65	0	65
Iran	5	0	0	5
Iraq	1,000	175	0	1,175
Syria	140	150	0	290
UAR(Egypt)	2,115	290	0	2,405
Yemen	825	5	20	850
<b>AFRICA</b>	1,520	1,345	225	3,090
Algeria	25	525	50	600
Ethiopia	120	10	0	130
Ghana	220	120	n.a.	340
Guinea	425	320	135(b)	880
Mali	285	120	40(c)	445
Morocco	0	25	0	25
Somali	330	15	0	345
Sudan	80	10	0	90
Tunisia	35	200	0	235
<b>ASIA</b>	3,240	475	225	3,940
Afghanistan	1,810	105	0	1,915
Burma	45	10	35	90
Cambodia	50	10	95	155
Ceylon	35	45	5	85
India	735	225	0	960
Indonesia	430	75	0	505
Laos	5	0	0	5
Nepal	30	5	90	125
Pakistan	100	0	0	100
<b>LATIN AMERICA</b>	5	60	0	65
Argentina	0	30	0	30
Bolivia	0	10	0	10
Brazil	5	20	0	25
<b>TOTAL</b>	8,850	2,565	470	11,885

(a) Minimum estimates of the number of persons present for a period of one month or more. Persons engaged solely in commercial or military activities are excluded. Numbers are rounded to the nearest five.

(b) Including 30 North-Vietnamese technicians.

(c) Including 5 North-Vietnamese and 10 North-Korean technicians.

TABLE IV-A

TRADE OF SELECTED DEVELOPING COUNTRIES WITH THE SOVIET COUNTRIES, COMMUNIST CHINA AND ITS SATELLITES

A. Imports from Communist Countries

	1960		1961		1962	
	million US \$	% of total imports	million US \$	% of total imports	million US \$	% of total imports
<b>MIDDLE EAST</b>						
1. Cyprus	2.7	3	3.2	3	6.2	5
2. Iran	30.3	5	33.6	5	27.4(e)	6
3. Iraq	38.0	10	50.3	13	58.8(c)	14
4. Israel	3.9	1	6.8	1	8.5	7
5. Jordan	7.2	5	7.4	6	8.6	4
6. Lebanon	17.1	4	20.1	4	20.1	13
7. Syria	19.3	9	19.2	10	31.0	24
8. UAR (Egypt)	161.2	25	166.2	24	165.3	
<b>AFRICA</b>						
9. Algeria	11.4	1	7.7	1	20.6	5
10. Ethiopia	4.6	6	4.0	4	5.5(b)	6
11. Ghana	15.0	4	21.1	5	22.1	7
12. Guinea	22.0	35	29.8	40	23.8	41
13. Mali	n.a.	n.a.	n.a.	n.a.	12.3	38
14. Morocco	22.7	6	26.9	7	28.5	8
15. Nigeria	16.7	3	20.8	3	19.4(e)	3
16. Sudan	16.7	9	24.5	10	26.8(c)	11
17. Tunisia	6.7	4	10.1	5	6.7	3
<b>ASIA</b>						
18. Afghanistan	32.0	38	39.4	40	40.0	39
19. Burma	35.4	14	29.7	13	39.9(b)	15
20. Cambodia	14.4	14	12.3	12	17.4(e)	17
21. Ceylon	32.4	10	18.2	7	27.6	8
22. India	75.6	3	135.8	6	215.3	10
23. Indonesia	72.4	13	78.8	14	n.a.(c)	n.a.
24. Malaysia	64.0	3	67.9	3	76.2(c)	5
25. Pakistan	14.9	3	10.6	2	16.9	2
26. Thailand	5.5	1	6.3	1	5.0(b)	1
<b>LATIN AMERICA</b>						
27. Argentina	47.9	4	47.8	3	23.1(e)	2
28. Brazil	79.6	5	70.3	5	65.3	4
29. Chile	1.1	(0)	1.2	(0)	2.7(e)	1
30. Mexico	2.8	(0)	2.3	(0)	1.2	(0)
31. Uruguay	15.0	7	4.1	2	3.0	1
Pro. Memoria						
32. Cuba	105.0	19	535.0(f)	85(f)	630.0(f)	85(f)

Footnotes: See page 43

B. Exports to Communist Countries

	1960		1961		1962	
	million US \$	% of total exports	million US \$	% of total exports	million US \$	% of total exports
<b>MIDDLE EAST</b>						
1. Cyprus	1.4	3	2.4	5	3.1	5
2. Iran	26.0	3	33.3	4	27.0	3
3. Iraq	4.1	1	4.8	1	9.6	1
4. Israel	3.8	2	6.5	3	8.4	3
5. Jordan	1.1	10	0.9	6	1.1	8
6. Lebanon	3.2	5	3.6	6	4.0	3
7. Syria	22.3	22	27.6	25	40.5	24
8. UAR (Egypt)	244.2	45	211.0	45	160.1	43
<b>AFRICA</b>						
9. Algeria	2.2	(0)	2.0	(0)	0.8	(0)
10. Ethiopia	0.6	1	1.3	2	1.3(b)	2
11. Ghana	22.5	7	10.5	3	25.1	9
12. Guinea	12.6	23	16.4	22	12.4	27
13. Mali	n.a.	n.a.	3.2	n.a.	3.9	27
14. Morocco	16.0	4	17.2	5	23.7	7
15. Nigeria	9.6	2	6.9	1	4.5(e)	1
16. Sudan	23.6	13	21.2	12	31.2(c)	14
17. Tunisia	3.9	3	7.7	7	6.3	5
18. Uganda	6.1	5	10.0	9	1.7(e)	2
<b>ASIA</b>						
19. Afghanistan	16.8	33	19.7	37	25.8	36
20. Burma	13.4	6	41.3	16	33.3	11
21. Cambodia	7.0	13	3.5	5	7.1(e)	13
22. Ceylon	37.5	10	33.9	10	47.9	13
23. India	107.8	8	113.3	8	163.9	12
24. Indonesia	70.3	8	77.4	10	79.0(a)	13
25. Malaysia	143.9	7	129.2	6	133.1(c)	9
26. Pakistan	30.7	8	27.0	7	13.4	3
27. Thailand	8.8	2	7.8	2	9.8(d)	2
<b>LATIN AMERICA</b>						
28. Argentina	61.1	6	57.0	6	74.0(e)	7
29. Brazil	71.5	6	74.8	5	73.2(e)	6
30. Chile	0.6	(0)	1.2	(0)	1.6	(0)
31. Mexico	1.0	(0)	1.0	(0)	6.3	1
32. Uruguay	13.4	10	14.9	9	24.2	16
Pro. Memoria						
33. Cuba	143.0	22	478.9	75(f)	405.0(f)	60(f)

Footnotes: See page 43

TRADE OF DEVELOPING COUNTRIES WITH THE SOVIET COUNTRIES,  
COMMONIST CHINA AND ITS ASIAN SATELLITES

Notes referring to Tables IV.A and IV.B.

All data are based on official trade statistics of the developing countries unless otherwise indicated as estimates (see (f)).

- (a) Annual rate based on January/March figures
- (b) Annual rate based on January/June figures
- (c) Annual rate based on January/September figures
- (d) Annual rate based on January/October figures
- (e) Annual rate based on January/November figures
- (f) Estimate

(0) in the column of % of total trade represents less than 1%

n.a. = not available.

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PART IV

ANALYSIS BY COUNTRY

Introductory Note

Part IV contains a short analysis of the Communist attempts at economic penetration in those less-developed countries where such efforts have been most noticeable during the period, mid-1962 to end-1963. In order to provide the economic background for facilitating the evaluation of the Communist economic activities, a brief description of the prevailing economic situation during 1963 of each of these countries has been added.

For each individual country, a table summarising past economic aid, technical assistance and trade has been included to indicate the overall size of the Communist economic efforts since the beginning of these activities in 1954.

The term, "Communist countries" refers to the following countries: the USSR, Communist China, and the European satellite countries; (Bulgaria, Czechoslovakia, the Soviet Occupied Zone of Germany, Hungary, Poland and Rounania). The term may occasionally include North Korea and North Vietnam, neither of which are normally a donor of aid. It will be noted that the term does not include Yugoslavia.

ANALYSIS BY COUNTRY

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MIDDLE EAST

CYPRUS

(Population: 0.6 million)

Economic situation

1. The Cypriot economy is traditionally based on agriculture. Climatic conditions are, however, highly uncertain and agricultural output suffers regularly from drought. In addition, farming units are broken up into a number of small holdings whose profitability in most cases remains questionable. Natural resources are limited and consist mainly of chrome, asbestos, copper and iron ores. Small-scale industry is concentrated in the capital, Nicosia, and in the ports of Famagusta, Larnaca and Limassol. The country had hoped that tourism would help to redress its adverse trade balance, and it was deriving large benefits from the United Kingdom military bases on the island.

2. During 1963, the economic situation in Cyprus remained precarious, depending heavily on external financial aid. In early 1963, the IBRD extended a \$21 million loan to cover three-quarters of the cost of a project for an electric power station. The United Kingdom participated in various electrification projects and extended a \$5.6 million credit supplemented by a \$2.8 million loan from the Federal Republic of Germany in mid-1963.

3. Cyprus was attempting to obtain additional aid from Western European countries when at the end of the year economic considerations were completely overshadowed by the deterioration of the political situation.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	-	-	-
European satellites(1)	1.3	0.9	0.4
Communist China	-	-	-
<b>TOTAL</b>	<b>1.3</b>	<b>0.9</b>	<b>0.4</b>

(1) Poland

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Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 65

Number of nationals being trained in Communist countries: 170

Trade

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	0.6	1.4	1.8	0.6	1.7	1.7
European satellites	0.8	1.0	1.4	2.0	1.5	4.5
Communist China	-	-	-	-	-	-
TOTAL	1.4	2.4	3.1	2.7	3.2	6.2
As % of total trade	3	5	5	3	3	5

(b) Recent developments

4. After considerable delay, Poland started work on the Famagusta port during the second half of 1962 under the economic aid agreement signed earlier. About 60 Polish technicians have since been working on this project.

5. Cypriot trade with the Communist countries rose significantly during 1962 over 1961, mainly as a result of increased Cypriot imports from the European satellite countries, as well as increased exports to the USSR and the European satellites. The share of the Communist countries in total Cypriot trade rose from 3% in 1961 to 5% in 1962.

IRAN

(Population 22.2 million)

Economic situation

6. At the end of 1962, far-reaching social, economic and political changes were introduced. After the January, 1963 referendum, the land reform programme started to be implemented; the former big landowners were expropriated and the development of agricultural co-operatives was encouraged. The third five-year plan for economic development was under revision and agriculture will be credited with more attention than had originally been contemplated.

7. Efforts were made to put an end to the economic recession which had been going on for the previous two years, and which had been worsened by a serious decline in the rate of investment during 1961/1962. Oil continues to play a major rôle in the Iranian economy; production increased from 65.4 million tons in 1962 to 73 million tons in 1963, thus maintaining a steady rate of growth, and ensuring a lasting source of revenue in hard currency. Petroleum exports accounted for 87% of total exports in 1962.

8. Iran has still some difficult years ahead, but the basic factors - high oil earnings, adequate reserves and bank liquidity, an excellent harvest in 1963, and continued political stability - may help to restore foreign investors' confidence. The IBRD has been participating in the financial efforts necessary for economic development by extending \$35.4 million in 1962 and \$10.2 million in 1963, thus bringing its total contributions since 1957 to \$182.1 million. The industrialised western countries have maintained a constant flow of credits and grants from official sources amounting to about \$70 million annually during the 1960s. Among the most recent developments in this field, the loan of \$60 million extended on 13th December by France for participation in the development of such industrial sectors as petro-chemicals, television, tele-communications and electricity may be noted.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	39.1	0.5	38.6
European satellites	6.1	6.1	-
Communist China	-	-	-
TOTAL	45.2	6.6	38.6

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Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 5

Number of nationals being trained in Communist countries: 15

Trade

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	17.6	17.7	13.9	17.3	18.3	16.6
European satellites	10.4	15.6	13.1	13.0	15.3	10.9
Communist China	(a)	(a)	-	-	(a)	(c)
<b>TOTAL</b>	<b>28.0</b>	<b>33.3</b>	<b>27.0</b>	<b>30.3</b>	<b>33.6</b>	<b>27.4</b>
As % of total trade	3	4	3	5	5	6

(a) Less than \$50,000

(b) Recent developments

9. Since Iran's unilateral declaration in 1964 that she would permit no foreign missile bases to be established on her territory, her relations with the USSR showed a marked improvement. Throughout the second half of 1962, there was a noticeable increase in Soviet/Iranian cultural and educational exchanges.

10. On the 27th July, 1963, Iran entered into her first agreement on economic aid with the USSR for the joint development of the Aras River, which marks the boundary between Iran and the SSR of Azerbaijan. The total amount extended by the USSR is equivalent to \$38.8 million, to be repaid by Iranian exports over twelve years, starting after completion, and bearing an interest of 3.6%. This amount is to cover part of the jointly-financed dam on the Soviet/Iranian border, the cost of 11 grain silos, a sturgeon hatchery on the Caspian shore and the dredging of the Iranian ports of Pahlavi and Bandar Shah.

11. Iran's commercial relations with the Communist countries included the annual renewal of trade agreements for 1963/64 with Czechoslovakia, Poland, Hungary and the USSR. During 1962, Iran's total trade with the Communist countries increased slightly at about the same rate as the country's overall foreign trade.

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IRAQ

(Population: 7.0 million)

Economic situation(1)

12. After the February 1963 revolution that ousted Kassim, the Ba'athist Government intended to divert its development resources mainly to industry, road and bridge construction, and agricultural expansion. However, the Government's freedom of action in revising the plan set up by Kassim was limited.

13. Petroleum production, which stagnated under the Kassim régime, increased from 49.2 million tons of crude in 1962 to 55.5 million tons in 1963. On the other hand, wheat production was badly hit by a fungus infection and suffered, in the northern part of the country, from the June resumption of hostilities between the army and Kurdish insurgents. At the end of the year, the estimates for the year's crop were lower than those of any of the preceding six years.

14. The new régime turned to the Western countries for the development of trade and to obtain economic aid. During the second half of 1963, the United States, the Federal Republic of Germany and Italy all concluded trade and/or economic and technical co-operation agreements. Iraq accepted an interest-free loan of \$48 million from Kuwait, to be repaid in 25 years, and recognised in turn the 1932 delineation of Kuwait's border.

15. At the end of 1963, the military takeover under President Araf of the Ba'athist Government threw Iraq once again into a state of flux. A new five-year development plan was recently said to be under consideration to "correct" the situation caused by the Ba'athist plan.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	183.9	78.0	105.9
European satellites	33.6	1.0	32.6
Communist China	-	-	-
<b>TOTAL</b>	<b>217.5</b>	<b>79.0</b>	<b>138.5</b>

(1) For a more detailed description of Iraq's economy and Communist activities, see AC/127-WP/105 and AC/127-D/148.

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Technical assistance as of 31st December, 1964:

Communist civilian technicians in the country: 1,175

Number of nationals trained in Communist countries: 1,970

Trade

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	1.1	2.2	3.3	7.4	21.2	24.5
European satellites	1.4	1.1	2.3	23.5	22.8	25.2
Communist China	1.6	1.5	4.0	7.2	6.3	9.3
<b>TOTAL</b>	<b>4.1</b>	<b>4.8</b>	<b>9.6</b>	<b>38.0</b>	<b>50.2</b>	<b>58.6</b>
<b>% of total trade(1)</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>13</b>	<b>14</b>

(1) Petroleum exports to the free world accounted for about 90% of total Iraqi exports.

(b) Recent developments

16. The 8th February, 1963 revolution introduced a new Government which attempted to follow a more balanced policy between East and West. The net result was a much more critical approach to Soviet economic aid proposals. The Government decided to continue those projects that were already in an advanced stage of development (an electrical equipment factory), a pharmaceutical factory, a knitting and hosiery factory, a garment factory, a geological survey, grain silos and the Baghdad-Basra railway. Some projects were removed from the Soviet aid programme (a sulphur-recovery plant and a fertiliser factory), while further activities and the delivery of materials for three more projects were stopped (a steel mill, an electric light bulb factory and the glassware factory). The military takeover at the end of 1963 has not so far altered the general line of foreign policy initiated in February.

17. The February Government has indicated its desire to lessen Iraq's reliance on the USSR as a source of supply for military equipment, but general conversion to Western arms and equipment cannot be expected in the short run. Minor deliveries of Soviet military equipment had been continued and a new contract was signed for six MiG.21 fighters, possibly to replace MiG.19s destroyed at the time of the February coup.

18. It seems likely that the number of Soviet military technicians in Iraq will decrease, but Soviet civilian technicians have been replaced, so that the total estimated Soviet military and civilian personnel in Iraq still numbered about 1,665 by mid-1963. At the time of the February revolution, more than 2,000

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Iraqis were studying in the Communist countries, mostly in the USSR, and a number of them asked to leave because of their dissatisfaction with Soviet policy towards the new régime in Iraq. By the end of June, 1963, at least 100 were known to have returned to Iraq.

19. Trade statistics for the period after the February revolution are not yet available, but it can be expected that many businessmen will have resumed trade with the West. The country has, however, trade agreements with Communist China, the USSR and the European satellite countries, and Iraq may seek to preserve some trade relations with these Communist countries, which are willing to purchase Iraqi dates. The outcome of negotiations between the Iraqi Government and the Western-owned group of oil companies will, to a large extent, influence the rapidity with which Iraq may be able to redress the balance in economic aid and trade, and in military assistance, in favour of the West.

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SYRIA

(Population: 5.2 million)

Economic situation

20. The Syrian experiment of a more liberal economic order undertaken after the break with Egypt was stopped by the revolution of 8th March, 1963. Up to then, it had been rather successful in stabilising the currency, increasing the national income (15% in 1961/62 over the previous year), liberalising foreign trade by lifting import restrictions, and encouraging the return of Syrian capital that had left the country. In addition, measures of land reform and profit-sharing with workers in industry had been retained.

21. Developments since March, 1963 are uncertain, and recent information is lacking, but the announced introduction of the rationing of supplies at the end of November, 1963, suggests a fundamental lack of public confidence, causing a resumption of the flight of capital, the hoarding of such vital supplies as sugar, rice and flour, and a general stagnation of business. The political climate prevailing at the end of the year was unfavourable to any long-term economic development prospects.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	150.5	25.0	125.5
European satellites	42.6	25.2	17.4
Communist China	16.3	-	16.3
TOTAL	209.4	50.2	159.2

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 290  
of which: USSR 140  
European satellites 150

Number of nationals trained in Communist countries: 200

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Trade

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	6.6	3.3	5.3	7.3	8.1	3.8
European satellites	13.4	12.2	30.8	10.7	10.0	23.5
Communist China	2.3	12.1	4.4	1.3	1.1	3.7
<b>TOTAL</b>	<b>22.3</b>	<b>27.6</b>	<b>40.5</b>	<b>19.3</b>	<b>19.2</b>	<b>31.0</b>
As % of total trade	22	25	24	9	10	13

(b) Recent developments

22. In March 1963, a new Government, in which the Ba'ath Party plays a major role, came into power and political preoccupations, mainly concerning the union with the UAR and Iraq, and with the factional struggle for power, took the foreground. The new Government did not, however, develop the active anti-Communist internal policy that characterised the attitude of the new leadership in Iraq, and there has not been the strain in Soviet/Syrian relations that developed in the case of Iraq.

23. In November 1962, Poland extended a \$15 million credit to Syria, repayable in eight years, and bearing an interest rate of 3% for the purchase of industrial goods and services destined for development projects. A reported Soviet offer to construct a dam on the Euphrates River was countered during the early days of 1963 by an announcement that the Federal Republic of Germany had agreed to finance it, and in February 1963, Syria accepted a Communist Chinese credit of \$16.3 million, repayable over ten years, starting in 1976, interest free. The announced purpose of the loan was to finance imports of industrial equipment and machinery, and the required technical assistance to implement these industrial projects. Communist China may have thus attempted to increase her exports in order to reduce her trade deficit with Syria, which had been growing larger as a result of purchases of Syrian cotton.

24. Progress on Soviet projects under the \$150 million credit did not make any noteworthy advance. The Bulgarian-built Muhardah Dam was inaugurated on the 1st August, 1962, and with the Latakia/qamishli railway more than half completed, discussion was taking place during the first half of 1963 regarding the further construction in view of completing the project by the end of 1963. Plans for the nitrate fertiliser plant to be built in Homs were reportedly completed by mid-1963, but work had not yet begun.

25. In the military field, further progress was reported on the new military airport to be built by Bulgaria about 30 miles west of Palmira, but difficulties were encountered in meeting the planned schedules.

26. Although trade between Syria and the Communist countries rose during 1962 over 1961 in absolute figures, there was little change in the proportion represented by such trade in total Syrian trade. About \$40 million worth of exports were sent by Syria to the Communist countries during 1962, as against \$28 million in 1961. The share of the Communist countries in total Syrian exports remained, however, at about 24%, more than 90% of which consisted of cotton. The share of the Communist countries in total Syrian imports rose from 10% to 13%.

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UAR - EGYPT

(Population: 28.0 million)

Economic situation

27. The UAR's economic situation during 1963 suffered from an increasing paralysis of private initiative, and the country continued to depend heavily on assistance from abroad, particularly the American grain deliveries, to cover their most urgent needs. During the 1962 financial year, only 70% of the planned investments was reportedly realised, and the effects of the unusually poor harvest of 1962, particularly cotton, made themselves felt most unfavourably. Foreign indebtedness continued to increase. The wage and price policies resulted in a considerable increase of home consumption. Industrialisation is costing a larger proportion of foreign currency every year but brings in hardly any foreign currency, since the home market absorbs production.

28. The UAR's exports increased from \$351 million in 1962 to \$497 million in 1963, but imports during the same period rose from \$697 million to \$853 million, thus maintaining an annual deficit of about \$150 million. Difficulties with the balance of payments are becoming chronic. The overstraining of resources is reflected in the severe foreign exchange shortage, and constitutes a serious threat to the UAR's development programme.

29. The financial consequences of the Yemen campaign added another heavy burden to the budget. The cost of this expedition was estimated at over \$60 million in foreign currency at the end of the first quarter of 1963, and continues to drain an important part of the scarce foreign resources. The USSR has demanded cash in free currencies for all the material she supplied to the UAR in connection with this enterprise.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	553.0	236.0	317.0
European satellites	182.9	79.4	103.5
Communist China	4.7	4.7	-
<b>TOTAL</b>	<b>740.6</b>	<b>320.1</b>	<b>420.5</b>

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Technical assistance as of 31st December, 1963:  
 Communist civilian technicians in the country: 2,405  
 Number of nationals trained in Communist countries: 585

Trade (million US \$)

	Exports		Imports			
	1960	1961	1962	1960	1961	1962
USSR	88.7	73.0	62.5	65.8	79.4	58.3
European satellites	110.9	122.9	78.1	75.7	67.7	87.5
Communist China	44.5	14.6	19.1	19.5	18.9	19.3
TOT/L(1)	244.2	211.0	160.1	161.2	166.2	165.3
As % of total trade	45	43	43	25	24	24

(1) Including trade with North Korea and North Vietnam

(b) Recent developments

30. The U.R still depends heavily on the Communist countries for military and economic aid, although since the second half of 1962 Egypt has become more receptive to economic assistance from the West, so as to establish a reasonably stable balance between the East and West insofar as the influence of economic aid on the UAR policies is concerned.

31. During October 1962, Poland and Hungary extended new credits to the U.R. The Polish credit of \$20 million is to be used for the purchase of industrial equipment and technical assistance, and repayment will be made in commodities. The Hungarian \$23 million credit, repayable in eight years at 2.5% interest, is expected to cover the purchase of capital goods and equipment, including \$12 million for railway rolling stock and maritime equipment. In June 1963, the USSR extended an additional credit of \$44.4 million for unspecified industrial projects. It seems likely that new arrangements for military assistance were made concurrently to provide at least for the replacement of equipment used during the UAR intervention in the Yemen. Deliveries of military equipment by the Soviet Union to the U.R were continued throughout the entire period.

32. Implementation of Soviet aid projects appears to be proceeding according to the scheduled plans. In January 1963, the Soviet Economic Counselor in Cairo stated that at that time thirty-eight of the projects to be undertaken by the USSR had been completed, and that by 1966/67 the USSR would have carried out all its obligations under the 1958 agreement.

33. On 16th January 1963, the USSR and the UAR signed a protocol to cover the final blueprints and specifications of the Aswan High Dam. Contrary to the situation prevailing at the end of 1962, good progress is being made, as the Soviets seem to have agreed to the increased use of Western equipment, financed by the UAR, in the High Dam construction. A large influx of technicians for the Aswan High Dam has brought the number of Soviet nationals engaged on that project to about 1,400. The total of Soviet bloc civilian technicians in the country during the second half of 1963 was estimated at about 2,115, including 290 European satellite nationals engaged in various economic activities. Progress on the Aswan High Dam also led to the despatch of the first group of Egyptian personnel to the USSR for training on hydro-electric projects.

34. Data available by mid-1963 on the order of magnitude of the UAR's international repayment obligations arising from Soviet development loans indicates that interest and principal payments due to Communist countries will rise from \$9 million in 1963 to a peak of \$60 million in 1970, after which they will decline to \$54 million in 1973. Most of these payments will be in Egyptian currency or commodities. These estimates were made before the announcement of the most recent agreement on the \$14.4 million loan extended in June 1963.

35. The percentage of Egyptian cotton sold to Communist China and the Soviet bloc rose sharply during the 1962/63 season over the relatively low level in 1961/62, during which half the cotton exports went to Western countries. Data available on cotton sales indicate that 70% of cotton exports during the season ended 31st August, 1963 have been purchased by the Sino-Soviet countries; the USSR, Czechoslovakia and Communist China being the largest buyers. It would seem, therefore, that UAR cotton sales to the free world have found, at least temporarily, their highest level, and that bumper crops will go mainly to the bloc. The economic and trade relationship between the UAR and the Soviet countries is now well established, so that violent year-to-year fluctuations in the level of trade between those countries are unlikely.

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YEMEN

(Population: 5 million)

Economic situation

36. Since the decline of internal hostilities in early 1963, the new Yemeni Government has been compelled to turn its attention to the task of dealing with acute financial problems and devising some means of promoting economic development in a country characterised by its mediaeval backwardness.

37. With revenue inadequate to cover current expenditures, the Yemeni leadership had to rely on foreign assistance. The U.R. extended an interest-free credit of about \$4.8 million, Yugoslavia \$2 million for various industrial projects, and the Soviet Zone of Occupation of Germany an unspecified credit for agricultural machinery. Although the Soviet Union had been approached for financial aid, no new assistance, except a vast number of technicians, had been provided.

38. On the Western side, in addition to technical assistance, consisting mainly of telephone experts and the staff of an agricultural consulting centre, the Federal Republic of Germany extended a credit of about \$2.5 million for various development projects. The road-building project connecting Mokha, Ta'izz and Sa'na under the United States assistance programme made further progress, and a water supply system for Ta'izz was also provided under the same programme.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	25.7	20.7	5.0
European satellites	1.0	1.0	-
Communist China	17.2	12.5	4.7
<b>TOTAL</b>	<b>43.9</b>	<b>34.2</b>	<b>9.7</b>

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 850  
of which: USSR 825  
European satellites 5  
Chinese 20

Number of nationals trained in Communist countries: 625

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Trade(1)

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	1.2	1.3	1.4	3.2	1.9	2.1

(1) No official Yemeni trade statistics are available. Figures for the USSR are those indicated by official Soviet trade statistics.

(b) Recent developments

39. The internal situation in the Yemen has continued to be troubled ever since the fall of the Imamate in September 1962. The new Government of the Yemen Arab Republic professes a strong interest in a development programme, but as long as fighting continues, the military aspects of the situation will overshadow economic problems.

40. Details concerning economic aid extended to the Yemen by the Communist countries since the September 1962 revolution are not available, although in November, 1962, the USSR and Czechoslovakia reportedly undertook to carry out several military and/or economic projects to which they were not previously committed. The USSR has been said to be considering oil exploration and the Yemeni Government has apparently asked for budget support. Communist China has reportedly abandoned the long-delayed project for the construction of a spinning and weaving mill. The Yemen is the only Middle Eastern country where Communist China has offered aid of any size.

41. The number of Communist civilian technicians in the Yemen dropped sharply, as all but twenty Communist Chinese technicians left the country after the completion of the Sa'na al Hodeida road, but shortly afterwards Soviet personnel started to arrive in large numbers, following the Sallal Government's coming into power. By the end of 1963, the number of experts from the Soviet Union in the country had reached about 225.

42. The USSR has built up a sizeable presence in the country, presenting herself as a benevolent great power helping to consolidate the Yemeni Republic, and as a disinterested backer of Arab revolutionary movements. The strategic location of the Yemen as a potential base dominating the entrance to the Red Sea, and in proximity to the "horn of Africa" provides a relatively inexpensive opportunity to the USSR of extending Soviet influence in the area.

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AFRICA

ALGERIA

(Population: 10.8 million)

Economic situation

43. The exodus of about 1 million Frenchmen in 1962 has had far-reaching repercussions on the economic prospects of the country but it is too early to draw a clear picture of Algeria's economic situation as at the end of 1963.

44. In the agricultural sector, the 1963 harvest seemed to have been better than expected, although the profit and loss balance is still to be drawn. In March 1963, governmental decrees made legal the emergency take-over by peasant management committees of about 17,000 abandoned French farms. In October, 4,000 farms still occupied by French farmers were included in the nationalised sector, which now covers all former French-owned farmland plus a few farms previously held by Algerians, bringing the total to about 22,000 farms, covering 6.5 million acres (mostly wheatland, vineyards and citrus plantations), and producing some two-thirds of the total agricultural output of Algeria. Nevertheless, the vast majority of the 600,000 Algerian peasants are still deriving their livelihood from the exploitation of their own meagre plots.

45. Most of Algeria's tiny, still largely private, manufacturing sector (some 500 small factories, largely food processing, building materials, fertilisers and small Renault and Berliet assembly plants) were reportedly continuing to function at perhaps 30% of capacity. The cork industry, newspapers, most major bus and lorry services, the flour mills, brick and tile works, and other minor factories, most big-city hotels, bakeries and laundries have been nationalised. The trains, telephones, post-office and electricity continued to function and, at the end of the year, less than 100,000 Frenchmen remained, mainly in Algiers and Oran. No economic breakdown has occurred, thanks mainly to French aid, amounting to some \$600 million since independence.

46. Saharan oil production increased by 25% from 20 million tons in 1962 to 25 million tons in 1963, with a 30 million tons production foreseen for 1964. This represented about \$50 million paid in royalties to the Algerian Government under the 50% direct tax on producers' net profits. This money was supposed to go to economic development but the shortage of tax revenues forced the Ben Bella Government to divert \$19 million of these oil revenues to the army budget. (The joint Franco-Algerian "Organisme Saharien" spent about \$20 million of its budget on roads and other public works in the Sahara region).

47. In November 1963, Algeria requested an increase in royalties paid, aiming at raising the present 50/50 share to 60% in their favour. In addition, a number of important problems are at issue, including Algeria's participation in the additional oil pipeline going from the oilfields to Arzew, her participation in the French-British-American combine at Arzew, which will turn natural gas into liquid methane for transport to Great Britain and France by special tankers, and the trans-Mediterranean pipelines to bring Saharan gas to Europe; all of these major projects are the subject of new requests by the Algerian Government.

48. Repeated Government proclamations of austerity have not yet been fully matched by deeds. The cost of living has been rising steadily during recent months. It seems unlikely that the 1964 budget will be balanced, even allowing for a 5.3% increase in taxes and considerable, though reduced, French aid. Foreign investors have so far avoided commitments in Algeria on account of continuing uncertainty as to the country's economic future and the status of private enterprise.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	100.6	0.6	100.0
European satellite	7.4	1.4	6.0
Communist China	51.8	1.8	50.0
TOTAL	159.8	3.8	156.0

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 600

Number of civilian nationals trained in Communist countries: 505

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Trade

(million US \$)

	Exports			Imports		
	1960	1961	1962 (1)	1960	1961	1962 (1)
USSR	1.6	1.0	0.4	1.9	0.6	15.7
European satellites	0.5	1.0	0.5	7.7	6.1	4.7
Communist China	-	-	-	1.8	0.8	0.2
TOTAL(2)	2.2	2.0	0.8	11.4	7.7	20.6
As % of total trade	less than 1	less than 1	less than 1	1	2	5

- (1) 1962 data are estimates  
(2) Including trade with North Vietnam

(b) Recent developments

49. Up to mid-1963, the approach of the Communist countries towards economic and military relations with Algeria had been rather cautious, the European satellites, particularly Bulgaria and Poland, being the most active. During 1962, Algeria received a number of grants of relief supplies (clothing, foodstuff and medical supplies) valued at about \$4 million, supplemented in November 1962, by the arrival of about 150 Bulgarian medical personnel and the signature during the same month of a technical assistance agreement between the two countries. The first long-term economic development credit extended by Communist countries was announced in June, 1963, when Bulgaria extended \$6 million for the establishment of a textile mill, a tannery and an electric motor factory.

50. After some delays, suggesting a more critical appraisal than in earlier cases when the USSR moved rapidly in extending large-scale economic aid (as for instance in the case of Ethiopia), a high-level Soviet economic delegation offered by mid-September 1963, a major line of credit for economic development, which was accepted by Algeria. This \$100 million loan reportedly carries the usual Soviet interest rate of 2.5% and a repayment period of twelve years. Projects to be covered by this credit are to be further discussed with the Algerian Government, but the USSR has suggested that most of this credit should be used for agricultural development, including the delivery of tractors, the construction of tractor stations, reclamation of farmland, and the development of cotton and sugar beet cultivation. In the industrial field, the

USSR proposed to establish facilities for processing agricultural produce and to provide technical assistance in the development of Saharan oil and gas resources.

51. This major move was soon followed by a Communist Chinese offer of a long-term interest-free credit of about \$50 million for economic development and technical assistance. The projects for which the Chinese credit will be employed have not been announced, but it was understood that some budgetary assistance to the Algerian Government might be included. This offer was apparently accepted by Algeria at the end of November, the extended loan being repayable by 1990.

52. By mid-1963, about 570 Communist technicians were in Algeria, of which about 35 were military and 535 civilian. At the end of the year, the number of civilian technicians from Communist countries rose to about 600, of which 525 came from European satellite countries. Since November 1963, more than 400 air force and naval trainees have been receiving training in the bloc, and when in October 1963, fighting broke out between Morocco and Algeria, Egypt, Cuba and the Soviet Union delivered both military advisory aid and equipment to Algeria. Among the military activities involving the USSR and Algeria, a number of tanks have been sent primarily to be used in de-mining, and may eventually equip an Algerian tank regiment. In addition, Bulgaria and Communist China have delivered small amounts of military equipment.

53. Before the end of 1962, Algeria had concluded some barter agreements with Czechoslovakia, Poland and Rumania, but her first long-term trade agreement with the USSR was signed only on 4th November, 1963. The USSR is to supply ships, automobiles, tractors, farm machinery, machine tools, excavators, road-building and hoisting machines, paper, oil products, chemicals and oil-drilling equipment, in exchange for citrus fruits, dates, olive oil, wheat, wine, methyl alcohol, hides and other traditional Algerian exports. The total amount of trade envisaged for 1964 was set at \$20 million and a payments agreement to facilitate the settlement of accounts between the two countries was also concluded.

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ETHIOPIA

(Population: 22 million)

Economic situation

54. Ethiopia is now halfway through her second five-year plan, and satisfactory progress has been reported during 1963. The second five-year plan has concentrated on agricultural development. Although much remains to be done in modernising farm methods and making the land more productive, some technical advisers believe that since a large part of the land is fertile and well watered, and the climate favourable, prospects for developing the country into one of the major African food producing areas are good.

55. Economic development is hampered by the absence of roads and an adequate transport system. The new port at Assab on the Red Sea and the road connecting the port with the capital and the fertile highlands are among the most important development projects to be undertaken in the country. The 300-mile road linking Addis Ababa with the Red Sea will be financed under a \$13.5 million credit extended by the International Bank for Reconstruction and Development and the United States Aid Programme. Recently four new airports have been opened; the financing of airport construction has been made possible by a \$20 million loan from the United States Development Loan Fund.

56. The coffee crop, which constitutes Ethiopia's main export commodity, was excellent, both in quality and quantity, and other crops have been showing encouraging increases. A record total of 64,000 tons of the recent coffee crop is being exported under the terms of the International Coffee Agreement.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	101.8	4.6	97.2
European satellites	11.8	2.8	9.0
Communist China	-	-	-
<b>TOTAL</b>	<b>113.6</b>	<b>7.4</b>	<b>106.2</b>

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Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 130

Number of nationals trained in Communist countries: 70

Trade

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	(a)	0.5	0.8	1.5	1.0	1.0
European satellites	0.5	0.8	0.5	2.8	2.7	3.4
Communist China	0.1	(a)	(a)	0.2	0.3	1.1
TOTAL	0.6	1.3	1.3	4.6	4.0	5.5
As % of total trade	1	2	2	6	4	6

(a) Less than \$50,000

(b) Recent developments

57. A major problem facing the USSR in Ethiopia is how to increase her economic involvement in Ethiopia without upsetting the Somali Republic, which is higher up on the Soviet list of priorities. Of the \$100 million line of credit extended in 1959, less than 3% had been used by mid-1963, and prospects for future utilizations are still far from bright.

58. At the end of 1962, the long-discussed oil refinery at Assam was agreed on on principle, but in 1963 negotiations for actual construction were once more held up by a dispute over whether the refinery should be engineered to handle Soviet crude oil or Middle Eastern crude oil. The Bahar Dar Technical School, a Soviet gift, that was supposed to be completed by the beginning of the academic year in September, 1962, was only opened in June, 1963. In early September, 1963, a Soviet industrial survey team completed its study at the request of the Ethiopian Government on potential industrial sites. The report is said to have concluded on the feasibility of meat processing factories, fruit and vegetable canneries, an edible oil processing factory, tanneries, and a shoe factory, all of which could be implemented under the 1959 line of credit if agreement is reached between the Ethiopian Government and the USSR.

59. Work was started on the canvas and rubber shoe factory near Addis Ababa, and about \$0.5 million, mostly for machinery for this factory, was the first significant drawing made on the \$10 million Czech credit.

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60. About 130 Soviet technicians were working on these projects by end-1963, of which 15 were Czechoslovakian and 5 Polish.

61. The Ethiopian students that have been sent to Communist countries for training are said to have generally reacted unfavourably to bloc training programmes, and bloc prestige suffered from the withdrawal of Ethiopian students from Bulgaria, following the Sofia incidents in February, 1963.

62. During the first quarter of 1963, Ethiopian exports to Communist countries decreased by some 30% as compared with the first quarter of 1962, while imports from these countries decreased by about 10%. Ethiopia has so far been unsuccessful in selling her coffee surplus to the USSR.

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GHANA

(Population: 7.3 million)

Economic situation

63. The main progress achieved during 1963 was in the industrial field, where a new oil refinery with a 1 million ton capacity a year was built by the Italian State Oil Company, ENI, to be owned jointly with the Ghana Government, and had started production. This refinery will supply all Ghana's needs and even refine some crude for export. A soap factory to supply most of Ghana's requirements was built by Lever Brothers, and a jute sack factory covering half the country's needs was also opened. Two cacao-processing factories are expected to go into production early in 1964. They are being built by German companies, and will be owned jointly with the Government, who will thus be able to process about a quarter of the annual cocoa production.

64. A new seven-year plan (1964/1970) was launched at the end of 1963. Its main target is to increase national income by 5.5% a year, calling for investments up to \$2.85 billion over the seven years, of which more than half is expected to come from the private sector.

65. During 1963, work continued on Ghana's biggest single industrial project, the Volta River hydro-electric and flood-regulating dam. Half of the cost (\$197 million) was financed by the Government and the other half through loans from the IBRD, the United States and the United Kingdom. Work on the dam is slightly ahead of schedule, despite some damage from recent floods. Work was also started on the Volta Aluminium Company's smelter with a capacity of 100,000 tons, which is to be built by an American firm for United States and European aluminium companies. The project is directly linked with the Volta dam and will start production when electricity from the Volta dam power station becomes available by mid-1965.

66. In the agricultural sector the number of state-owned farms was increased to 105 in 1963. Four of them are run with Soviet, and three with Israeli technical assistance. The low price of cocoa affected Ghana's foreign earning capacity, and the Government budget presented for the financial year ended September, 1963, showed a deficit for the first time in recent years. From 1958 to 1962 the unit value of Ghanaian cocoa fell steadily. In 1962, it represented only half the 1958 value, and increased in 1963 by some 10% over the lowest 1962 figure. Cocoa accounted for 65% of total Ghanaian exports in 1962, and the chronic trade deficit again increase in 1963, although imports had been relatively stable.

Economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	88.8	17.9	70.9
European satellites	81.5	10.4	71.1
Communist China	19.6	-	19.6
<b>TOTAL</b>	<b>189.9</b>	<b>28.3</b>	<b>161.6</b>

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country : 340  
of which: USSR : 220  
European satellites : 120  
Communist China : not available

Number of nationals trained in Communist countries: 1,015  
(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	20.4	8.6	13.5	1.6	6.2	5.1
European satellites	0.8	1.7	10.4	10.4	12.5	13.2
Communist China	1.4	0.2	1.2	3.0	2.4	3.8
<b>TOTAL</b>	<b>22.5</b>	<b>10.5</b>	<b>25.1</b>	<b>15.0</b>	<b>21.1</b>	<b>22.1</b>
as % of total trade	7	3	9	4	5	7

(b) Recent developments

67. Current Soviet credits to Ghana call for a geological survey, a steel mill, a study for a major hydro-electric power station on the Black Volta River, a shipyard at the port of Tema, a housing development project in Accra, a tractor assembly factory and several other projects. The European satellites were working on a tyre factory, a printing plant, a pharmaceutical

factory and an electric light bulb factory. A review of all bloc projects was ordered by Nkrumah in mid-1962, as work on individual bloc projects continued slowly and dissatisfaction had been expressed with the comparatively high costs of several of them, as well as with the quality of Soviet equipment.

68. One of Ghana's major complaints had been the difficulty of meeting the local costs of Soviet projects. In March 1963, the USSR earmarked up to \$22.2 million of unutilised credits already in existence for the import of Soviet consumer goods, building materials and the like, to be delivered from 1963 to 1966, with repayment in six years starting two years after utilisation. The Ghanaian Government is required to use the local currency proceeds from the sale of these commodities exclusively for the local costs of some Soviet-assisted projects in Ghana. Ghanaian dissatisfaction prompted the reorganization of the Soviet Geological Survey, which is now placed under the direct supervision of the Ghana Geological Survey.

69. Despite these frictions, Ghana continued to be receptive to any new bloc proposal. The Ghanaian Seven-year Plan, which entered into effect on 1st October, 1963, anticipates foreign loans and grants totalling more than \$700 million during the period, and Ghana apparently expects a large share of this amount to come from Soviet countries. So far, however, no new credits have been extended to Ghana since mid-1962.

70. Among the individual bloc projects, on which slow progress during the second half of 1962 and in 1963 to be reported, is the nuclear reactor to be built with Soviet assistance. Soviet technicians were designing a fish-processing factory at Tema, and work continued on the upper Volta dam and on the reinforced concrete panel factory. There was considerable activity on the Soviet state farm projects, the one at Adidome being designed to serve also as a training centre under Soviet supervision for agricultural equipment operators.

71. The East German printing plant at Tema is expected to go into operation by the end of 1964, and construction of the Polish sugar refinery continued. As a result of Czech delays and inaction, Czech participation in the Komenda sugar cane plantation/refinery project was terminated, and by mid-1963 Ghana was negotiating with a Dutch firm to take over the project.

72. In April 1963, an agreement for Soviet assistance for technical education was signed, presumably providing for the establishment of two vocational training centres (for machine-building skills and for electrical industries).

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73. About 330 communist civilian technicians were working in Ghana by mid-1963, a decline of some 10% from the previous six-month period. In addition to the above-mentioned activities, they include technical assistance to Ghana Airways and the members of the Soviet Geological Survey. Although the Soviet Airline Aeroflot began a regular weekly service from Moscow to Accra during September 1962, earlier Soviet aid to Ghana's Airline in the form of eight Il.18 aircraft continued to be a source of embarrassment; most of them were grounded, either because of servicing difficulties, or for reasons of economy.

74. The racial incidents in Bulgaria in February and March 1963 led to diplomatic protests by Ghana; the number of Ghanaian academic and technical students in the bloc countries at the end of 1963 was estimated at about 1,015. The death of a Ghanaian student in the USSR reported in mid-December and the ensuing demonstrations in Moscow have further affected Soviet/Ghanaian relations.

75. Sino-Soviet efforts to expand trade with Ghana appeared by mid-1963 to be increasingly successful. The Ghanaian Government in the past often favoured Soviet imports through the licensing system in order to redress its trade deficit; however, the Sino-Soviet countries have been taking an increasing share of cocoa. In the 1962/63 season, total Sino-Soviet imports of Ghanaian cocoa were second only to shipments to the United States, who accounted for about 25% of total Ghanaian cocoa exports. During the first quarter of 1963, the Sino-Soviet countries share of Ghana's trade more than doubled as compared with the same period of 1962.

76. Ghana has expressed dissatisfaction with the operation of its trade and payments agreements with the Communist countries. Instead of an import surplus which would have been in Ghana's favour under present arrangements, since 1962 Ghana has been running an export surplus which she is, in effect, financing. The Ghanaian Government has been seeking to revise her agreements with the Communist countries in order to obtain a periodic settlement of bilateral accounts in hard currencies or the payment of interest on trade balances.

GUINEA

(Population: 3.4 million)

Economic situation

77. After 1958, when the country severed her relations with France, the economic situation steadily deteriorated. In December 1961 a reversal of the political orientation halted the prevailing trend, which would have led towards complete dependence on the Communist countries for economical and technical aid. Up to then, the Sino-Soviet countries had been rapidly increasing their share of Guinean exports, although the West had maintained its predominant trade position and continued to import Guinea's main mineral products, such as iron, bauxite and alumina, which were considerably increasing their role in Guinea's foreign trade, representing almost 70% of exports in 1961. In the long run, these growing mineral exports to the West proved a better source for economic development than Communist assistance.

78. As a result of the revised attitude of the Guinean Government, the level of Communist influence and activities has remained practically unchanged since early 1962, whereas the West regained ground.

79. Foreign aid in 1963 amounted to about \$40 million, representing more than 80% of total Guinean earnings from exports. Half of this came from the United States, one-quarter from the Federal Republic of Germany and the remaining quarter from Communist sources. The announced renewal of French aid, the hope for increased United States assistance, the receipt of sustained aid from the Federal Republic and some additional aid promised by Yugoslavia came at a time when economic negotiations with the Communist countries were hardening as a result of Guinea's insistence on a more rapid implementation of Soviet aid and the latter's pressure for payment of Guinea's deficit on trade account. However, despite some efforts by the Guinean Government, prospects for a vast increase of Western aid or private investments remain unattractive, and various proposed projects have encountered difficulties. In view of the natural wealth with which Guinea is endowed (deposits of bauxite in Northern Guinea have been estimated at one-third of the world's supply) long-term prospects remain favourable and technical assistance may possibly play an important rôle in foreign aid.

80. In recent years, total Guinean exports have been declining, and in 1963 they will probably remain below the \$50 million level of 1962. More than half these exports consisted of processed bauxite, produced by the United States and

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European Mining and Alumina Refining Consortium at Fria. During 1963 a number of steps were taken which may lead to an improvement in Guinea's economic prospects. Guinea joined the International Monetary Fund, and the International Bank for Reconstruction and Development. A new seven-year plan for the period 1964/70 was in preparation by the end of the year, and the Guinean franc, which had suffered from inflation after its departure from the franc zone, was in the process of being stabilised.

### Communist economic activities

#### (a) Recapitulative totals

#### Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	73.1	45.6	27.5
European satellites	25.2	14.8	10.4
Communist China	26.5	5.5	21.0
TOTAL	124.8	65.9	58.9

#### Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country:	880
of which: USSR	425
European satellites	320
Communist Chinese	105
North Vietnamese	30

Number of nationals currently trained in Communist countries: 410

#### Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	3.9	5.3	2.5	5.2	8.5	13.2
European satellites	8.7	9.1	9.3	16.0	16.7	10.1
Communist China	-	2.1	0.6	0.6	4.6	0.5
TOTAL	12.6	15.4	12.4	22.0 <sup>(1)</sup>	29.8	23.8
as % of total trade	23	22	27	35	43	41

(1) Including \$0.2 million imports from North Vietnam

(b) Recent developments

81. Construction continued on Communist projects under earlier credits (a hangar repair centre, a complex of prefabricated buildings, a factory for producing concrete blocks, a large saw-mill), a match and cigarette factory and a polytechnic institute). Before the end of 1962, contracts were signed for a cement factory and for jet kerosene storage and fuelling facilities at Conakry airport. The USSR also completed the two 50 kW radio stations near Conakry in September 1962. The Guinean/Polish Fishing Company, which is the only productive enterprise to be put into operation, has drawn increasing dissatisfaction regarding equipment and technicians.

82. The enormous operating cost of the Czech and Soviet-supported Air Guinean is beginning to outweigh the prestige value. In order to meet Guinean complaints on various aspects of the bloc aid programme - the rate of implementation, the irregularity of deliveries, the high costs of certain operations and the shortcomings of the materials and technical advice - the USSR despatched a high-level delegation to Conakry during the second half of June 1963, and both countries agreed to the creation of an organization to consolidate work on projects under construction.

83. In the event of lagging Soviet aid programmes and of Western reluctance to become involved for any greatly increased support, Communist China might find an opportunity to use increased economic aid as a means of enhancing her prestige in West Africa. Since 1963, work on the Chinese match and cigarette factory has gone ahead briskly, and in June 1963 President Sekou Touré stated that China had transferred £1 million "to enable Guinea to make purchases in any country". At least part of this transfer will be used for purchases of equipment needed for Chinese-supported aid projects.

84. Despite rumours to the contrary, there has so far been no massive exit of Communist technicians from Guinea. The number of Communist civilian personnel in the country by mid-1963 was still about 1,020, only slightly below the mid-1962 figure (1,080) and slightly more than the reported figure for end-1962 (940). This figure decreased to about 880 by the end of 1963. Half the 200 Communist teachers are due to be replaced by French, and many Communist technicians should depart when the construction projects on which they are working are completed. The number of Communist technical personnel involved in Guinean aviation and fishing may be expected to shrink. The 300 or so technicians acting as advisers and planners may fluctuate, depending on Western efforts in this sector, while the establishment of a Soviet construction organization may bring a new influx of Soviet technicians. About 45 Soviet military advisers were believed to be active in Guinea during the year.

85. During the 1962/63 school year, the number of Guinean students in the Soviet bloc decreased by about 200 from the previous year's total of about 650.

86. In 1962, Guinean trade with each of the European satellites and with Communist China was brought into balance at levels well below those achieved in 1961. Similarly, during the first half of 1963 the USSR sharply reduced her exports to Guinea, reflecting a growing concern over the payments problem. Guinea's trade with Communist countries in 1962 amounted to 34% of her total trade, as compared with 33% in 1961. The slight overall increase resulted from the Soviet willingness to allow Guinea to run up a trade deficit of more than \$10 million for the year. Guinea's commercial debt to Communist countries has now risen to over \$40 million, and payments to these countries are becoming an increasing burden on the economy, as Guinea is compelled to commit a significant portion of her chief hard currency resource - alumina - to the payment of the debt on Communist credits.

87. During the first half of 1963, Guinea signed new protocols to her basic trade and payments agreements with the USSR, Bulgaria, East Germany, Hungary, Poland and Communist China. Talks with Czechoslovakia reportedly broke off without agreement on a protocol.

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MALI

(Population: 4.4. million)

Economic situation

88. Information on Mali's economic development during 1963 is scarce, as recent statistics are lacking. Within the framework of the five-year development plan which is to be completed by 1966, Mali is concentrating on improving agriculture in order to redress her trade balance. In 1961, the trade deficit amounted to some \$21.5 million, and the trade balance situation worsened during 1962 to reach a deficit of some \$35.7 million.

89. Out of the available statistics for 1962, it appears that Mali after leaving the franc zone has been shifting her trade towards the Communist countries. Up to the end of 1962, trade was exclusively directed towards the West, the franc zone and Ghana.

90. After the dissolution in 1960 of the Federation of Mali, relations with Senegal deteriorated, and the bulk of Mali's exports were shipped through the Ivory Coast and the Port of Abijan. Recently, however, relations with her neighbour have improved, and the railway to Dakar is once more being used for outward shipments, but Mali has little except peanuts to offer in the way of exports.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	55.5	24.5	31.0
European satellites	22.6	4.5	18.1
Communist China	19.6	0.3	19.3
<b>TOTAL</b>	<b>97.7</b>	<b>29.3</b>	<b>68.4</b>

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 415

Number of nationals trained in Communist countries: 780

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Trade:

(million US \$)

	Imports			Exports		
	1960	1961	1962	1960	1961	1962
USSR	(1)	5.4	9.4	-	1.4	1.4
European satellites	0.1	1.1	2.2	-	1.9	2.5
Communist China	6.4	3.4	0.8	-	-	(1)
TOTAL	6.5	9.9	12.3	(1)	3.3	3.9
as % of total trade	n.a.	n.a.	38	n.a.	n.a.	27

(1) Less than \$50,000

(b) Recent developments

91. Soviet influence in Mali continued to remain strong, but the increasing financial difficulties which face the country have tended to strain her relations with the Communist countries. Economic and commercial delegations from Mali's principal Communist countries' creditors - the USSR, Czechoslovakia and Hungary - visited Mali during the first half of 1963 and discussed the problem of debt payments. Although for political reasons the Communist countries applauded Mali's creation of her own franc on 1st July, 1962, this measure did little to ease Mali's financial difficulties, and delegations from Communist countries have sought payments, or at least further assurances of payments. At economic talks held in Bamako in April 1963, the Soviet Delegation may have agreed to some easing of payment terms. The poor prospects for repayment, however, may have an inhibiting effect on future aid commitments. No new bloc credits have been extended by Communist countries to Mali since the middle of 1962. The Malians, on their side, have aired their criticisms of bloc aid programmes, and particularly of the demand that Mali should put up 25% of project costs.

92. The State farm supported by Bulgarians has proved disappointing; presumably because of soil deficiency, the farm has produced a very poor yield. The Communist-supplied Air Mali continued to experience chronic financial difficulties, although the Communist countries retain their dominant position in air transport. No progress was made on the Bamako/Kankan railway, probably as a result of difficulties in reconciling Malian and Guinean railway gauges. Soviet studies for the improvement of navigation on the Niger River were reportedly completed. Lack of spare parts for Hungarian buses resulted in numerous breakdowns. Construction of the Soviet sports stadium near Bamako was proceeding, and utilisation of the Czech credit of \$10 million has been largely confined to a cotton textile combine in Segou.

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93. Although Soviet geological and mineral explorations begun in 1961 have apparently revealed little exploitable mineral wealth, Mali has been insisting on their intensification.

94. There have been no deliveries of military equipment since 1963, but some Soviet military technicians are still in Mali, while some Malians were receiving training in the USSR.

95. On 5th January, 1963, Mali signed a technical assistance agreement with the USSR, providing for Soviet assistance in the establishment of three schools to train agricultural specialists, nurses and midwives and senior government officials. The USSR has also staffed an apprentice-training centre which it constructed in Bamako, and has provided some teachers for the Malian secondary school system.

96. By mid-1963, there were about 445 Communist civilian technicians in Mali, of which 285 came from the USSR, 120 from the European satellites, 25 from Communist China, 10 from North Korea and 5 from North Vietnam. About 500 academic and technical students were studying in the Sino-Soviet countries. The government-controlled information media did not publicise events unfavourable to the bloc, and completely ignored the maltreatment of African students in Sofia and the Moscow demonstrations. It appeared, however, that most French-speaking Malians in Bamako were aware of these incidents.

97. Malian trade with Communist countries increased slightly during the first six months of 1963, as the level of imports rose somewhat over that prevailing during the first half of 1962. The largest portion of Mali's peanut crop - her only important export - had been purchased by bloc countries in 1961 and 1962, as Communist China entered the market for the first time in September 1962. Czechoslovakia and Poland reportedly agreed to pay Mali in convertible currency for 30% of their purchases of Malian peanuts. The USSR, who had been approached with a similar request, refused to do so. The Malians have undertaken to increase the share of the peanut crop going to France in 1963.

MOROCCO

(Population: 12.4 million)

98. 1963 was a more favourable year for Moroccan agriculture, whose improved production largely accounted for the satisfactory development of the country's foreign trade. Exports increased by about 12% during the first three quarters of 1963 over the same period of 1962, while imports remained at the same level. The increase in exports was mainly due to sales of citrus fruit, olive oil and barley, while sales of other cereals, vegetables and wine increased moderately. The trade improvement was especially noticeable in the exchanges with the franc zone. Since the Common Market has been currently absorbing some 58% of all Moroccan exports, the country was by the end of the year working to reach an agreement in order to guarantee her European market.

99. The main efforts for future development are directed towards the improvement of the irrigation dams and network. In May, 1963, the first Moroccan sugar beet refinery started production, but owing to disastrous floods in that particular region the results remained far below expectation. Nevertheless, an additional sugar mill is foreseen for construction in 1964. The expansion of cotton cultivation is also envisaged. In Autumn 1963 the government started to nationalise some 5,000 acres of farmland held by French settlers; the programme is to be spread over a period of three years.

100. Industrial production, which accounted for about 30% of total Moroccan exports in 1963, presented a less encouraging picture. Nevertheless, Morocco maintained her position as the world's largest exporter of phosphate rock, production of which was well over 8 million tons in 1963, the highest figure ever reached. Iron and zinc ore output rose slightly. The declining world prices and the costly nature of exploitation resulted in near crisis conditions for the manganese, lead and iron ore industries. A decline in the output of manganese, lead and cobalt was registered. As a result, employment in the mining industry declined by nearly 10%. Output of crude oil during 1963 rose to 150,000 tons, as compared with 127,000 in 1962, but the outlook for petroleum still remains optimistic.

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Communist economic activities

(a) Reparative totals

Economic aid 1954/63

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
	USSR	-	-
European satellites	17.2	5.1	12.1
Communist China	-	-	-
TOTAL	17.2	5.1	12.1

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 25

Number of nationals trained in Communist countries: 215

Trade

(million US \$)

	Exports			Imports			
	1960	1961	1962	1960	1961	1962	
USSR	3.5	4.7	4.7	6.5	4.1	5.2	
European satellites	5.8	9.3	14.8	9.2	14.2	14.4	
Communist China	6.6	3.7	4.2	7.1	8.6	8.9	
TOTAL	16.0(a)	17.6	23.7	22.7	26.9	28.5	
as % of total trade	4	5	7	6	7	8	

(a) Including \$0.14 million Moroccan exports to North Vietnam.

101. Since the latter part of 1962, the climate became gradually less favourable for Communist efforts, as Morocco's relations with the West improved. The last offer of new credits to be accepted by Morocco came in October 1962 from Poland, who extended a \$12 million loan at 3% for eight years, repayable 20% in cash and 80% in Moroccan exports. So far, Morocco has accepted economic aid only from the European satellite countries, while a long-standing Soviet offer - based on a study undertaken by Soviet technicians in early 1962 on the feasibility and location of a shipyard to be built in Tangiers - has apparently been shelved by the Moroccans for the time being. Poland is

building a sugar beet refinery under her \$4.8 million credit extended at the beginning of 1962, and Czechoslovakia has been delivering copper mining machinery for her project under a loan of \$380,000 extended in 1961. The recent Polish credit of \$12 million had not been utilised by end-1963. Although it was intended to provide for the import of capital goods and equipment, so far no suitable projects have been agreed upon.

102. In total, some 25 to 35 European satellite civilian technicians have been working on the projects under implementation; the 25 Soviet civilian technicians who were in the country before the end of 1962 had all left by mid-1963.

103. The USSR has continued to provide some military aid to Morocco. Soviet military technicians were present at Meknes in connection with the MiG aircraft delivered, for which additional spare parts were received in early 1963. In addition, during the first half of 1963, the Soviets shipped some 100 mm anti-aircraft guns. Soviet military technicians are also working on mine-clearing operations.

104. During 1963, some 10 to 15 Moroccan students were receiving technical training in Poland, and nearly 200 were following academic courses, half of them in the USSR and half in the European satellite countries.

105. In 1962, Moroccan trade with the Communist countries increased both on the import and on the export side. This increase, which became more apparent during the second half of the year, combined with an overall decline in Morocco's world trade, increased the total share of trade with Communist countries to over 7%. Among the Communist trading partners, China remained the primary supplier (green tea), while Poland and Czechoslovakia were the main Moroccan export markets. The Moroccan trade agreement with Communist China which lapsed in September 1962, was renewed in April 1963, Morocco being able to obtain the setting of a better trade balance target than the one included in the previous agreement.

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SOMALI REPUBLIC

(Population : 2.0 million)

Economic situation

106. The majority of the Somali population consists of nomads. Three-quarters derive a living from livestock breeding (mainly goats) and only 15% from agriculture. The most important export commodities are bananas, which account for 46% of total exports, live animals 23%, hides and skins 10%, timber and charcoal 6.3%, fish and fish preparations 2.4%. The lack of a transport system is still a main obstacle to economic development. The cost of banana production is, as yet, not competitive, and the largest exports of this commodity have generally been directed to Italy, within the framework of a special agreement. Measures have been taken to increase the production of grain, vegetables, sugar and tobacco, which represent roughly one-fifth of imports, with the aim of covering the country's needs.

107. Ever since she reached independence in 1960, the Somali Republic has been faced with considerable economic problems, and her economic viability still remains an open question. In March 1963, she broke off diplomatic relations with the United Kingdom, who had previously provided budgetary support. As tension with both her neighbours (Ethiopia and Kenya) increased, Somali started a military build-up which imposed an additional and severe strain on her already weak economy.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	57.2	11.7	45.5
European satellites	5.6	2.2	3.4
Communist China	21.6	0.4	21.2
TOTAL	84.4	14.3	70.1

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 345

Number of nationals trained in Communist countries: 425

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Trade with Communist countries negligible up to the end of 1962.

(b) Recent developments

108. Somali has received close attention from the Communist countries, as they moved steadily forward with project aid, trade promotion, scholarships for Somalis, technical assistance and, more recently, military assistance.

109. The Somali Government confirmed on 31st October, 1963, its decision to accept "in principle" the Soviet offer of an arms agreement providing \$42 million worth of equipment. On 3rd September, 1963 the Somali Prime Minister announced that Communist China had offered a loan equivalent to about \$20 million and a grant for budgetary support of about \$3 million, which could cover the deficit created by the loss of British aid following the Anglo-Somali diplomatic rupture in March 1963.

110. The sale of Soviet goods imported under the commodity credit agreement had generated by mid-1963 \$1.4 million to cover local costs of eight bloc projects for which the Somali Government is committed to furnish supporting facilities. Work was begun on project agreements signed with the USSR for a secondary school, a printing works, a 50 kW radio station, a milk-processing factory at Mogadishu, a meat-packing factory, a fish cannery, a 50-bed tuberculosis hospital, state grain farms, state oil seed and cotton farms and the enlargement of the port of Berbera. As a result, the number of Soviet technicians in the country rose by end-1963 to about 330, not including some 15 European satellite nationals currently there. Drawings on the total extended economic aid credits of \$84.4 million increased to over \$14 million by the end of 1963.

111. Western efforts to contain bloc initiatives have been complicated by Communist Chinese competition. Somali and Communist China signed a cultural agreement in January 1963, and a trade and payments agreement by mid-May 1963. Subsequently, the Chinese sent a delegation of economic, cultural and military experts to Mogadishu to discuss possible Chinese assistance, including direct budgetary support.

112. Somali's receptivity to Communist initiatives resulted by the end of October 1963 in a note sent by the Somali Government to the Italian, West German and American Ambassadors in Mogadishu in which it was stated that the tripartite offer of \$14 million Western military aid was technically inadequate for Somali needs, and politically unacceptable because it contained the condition of Somali refusal of Communist arms. The amount of Soviet military aid credits, originally reported as \$28 million, had in the meantime risen to \$42 million. It is not impossible that the USSR's move was in part motivated by the desire to prevent Communist China from extending her influence in the country.

113. The success of Communist countries in expanding their scholarship programme further was another proof of the priority consideration given to Somali by the Communists. The mid-1963 estimate reported that about 385 Somalis were studying in the bloc, of which 265 were in the USSR, as compared with about 665 in the West. Further development of this programme was to be expected, despite the racial incidents in Bulgaria and reports of dissatisfaction from Somali students elsewhere in Communist countries. By the end of the year (1963), the number of academic students trained in the Soviet Union reached 300. In addition to this figure, 105 Somali students and technicians went to European satellite countries and another 20 to Communist China.

114. A state trading agency was founded in late 1962 to facilitate trade with Communist countries. Orders were placed in early 1963 with the Soviet Union and Czechoslovakia for tractors and bulldozers at an estimated cost of more than \$2 million. In the private sector, a wide range of consumer goods from the Soviet Union, Czechoslovakia and other Communist countries began to find markets, and in the northern part of the country (ex-British Somaliland) the USSR became the primary supplier of construction materials. Deliveries of tractors led the government to concern itself with the problem of repaying Communist credits and loans. As the amounts due to Communist countries increase, the Somali Government may be forced to ask for a rescheduling of repayments, since Somali has little to offer in the way of exports.

SUDAN

(Population : 12.8 million)

Economic situation

115. In 1963, Sudan enjoyed another bumper cotton crop, following the excellent results of the previous year. 95% of the 1963 crop has already been sold, the USSR being the biggest buyer, paying cash, followed by the United Kingdom and India. In 1962, Sudanese exports reached a total of \$226.7 million, of which 55% consisted of cotton, the other main export commodities being gum arabic, of which Sudanese production represents 85% of the world total, livestock, hides and skins and peanuts. In 1963, exports will probably be of the same order, although a slight decline in world market prices for cotton might affect the total value of exports.

116. Imports in 1962 amounted to \$256.6 million, and during 1963 the same level will be kept, with the United Kingdom as the most important supplier in both years. The estimated trade deficit for 1963 of about \$30 million will not seriously affect Sudan's overall credit position with foreign exchange reserves which had reached about \$145 million by the end of 1962.

117. The Sudanese economy thus remains able to cover her essential consumer needs by her export earnings, while the national budget retains at its disposal a surplus to finance a large part of the ten-year economic development plan. This plan aims at a 63% increase of GNP during the decade 1961/70; this target is to be reached inter alia by a diversification of farm production. Aid has already been pledged by the IBRD, the United Kingdom, the United States, the Federal Republic of Germany, the USSR, Yugoslavia, the United Nations agencies and, recently, Kuwait. Progress on the most important project under the development plan, the Roseires dam, continued satisfactorily. This project is to cost over \$90 million and, when completed, will allow the irrigation of an additional 1 million acres before 1970. Benefiting from her political stability, Sudan is probably one of the African countries with the best prospects of development.

Communist economic activities(a) Recapitulative totalsEconomic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	23.0	2.9	20.1
European satellites	-	-	-
Communist China	-	-	-
TOTAL	23.0	2.9	20.1

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 90  
of which: USSR 80  
European satellites 10

Number of nationals trained in Communist countries: 435.

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	5.8	9.8	10.3	6.5	8.9	8.4
European satellites	8.4	7.3	11.4	7.9	11.0	14.6
Communist China	9.4	4.0	8.8	2.2	4.7	3.8
TOTAL	23.6	21.2	31.2	16.7	24.5	26.8
as % of total trade	13	12	14	9	10	11

(b) Recent developments

118. Engineering and feasibility studies under the 1961 Soviet Aid Agreement continued throughout 1962. Contracts so far signed call for the construction of two grain silos, two fruit and vegetable canning factories, an onion-dehydrating factory, a milk-processing factory, an agricultural laboratory and an experimental cotton station. Although details are lacking, work on these projects apparently started during the first half of 1963 with about 50 Soviet technicians working on them. These projects do not exhaust the \$22 million available under the 1961 agreement, and up to mid-1963 no additional contracts had been signed. The Sudan started a new ten-year economic development plan during the second half of 1962, and if assistance is not forthcoming from the West, the Sudanese might seek it from the Communist countries.

119. Approximately 435 Sudanese were studying in academic institutions in the Sino-Soviet countries, of which 190 in the USSR, 240 in Eastern European countries and 5 in Communist China.

120. Sudan ratified her first trade agreement with Communist China in August 1962 and her first trade agreement with Albania towards the end of the year. In February 1963, Sudan entered into a trade agreement with Poland, and in May 1963 with Hungary. Her trade agreement with the USSR has been renewed. A civil aviation agreement with Czechoslovakia was initialled, but had not been ratified by mid-1963. The agreement provides rights between Prague and Khartoum, but the Sudanese had indicated that no onward rights were to be granted.

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121. In 1962, the USSR was Sudan's main Communist trading partner, followed by China. Cotton was the main export to the bloc, while imports consisted mainly of cement, agricultural machinery and wheat. Sudan's trade with the Communist countries during 1962 expanded more rapidly than with the rest of the world, especially during the second half of the year.

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TUNISIA

(Population : 4.4 million)

Economic situation

122. During 1963, the Tunisian economy continued to expand slowly but steadily. About two-fifths of the national income is derived from agriculture, and uncertainty of rainfall caused crop yields to vary from year to year; for instance, the December rains have considerably brightened the agricultural outlook for 1964.

123. A new emphasis in the economic development plan was announced during the year, favouring direct productive investments, while previously efforts had been concentrated on social investments. The unemployment situation remains a serious problem.

124. Exports during the first three-quarters of 1963 increased by nearly 10%, while imports were kept at practically the same level as in the same period of the previous year. The main export commodity - phosphates - continued to find ready markets, but the iron and lead ores suffered from the declining world prices.

125. The cost of living had increased by about 2% by September 1963, as compared with the end of 1962. The solution of the problem of the French Base at Bizerta strengthened Bourguiba's position, and reinforced political stability, which remains the essential condition for economic growth, allowing for the indispensable continuation of outside assistance.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	27.8	1.0	26.8
European satellites	19.5	2.3	17.2
Communist China	-	-	-
TOTAL	47.3	3.3	44.0

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Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 235

Number of nationals trained in Communist countries: 55.

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	1.6	2.5	2.3	2.9	2.7	2.2
European satellites	2.3	4.7	3.7	3.0	6.1	3.9
Communist China	-	0.5	0.2	0.9	1.3	0.6
TOTAL	3.9	7.7	6.2	6.7	10.1	6.7
as % of total trade	3	7	5	4	5	3

(b) Recent developments

126. Under the Polish line of credit of November 1960, a hardware factory and textile mill were completed during the second half of 1963, and Poland agreed to undertake the study and financing of a "co-operative house" in Tunis under the 1960 credit. The project would provide facilities for a national co-operative school and headquarters for the national co-operative federations, to be set up under the three-year economic development plan. In February 1963, a protocol was initialled for the study and construction by Bulgaria of a sports city near Tunis, Bulgaria extending a credit of \$1.5 million, repayable over five years at 3% interest, and representing 25% of the total construction costs. Repayment will be in Tunisian goods within the framework of the 1961 trade agreement, which was renewed for 1963.

127. At the end of 1963, 235 Soviet civilian technicians, including about 100 medical personnel, were currently working in Tunisia. Only about 55 students and trainees were in the Soviet countries during the first half of 1963, half of this total in the USSR and the other half in European satellite countries.

128. An air agreement was signed with Czechoslovakia on 1st February, 1963, for an air service Moscow-Warsaw-Prague-Tunis by the Czech airline, in return for a Tunisian air service to Prague. Negotiations with Bulgaria and the USSR over air rights had been conducted, but no agreement had been reached by mid-1963.

129. Tunisian trade with the Communist countries during 1962 declined both on the import and on the export side. The share of the trade with Communist countries in total Tunisian trade turnover, amounting to 6% in 1961, declined to about 4% in 1962.

OTHER AFRICAN COUNTRIES

A. GENERAL

130. Instability may well be increasing in Africa in general, resulting from growing tensions in colonial areas, disillusion and rising opposition to Governments in recently independent nations. Internal security problems and international disputes, as arose between Algeria and Morocco, Somali, Ethiopia and Kenya, may provide openings for Soviet military aid offers. Dissatisfaction with the rate of economic and social progress reached by pro-Western régimes in the face of over-optimistic hopes and over-ambitious plans may in varying degrees undermine the position of these régimes and offer opportunities for further Communist economic aid and trade penetration.

131. Having had relatively little success in West Africa, Communist China has begun to concentrate on the east coast, where Chinese residents are more numerous and traditional trade links better established, while the Soviet presence is only starting to be felt.

B. WEST AFRICA

SENEGAL

(Population 3.3 million)

Economic situation

132. The country is largely dependent on its foreign trade, in which peanuts constitute the main export commodity. The long-term outlook for peanut export prices seems, however, rather unfavourable, and diversification of exports may be required. A four-year economic development plan is underway, providing for an 8% annual increase of GNP. France is providing the bulk of the assistance needed to reach this goal.

133. GATT, in a recent study on trade in tropical products, concluded that for Senegal any increase in industrial production depended on the possibility of finding outlets for such products, mainly in the neighbouring countries, and on the further education and increase in the number of Senegalese technicians.

Communist economic activities

(a) Recapitulative information

134. No economic development aid has so far been extended by the Communist countries to Senegal, although she apparently made approaches in 1962 virtually inviting aid offers. No technicians

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from Communist countries were reported in Senegal during 1963, but about thirty Senegalese students were undergoing training in the USSR and ten in Czechoslovakia. During 1962, Senegal imported a total value of \$5.3 million mainly from Communist China (\$5.2 million) and the rest from European satellite countries. Senegalese exports to Communist countries were negligible.

(b) Recent developments

135. In June 1962 Senegal concluded a general economic and technical assistance agreement with the USSR, and a year later, at the invitation of the Soviet Union, a Senegalese Delegation signed in Moscow an agreement for Soviet participation in an agricultural development project the total cost of which has been estimated at about \$16 million. Whether the Soviet participation in this project will be limited to technical assistance or involve financial aid is so far not clear. This will be the first Soviet-aided project in the country.

136. The trade agreement concluded in 1962 mentions deliveries of industrial installations in vague terms, and credits might possibly be forthcoming. A Soviet technical mission spent three months during the first half of 1963 reportedly to become acquainted with Senegal's needs in roads, telecommunications and agriculture.

CAMEROON

(Population: 4.6 million)

Economic situation

137. Livestock breeding provides some 80% of the total production of Cameroon. The main export commodities are cacao (about 26% of total exports), coffee (21%) and aluminium (20%), produced by the aluminium smelter at Edea. Timber and bananas are of minor importance. In 1963, about 83% of exports went to the countries of the European Economic Community, mainly France, who assists the economic development efforts of Cameroon.

Communist economic activities

(a) Recapitulative information

138. No economic aid had been extended by the Sino-Soviet countries by the end of 1963, although by end-1963 some 330 Cameroon students had accepted and were following training courses, mainly in the USSR (250) and Communist China (50), though also in some European satellite countries, i.e. East Germany (15), Bulgaria (10) and Roumania (5). Trade with the European satellites increased during 1962, although it represented only a negligible fraction of total trade. Cameroon imported the

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equivalent of \$1.3 million from, and exported \$0.7 million to Communist countries, of which trade with the Soviet Union and Communist China accounted only for a very small fraction.

(b) Recent developments

139. Cameroon signed a commercial agreement with Roumania during the second half of 1962, and in March and April 1963 signed a series of agreements with the USSR, Bulgaria and Poland. The USSR subsequently announced that she had agreed to assist Cameroon in design and survey activities, and to supply equipment and materials for her economic development. The Bulgarian Deputy Minister of Foreign Affairs announced during the first half of 1963 that the Cameroon Government had requested the installation of an agricultural training centre, and that Bulgaria was ready to send the specialists required. In April 1963, the Cameroon Government submitted to the USSR a list of projects which she wished to undertake, but no decision has so far been taken. The trade agreement concluded with the USSR, although not mentioning the extension of credits, provides in rather vague terms for some industrial installations.

DAHOMEY

(Population: 2.3 million)

Economic situation

140. Dahomey is one of the smallest African states, and the smallness of its internal market makes its industrial development dependent on the possibility of exporting its products to its immediate neighbours (Togo, Upper Volta and Niger). A four-year economic development plan was started in 1962, aiming at improving agricultural production, which is the mainstay of the economy, establishing new industries based on local raw materials and the balancing of the state budget. Special efforts are to be made to improve transport and communications, which are still hampering development.

141. During the first three-quarters of 1963, the balance of trade deteriorated further, with imports increasing by more than 30% while exports, half of which consist of palm kernels and palm oil, rose by only 8% over the same period of 1962.

142. Budget assistance has been provided by France, amounting to nearly 20% of internal revenue, on the condition that the Government takes the necessary steps to remedy the situation.

Communist economic activities

(a) Recapitulative information

143. Up to the announcement of the arrival of a few Bulgarian

experts, no economic or technical assistance had been provided by the Soviet countries. Dahomey had no trade relations with the Sino-Soviet countries up to 1963.

(b) Recent developments

144. Dahomey signed various economic, technical assistance and cultural agreements with the USSR, Bulgaria and Czechoslovakia during the first half of 1963. The first indication that technicians from Communist countries may be working in Dahomey was announced by Bulgaria, although so far no specific projects have been agreed upon. At the end of 1963, 25 academic students from Dahomey were reportedly studying in the Soviet Union.

NIGER

(Population: 3.0 million)

Economic situation

145. Apart from foodstuffs for home consumption (millet and sorghum) the main agricultural resource of Niger is groundnuts, which accounted for more than half its total exports in 1962. The share of this commodity in Niger's foreign trade has been declining in recent years, as the Government attempted to diversify agricultural production and encourage cotton and tobacco plantations. Exports of livestock, hides and skins have also been stepped up. Industry is still almost non-existent.

146. Niger has been receiving foreign assistance from France (about 60%), the EC (30%) and the United States (10%). During the first half of 1963, total exports recovered after the 1962 decline, while the volume of imports was reduced as compared to the same period of 1962, but the trade balance still showed a small deficit following the serious gap between exports and imports in 1962.

Communist economic activities

147. Niger has been repeatedly approached by the Communist countries since the middle of 1962, and a number of agreements were concluded of a commercial, technical and cultural nature with Poland, Czechoslovakia and the USSR, but the President of Niger remained suspicious of Communist intentions. There has been some resistance by officials and students to the acceptance of Soviet scholarships, although by end-1963 about 70 academic students had started to follow training programmes in the USSR (50), some in Poland (10) and in the Soviet Zone of Germany (10). It has been reported that some students are seeking their transfer to Western universities.

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NIGERIA

(Population: 37.2 million)

Economic situation

148. During 1963, Nigeria, who has the largest population of all African countries, and who enjoyed relative political stability in the middle of an area of considerable turmoil, made satisfactory progress in the implementation of her 1962/68 development plan. This plan calls for investments totalling \$5.3 billion over seven years, and anticipates an inflow of foreign capital amounting to \$915 million from official, and \$430 million from private sources. So far, foreign capital entered Nigeria at the rate expected by the plan.

149. Nigeria has already reached a stage of development which allows for a further diversification of agricultural production, and where the groundwork for the development of industries using local agricultural and other natural raw materials has been laid. During 1963, the main sectors where growth was most significant were: textiles, oil, cement, aluminium and rubber products. It is expected that the country's needs for textiles will be covered by her own industry within five years.

150. Discoveries of oil deposits off the Niger Delta and the completion by the end of 1954 of a refinery jointly owned by the Government and Shell and BP will make Nigeria self-supporting in petroleum products by that time. The plan envisages that by 1968 petroleum will have replaced cocoa as the main source of foreign currency. The construction of the first aluminium rolling mill started in August and two new tyre factories using local rubber entered into production.

151. Diversification of agricultural production made further progress in 1963. A sugar cane plantation and refinery to supply eventually over one-third of Nigeria's sugar requirements is being developed. Groundnuts and oil, cocoa and palm nuts and oil remained the main export commodities during the first half of 1963, amounting to 56% of total exports, followed by crude petroleum, rubber and cotton, accounting for another 21%. The main emphasis of the plan is on the further expansion of cocoa exports. Palm nuts and groundnuts are receiving much lower priority, and improvement in oil extraction methods are expected to increase considerably palm nut and groundnut oil exports. Cotton will also be developed as a foreign currency earner.

152. As a member of the Commonwealth, Nigeria benefits from preferential treatment by the United Kingdom, who provides the main outlet for Nigerian palm oil, groundnut oil and palm nuts. The United Kingdom also imports 25% of Nigerian cocoa and groundnuts, with the Common Market taking half Nigeria's groundnut exports and over one-third of cocoa and palm nut exports.

Communist economic activities

(a) Recapitulative information

No development assistance has so far been provided by the Communist countries. Trade relations have developed since 1960 as follows:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	5.5	(a)	0.1	-	-	0.1
European satellites	2.9	3.1	4.4	11.7	14.4	15.2
Communist China	1.2	3.8	(a)	5.0	6.4	4.1
<b>TOTAL</b>	<b>9.6</b>	<b>6.9</b>	<b>4.5</b>	<b>16.7</b>	<b>20.8</b>	<b>19.4</b>
As % of total trade	3	2	1	3	3	3

(a) Less than \$50,000

(b) Recent developments

153. Before the end of 1962, Czechoslovakia made two gifts to Nigeria, consisting of equipment for a children's hospital and the University of Nigeria. The first trade agreement between Nigeria and the USSR was signed in Moscow in June 1963. By the end of the same month, Nigeria had also signed her first trade agreement with Hungary. A Communist Chinese Delegation from Ghana visited Nigeria in May, and placed an order for cotton.

154. In March 1963 the Government announced that it had been able to find only eleven candidates for the 45 scholarships offered by the USSR, but at the end of the year about 370 Nigerian students were reportedly following courses in Communist academic institutions, of which there were 230 in the USSR, 10 in the Soviet Zone of Germany, 20 in Czechoslovakia and the rest in various other European satellite countries.

C. EAST AFRICA

155. The attempts to create a federation grouping Tanganyika, Uganda, Kenya and Zanzibar failed after prolonged negotiations, showing the impossibility at the present stage of reconciling the various views, mainly on political matters, but also on how to spread industrial development evenly over the different regions by the establishment of a single economic plan.

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156. Communist economic activities in this region increased as the East African countries became independent, but by the end of 1963 no aid programme had been set up by the Soviet countries. Within the narrower limits of her economic capabilities, Communist China may be expected to continue to concentrate her aid and trade efforts in this area. The Zanzibar episode during the early months of 1964 drew the attention of the free world to the potential dangers of Communist penetration in this region.

TANGANYIKA

(Population: 9.8 million)

Economic situation

157. Tanganyika provides about 40% of the world production of sisal and also exports cotton, coffee, tea and cocoa. The rest of her agricultural production, hampered by lack of water in the largest part of the country, is used for internal consumption. Tanganyika is well endowed with mineral resources, and the mining industry, which has been steadily growing in importance, produces mainly diamonds, gold and lead. Rich iron-ore deposits in proximity to coal provide further possibilities of exploitation if the transport problems can be solved. Foreign trade has so far been almost entirely directed towards Western Europe.

Communist economic activities

158. In October 1962, Tanganyika announced that she was ready in principle to sign a trade agreement with Hungary, and in December 1962 concluded a cultural agreement with Communist China. Trade agreements were also signed shortly thereafter with Poland and Czechoslovakia. Communist China purchased an increasing share of Tanganyika's cotton crop during the first half of 1963. By March 1963, it was reported that Poland had agreed to provide technicians for a sugar production survey. At the end of the year, 230 Tanganyikan students were following academic courses in Communist countries, of which there were 185 in the USSR, and the rest mainly in the Soviet Zone of Germany and Czechoslovakia.

UGANDA

(Population: 7.2 million)

Economic situation

159. Uganda had a bumper crop of coffee in 1963 (160,000 tons) for the second year in succession, exceeding by some 50,000 tons the exportable quota allocated by the International Coffee Agreement, resulting in a drop in prices paid to producers and stressing the urgency of some reorganization of the agricultural sector. Cotton production was more satisfactory and the

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1963/64 crop is expected to be well above the 1961/62 figure, when excess rain caused a serious setback in cotton output, without reaching the 1962/63 level, when the crop was twice as large as the previous one.

Communist economic activities

(a) Recapitulative information

In 1960 and 1961, Communist China has been buying a relatively large proportion of Uganda's cotton crop. Such purchases were, however, interrupted during 1962. Ugandan exports to the Sino-Soviet countries fluctuated as follows:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	-	-	-	-	-	-
European satellites	1.0	0.6	1.7	0.1	0.1	0.1
Communist China	5.1	9.4	-	(a)	-	-
<b>TOTAL</b>	<b>6.1</b>	<b>10.0</b>	<b>1.7</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
As % of total trade	4	8	2	negl.	negl.	negl.

(a) Less than \$50,000

(b) Recent developments

160. In May 1963, Communist China reportedly purchased one-ninth of Uganda's cotton production for the season, causing internal prices to rise. Bloc prospects for the extension of trade appear favourable as far as they concern the purchase of agricultural products, upon which East African countries depend for export earnings, and for which there is relatively less demand in the free world. Uganda received a Bulgarian trade mission, but no agreement was signed. At the end of 1963, 110 students from this country were reportedly following academic courses in Communist countries, 45 of them in the Soviet Union, 40 in the Soviet Zone of Germany and 25 in Czechoslovakia.

KENYA

(Population: 8.8 million)

161. Kenya has maintained minor trade relations with Communist China during recent years, mainly on the export side, while some imports of little overall importance from European

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satellite countries have been reported. Before the end of 1962, the Soviet bloc had established some standing in Kenya by extending financial aid to an influential fraction of the Kenya African National Union, which participated in the Kenyatta Government after independence. Of about 1,350 East African students currently studying in Communist countries, Kenya provided the largest group, 445, of which 135 were studying in the USSR, some 300 in various European satellite countries (Czechoslovakia, Bulgaria, East Germany, Hungary, Poland and Roumania). About a dozen Kenyans are studying in Communist China.

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ASIA

AFGHANISTAN

(Population: 15 million)

Economic situation

162. The closure of the Pakistani border since 1961 had practically cut the country off from her economic relations with the free world, as the USSR had become the main link through which foreign goods could reach this land-locked country. Trade with the free world during 1962 was therefore severely hampered as transport through North-Eastern Iran presents considerable difficulties. The immediate result of the border closure had been the loss of a large part of the Government's revenues, dependant for some 50% on customs duties. This loss led to budgetary deficits and, before the end of 1962, the IMF recommended a limitation of Government borrowing and the establishment of a unitary exchange rate of the Afghani in an effort to balance both the Government's budget and the country's external accounts. Domestic stocks of consumer goods remained, however, in good supply.

163. In March 1963, a new Government took office under the leadership of the former Minister for Mines and Industry, Mr. Yussuf, and in May diplomatic relations with Pakistan were restored. Negotiations with Communist China were initiated to delineate the narrow stretch of border separating the North-Eastern part of Afghanistan from Communist China. The reopening of the Afghan-Pakistani border, which accompanied the resumption of diplomatic relations, will help to strengthen Afghanistan's faltering economy and allow the resumption of deliveries of free world aid goods that had been piling up in Pakistan. The new Government, although continuing to maintain cordial relations with the USSR, has been trying to improve its standing with the West.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64.
USSR	493.5	249.2	244.3
European satellites	7.1	0.2	6.9
Communist China	-	0	0
<b>TOTAL</b>	<b>500.6</b>	<b>249.4</b>	<b>251.2</b>

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Technical assistance as of 31st December, 1964:

Communist civilian technicians in the country: 1,915

Number of nationals trained in Communist countries(1): 395

(1) Military trainees excluded.

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962 (a)	1960	1961	1962 (a)
USSR	16.8	19.7	25.3	32.0	39.4	39.4
European satellites	n.a.	n.a.	0.5	n.a.	n.a.	0.6
Communist China	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>TOTAL</b>	<b>16.8</b>	<b>19.7</b>	<b>25.8</b>	<b>32.0</b>	<b>39.4</b>	<b>40.0</b>
As % of total trade	33	37	36	38	40	39

(a) Data for 1962 are estimates.

(b) Recent developments

164. While no change in the Soviet military programme was observable during the first half of 1963, the new Government has reportedly been considering plans for lessening its dependence on the USSR for new items of military equipment and for training and advisory assistance. The Government has expressed its interest in obtaining Swedish arms and indicated that it would like to renew its Turkish training programme for military advisers, as well as to expand its army training programme with the United States. Various proposals for reduction of defence expenditures were also under consideration during the first half of 1963.

165. Some new project contracts were signed with the USSR, plans for agreed projects under the Afghan second five-year plan were completed and work on major Communist-aided projects under the first plan continued. Soviet officials had commented on the difficulty of obtaining local currency from the Afghan Government to cover the local costs of some of their projects and on the 9th March, 1963 the USSR extended \$5.5 million to generate local currency for such aid projects. It is not quite clear if this aid was extended in the form of a grant or a credit. At the end of 1962 it had been reported that the Communist countries had furnished about \$16 million worth of credits for consumer goods for the same purpose. Several Afghan/Soviet aid agreements were signed during the first half of 1963, most of them being related to purchases under the second five-year plan, which started in March 1962, and to which the USSR had previously committed herself.

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166. These contracts include the asphaltting of the road between Doshi and Sherkhan (formerly Qizilqala), expansion of work on the Bagram military airport and the establishment of four mechanised farms. Work on the major existing projects proceeded rapidly. The USSR assisted in the development of Afghanistan's important cotton crop by sending tractors, fertiliser and special wind-resistant cotton seed, developed in the USSR. The Communist countries' petroleum exploration programme in North Afghanistan led to the discovery of an important new gas field and new petroleum wells.

167. During the visit of the Soviet President Brezhnev, (12th to 17th October, 1963), an agreement was signed to exploit Afghanistan's extensive natural gas reserves, discovered by the Soviets. Gas production is scheduled for 1966, 25% to be utilised domestically in a 24,000 kW power station and a chemical fertiliser factory, and 75% (1.5 billion cu.m.), equivalent as a source of energy to 1.3 million metric tons of petroleum, to be exported to the USSR, thus providing a substantial Afghan export at a time when debt repayments to the USSR will become burdensome.

168. The fertiliser factory and the power station are to be financed under the existing Soviet economic assistance programme, while exports to the USSR may possibly involve the construction of a pipeline. It was also agreed that four hydro-electric research stations will be established along the Ab-e-Panja River, which forms the border between the USSR and North-East Afghanistan, to determine the hydro-electric and irrigation potential of this region. In addition, an agreement had been signed on 5th September, 1963, providing for Soviet co-operation in building an atomic research reactor in Afghanistan. Soviet specialists, fuel, machinery and equipment will be provided, and Afghan experts will be trained in Afghanistan through the International Atomic Energy Agency, which will also arrange to send a number of Afghan students to the USSR for training. It is not known whether the reactor will be financed through a grant or a credit.

169. The USSR is to continue exploration for coal, iron ore, gold and beryl. The capacity of the grain silo of the Soviet-built bakery at Kabul is to be expanded from 20 to 50 thousand tons, and additional factories for the production of biscuits and macaroni are planned. The factory to produce construction materials which ties in with the activity of the Soviet team drawing up plans for the rebuilding of the city of Kabul is being constructed, and further progress was reported on the Salang Pass tunnel, the Darunda and Naghlu hydro-electric projects along the Kabul River, and the Kushka to Kandahar highway. The Soviet-built air terminal at Kabul was officially opened in May 1963. The USSR has succeeded in advancing the date of opening of its polytechnic institute for 1,000 students in Kabul from 1967 to March 1965, but Afghan officials, concerned about Soviet penetration in the field of education, have stressed that they could provide neither the local currency costs nor the 1,000 qualified students. So far, the Minister of Education has rejected the Soviet request to establish five preparatory schools.

170. An air service between Prague and Kabul was inaugurated on 20th June, 1963 by Czech airlines. About 2,100 bloc technicians were at work in Afghanistan during the first half of 1963, of which more than 1,900 were economic advisers and technical personnel, and about 200 military advisers. About 400 academic students and some 220 military personnel were receiving training in the Soviet bloc countries (mainly in the USSR, but a few in Poland, Czechoslovakia and Communist China).

171. The most important trading partner of Afghanistan remains the USSR, which absorbed in 1962 over 37% of total Afghan foreign trade. It is still too early to evaluate the results of the reopening of the Pakistani border on trade with Western countries.

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BURMA

(Population: 23.7 million)

Economic situation

172. During the first half of 1963 the Burmese military Government took a number of steps towards a firm control of the economy; private banks were nationalised and measures were taken to place all import trade under a state organization. Similarly, all major export trade will be conducted by a state monopoly. Retail trade was also placed under Government control.

173. In October, the revolutionary council produced a report on the country's economic evolution in which it was claimed that agricultural production during the year October 1962/September 1963 had increased by 13% over the previous year. In the mining industry some progress was reported in the production of land, zinc and copper, while tin production fell. The manufacturing industries and handicraft were said to have increased their production by nearly 6%. The foreign trade balance was kept favourable by a steady reduction of imports, leaving a credit during the first nine months of 1962/63 of about \$31 million as compared with a credit of roughly \$47 million during 1961/62.

174. The last rice crop completed in early 1964 has been estimated at about 7.7 million metric tons as against 8.2 million tons in early 1963. The reduction was reportedly due to adverse weather conditions and floods. The smaller crop will not necessarily mean reduced export earnings in view of the carry-over from the previous season and the higher market prices.

175. The 1963/64 programme foresees a main effort in agricultural production (mechanisation, irrigation, fertilisers, extension of cultivated areas). Agricultural production is to increase by 18% over 1962/63. Manufacturing industries and handicrafts are to increase by 4½%, mainly in the state sector. Foreign credits during 1963/64 are expected to amount to some \$120 million.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	13.7	10.7	3.0
European satellites	1.5	1.5	0
Communist China	84.0	4.5	79.5
<b>TOTAL</b>	<b>99.2</b>	<b>16.7</b>	<b>82.5</b>

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Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 90  
 Number of nationals trained in Communist countries: 55

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	5.0	(a)	10.1	2.9	4.5	5.9
European satellites	2.0	4.1	4.3	7.8	4.6	5.5
Communist China	6.5	37.2	18.9	24.7	20.6	28.6
<b>TOTAL</b>	<b>13.4</b>	<b>41.3</b>	<b>33.3</b>	<b>35.4<sup>(b)</sup></b>	<b>29.7<sup>(b)</sup></b>	<b>39.9</b>
<b>As % of total trade</b>	<b>6</b>	<b>16</b>	<b>11</b>	<b>14</b>	<b>13</b>	<b>15</b>

(a) Less than \$50,000

(b) Including negligible amounts of imports from North Vietnam.

(b) Recent developments

176. During 1963, Burma continued to follow her policy of neutralism and of good relations with Communist China, a policy which was not visibly affected by the Sino-Indian dispute in 1962. Communist China continues to play a dominant rôle in bloc relations with Burma.

177. During the second part of 1962, the USSR extended a credit of \$3.8 million for the construction of an irrigation dam, repayable through deliveries of rice over twelve years, at 2.5% interest, and Czechoslovakia provided a loan of \$2.2 million, repayable over twelve years at 2.5% interest for the purchase of 1,000 farm tractors, lorries, ploughs and a tractor assembly factory. The Czech loan was supplemented in March 1963 with a USSR credit of \$2.6 million for the purchase of an additional 1,000 Soviet tractors. The Soviet credit includes spare parts, accessories and other agricultural implements. It also provides technical assistance in tractor assembly and maintenance, and training for Burmese technicians in the USSR.

178. The implementation of the Chinese \$84 million credit of January 1961 made some further progress. Projects under this scheme which have been or are the subject of preliminary surveys consist of three hydro-electric projects of about 500 kW each, two road bridges, a textile spinning and weaving mill, a paper mill, a motor vehicle tyre factory with an annual capacity of

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150,000 tyres, two sugar mills, two plywood factories and the expansion of the steel-rolling mills at Ywaha. A factory for the construction of diesel engines, a water-pump factory and a road project have been cancelled.

179. The first actual deliveries of materials under the Chinese loan arrived in April 1963, when a consignment of 3,500 young fruit trees was delivered by air. Work on the irrigation dam being built with Soviet assistance, for which an agreement was signed at the end of August 1962, is proceeding on schedule.

180. About 40 Chinese technicians were currently at work during 1963, consisting of various teams of experts surveying projects under the Chinese line of credit and a group of sugar experts. The USSR maintained 45 civilian technicians, geologists, planning experts and hydro-electric engineers in the country, and seven Rumanian petroleum technicians were also present in Burma during 1963. Twenty Burmese tractor technicians departed for the USSR in June 1963 for a three-month training course in the use of Soviet tractors and the operation of mechanised farms. They were later joined by another group of about 25 students under Soviet academic training programmes, while a few Burmese scholars went to Hungary and Czechoslovakia.

181. During the first half of 1963, the distribution of Communist trade with Burma showed a considerable change in relation to previous years. The Communist countries supplied about 19% of Burma's imports (as compared to 15% in 1962) and purchased about 9% of her exports (11% in 1962). The USSR overtook Communist China as the main bloc purchaser of Burmese goods (mainly rice), while Communist China remained Burma's largest supplier within the bloc. Under the barter trade agreement with China, Burma had accumulated mainly in the years 1958 to 1960 considerable import surpluses. This import surplus, which still amounted to about \$17 million in October 1962, had been reduced to \$1.5 million by the end of March 1963.

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CAMBODIA

(Population: 5.8 million)

Economic situation

182. Political considerations still largely overshadowed the financial and economic problems which the country was facing. Relations with Thailand remained far from satisfactory and notwithstanding the economic disadvantages the Government broke off relations with the Diem Government in South Vietnam. Cambodia renounced all American aid and recalled her Ambassador from the United States.

183. Cambodia's economy remained in 1963 on the whole healthier than most of her immediate neighbours' economies; the high cost of the implementation of the development plan, the growing budget deficits and the increase in the cost of living were, however, indicative of a growing economic tension. Prince Sihanouk has repeatedly stressed the effort of industrialisation undertaken by his country, with the main emphasis on improvement of transport and development of port facilities and hydro-electric energy. His Government has also announced its intention of nationalising trade and banking.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64.
USSR	21.4	9.3	12.1
European satellites	5.4	1.7	3.7
Communist China	49.4	39.4	14.5
<b>TOTAL</b>	<b>76.2</b>	<b>45.9</b>	<b>30.3</b>

Technical assistance as of 31st December, 1963

Communist civilian technicians in the country: 155

Number of nationals trained in communist countries: 95

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Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	3.1	0.9	1.0	2.1	1.7	2.3
European satellites	2.3	0.7	2.3	3.6	3.7	4.9
Communist China	1.3	0.7	3.5	8.1	6.1	8.3
<b>TOTAL (a)</b>	<b>7.0</b>	<b>3.5</b>	<b>7.1</b>	<b>14.4</b>	<b>12.3</b>	<b>17.4</b>
<b>As % of total trade</b>	<b>13</b>	<b>5</b>	<b>13</b>	<b>14</b>	<b>12</b>	<b>17</b>

(a) Including imports from North Vietnam: 1960: \$0.6 million  
1961: \$0.9 million  
1962: \$1.9 million

exports from North Vietnam: 1960: \$0.3 million  
1961: \$1.2 million  
1962: \$0.3 million

(b) Recent developments

184. Since mid-1962, Cambodia has displayed an increasingly benevolent attitude towards the Communist countries. She had established diplomatic relations with all the countries by January 1963 and economic and military aid agreements with the USSR were concluded in April. The USSR extended a credit of \$12.2 million to construct a dam with an electricity-generating capacity of 50 MW, construction of which is scheduled to begin in 1965. Details on the military agreement are not known, but the USSR is expected to provide 37 mm. anti-aircraft guns, four MiG.17 fighters, a number of military vehicles, and a radar set with associated equipment. This is the first time that Cambodia has accepted military aid from a source other than France or the United States, although she will probably continue to rely mainly on the West as a source of military assistance.

185. The Soviet technological institute financed through the Soviet commodity import programme is to be completed in early 1964, and has been designed to accommodate ultimately 1,000 students. 25 Soviet instructors are expected to arrive in Cambodia to teach at the institute for a period of two years. It is anticipated that during the opening year, the first classes may include a total of about 200 students.

186. The previously-completed projects under the Chinese programme in Cambodia (the plywood factory, the paper mill and the textile mill) are still operating below capacity. In particular, various attempts have been made to improve sales of

plywood, but the factory still remains rather an embarrassment to the Cambodian Government and, presumably, to the Chinese. The transmitting equipment of the Chinese-built radio station was still operating unsatisfactorily by mid-1963, in spite of the efforts of two Chinese technicians during their stay in Cambodia from September 1962 to April 1963.

187. Funds originally earmarked for the iron smelter project have now been switched to the construction of a second textile mill and a glass factory. Ten Chinese technicians arrived in August 1963 to start the implementation of the projected glass factory. Another \$4.56 million of the existing Chinese credit for the construction of a cement factory was also announced, and the factory is scheduled to begin operation in December 1963. A slaughter-house built with Chinese aid was officially opened in Battambang.

188. The Cambodians and the Chinese are also reported to be working out the details of two cotton-seed oil factories, to be constructed with Chinese aid. Further progress was also made on the other projects. Initial construction activities concerning the tyre factory, the tractor assembly factory, the sugar refinery and the small-scale munitions factory under the Czech line of credit were undertaken.

189. The number of civilian technicians from the Communist countries in Cambodia during the first half of 1963 rose to 125, including about 95 Chinese technicians, most of them working at the cement factory. The Soviet technicians were mainly employed at the technological institute, and at the Soviet-built "Friendship Hospital" at Phnom Penh. Some 95 Cambodians were currently studying in Communist countries, more than 60 of them in the USSR, 15 in Czechoslovakia and 5 in Communist China.

190. Cambodia's total trade with the Communist countries during 1962 increased to \$24 million, as compared with \$16 million in 1961. In this trade are included the programmes set up by the USSR and Communist China under which commodities imported by Cambodia are sold to create the local currency necessary to pay local costs of Soviet and Chinese aid projects in the country. It is estimated that the Soviet programme in 1962 generated about \$1 million in local currency, and that the major part of Cambodia's \$4.8 million import surplus from Communist China consisted of similar sales.

CEYLON

(Population: 10.6 million)

Economic situation

191. After three years of austerity policy, results so far obtained remain below expectations. Despite the official announcement claiming the establishment of some 400 new industrial enterprises during the last three and a half years and the planned 200 new development projects, unemployment continues to plague the country, and the national income failed to increase according to plan. Difficulties in transport and the November 1963 strikes at the port of Colombo, paralysing Ceylon's main link with the outside world, have contributed to the bleak outlook for the economy.

192. Despite a record tea crop of 490 million lbs., (a 5% increase over 1962), export earnings may remain at the same level as the previous year's because of a decline in prices. The output of rubber and coconut products remained practically unchanged as compared with 1962. At the end of 1963, the government nationalised oil distribution and the general insurance business. The United States suspended her aid programme until steps were taken to compensate the oil companies for seized assets.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	30.0	7.2	22.8
European satellites	10.4	3.4	7.0
Communist China	36.8	10.7	26.1
<b>TOTAL</b>	<b>77.2</b>	<b>21.3</b>	<b>55.9</b>

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 85

Number of nationals trained in Communist countries: 200

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CEYLON

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Economic aid 1954/63:

(million US \$)

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Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 85

Number of nationals trained in Communist countries: 200

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Trade:

(million US \$)

	Exports			Imports		
	1950	1961	1962	1950	1961	1962
USSR	8.2	9.5	7.8	1.5	2.0	7.2
European satellites	4.0	7.0	12.1	3.3	8.9	11.8
Communist China	25.3	17.4	28.0	27.8	7.3	8.6
<b>TOTAL</b>	<b>37.5</b>	<b>33.9</b>	<b>47.9</b>	<b>32.4</b>	<b>18.2</b>	<b>27.6</b>
As % of total trade	10	10	13	10	5	8

(b) Recent developments

193. The increase in Communist economic activity in Ceylon which started in early 1962 continued throughout 1963 favoured by the deterioration both of the economic situation and of the Government's relations with foreign companies. Before the end of 1962, three major agreements were prolonged for a further period of five years (1963-67): the aid agreements with the USSR and Communist China and the rubber, rice, trade and payments agreement with China. At the end of February 1963, Poland extended a credit of \$6.4 million repayable over eight years at 5% interest for the purchase of complete factories, machinery and equipment (including a hardware factory).

194. Despite the suspension of the United States aid programme in Ceylon on 7th February, 1963, Communist countries apparently concentrated their main efforts on improving their trade ties with Ceylon rather than attempting to replace the United States as a source of large-scale foreign aid.

195. Progress under the Communist economic assistance programmes continued at a slow pace. Most of the sixteen Soviet projects originally foreseen in the 1958 aid agreement have gradually been dropped. The programme suffered from poor planning and the impractical character of some of the projects, errors to be attributed rather to Ceylonese officials than to Soviet technicians. So far only the iron and steel works, and the tyre factory included in the programme have made some headway and on 13th August, 1963 an agreement was concluded by which the USSR would supply Ceylon, under the line of credit extended in February 1958, with equipment and technical assistance for a flour mill and a grain elevator near the Colombo harbour.

196. Under the guidance of Czech technicians, several small industrial projects included in the Czech \$2.7 billion assistance programme are nearing completion.

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197. At the end of 1963, about 35 Soviet technicians, 45 from the European satellite countries and 5 Chinese were working in Ceylon, the latter being reinforced by a group of ten technicians by the end of August 1963 to carry out studies on sand supplies and various problems connected with the construction of a glass factory.

198. The mutually-satisfactory and successful rubber/rice trade with China, the offers of Soviet petroleum products at prices considerably lower than those of Western oil companies, and the ability of the Communist countries to absorb increasing quantities of the expanding exportable surpluses of Ceylon's main commodities favoured the Government's current policy of expanding trade with these countries. In addition, a regular shipping service was inaugurated in the first half of 1963 between Ceylon and the USSR, and a North Korean trade mission was established in Colombo.

199. Ceylon's imports from the Communist countries during 1962 increased by more than 50% at a time when Ceylon's world imports fell slightly. The Soviet Union has been selling greatly increased quantities of petroleum products to the country; as a result, the share of the Sino-Soviet countries in the total imports of Ceylon rose from 5% in 1961 to 8% in 1962. The bloc increased simultaneously its share of Ceylon's world exports to nearly 13% in 1962, as compared with about 10% in 1961. More than half Ceylon's 1962 rubber exports went to the Communist countries, of which the major share was taken by Communist China, although Bulgaria and Czechoslovakia were also buying Ceylonese rubber. In addition, Bulgaria, Czechoslovakia and Roumania were added to the list of Communist countries buying Ceylon's coconut oil.

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INDIA

(Population: 4520 million)

Economic situation

200. According to the mid-term appraisal of the third plan, issued by the Planning Commission in November 1963, the growth of national income during the first two years of the third five-year plan has been estimated at only 2.5% per annum, compared with the rate of over 5% envisaged in the plan, and is barely above the rate of growth of the population, re-estimated in 1962 at 2.1% to 2.2%. During the year March 1962 to March 1963 total agricultural production declined 3.4% as compared with the previous year, and grain production dropped from 79.9 million tons in 1961/62 to 77.5 million in 1962/63. In 1962/63, raw cotton production hardly reached the level of 1960/61 (5.3 million bales) after a sharp fall in 1961/62 (4.5 million bales). Overall prospects for the current year are, however, brighter. The trends discernable in the industrial sector are more encouraging although the increases of 6½% in 1961/62 and 8% in 1962/63 remained well below the planned 11% annual increase.

201. There was a considerable net inflow of foreign capital, but by far the largest part of the aggregate new investments was financed through additional domestic saving. In the first two years of the plan, new employment created in the non-agricultural sectors was estimated at 3.2 million. However, the total available manpower increased more rapidly than the employment opportunities.

202. During the first two years of the plan, India's trade balance improved somewhat. With exports rising steadily and imports being kept below the 1960/61 level, deficits for 1961/62 and 1962/63 amounted to \$714 million and \$861 million respectively, as against roughly \$1 billion in 1960/61. The position in respect of invisibles worsened. The balance of payments position still continues to exert serious pressure on the country's exchange reserves, notwithstanding a rise in foreign assistance.

203. The increase in Government expenditures resulting mainly from a considerably enlarged military effort in the face of the Communist Chinese threat has been met by larger revenue receipts from taxation and increased receipts on capital account, rather than through a progressive increase in budgetary deficits.

Communist economic activities(a) Recapitulative totalsEconomic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	811.1	348.8	462.3
European satellites	221.2	35.5	185.7
Communist China	0	0	0
<b>TOTAL</b>	<b>1032.3</b>	<b>384.3</b>	<b>647.0</b>

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 960

Number of nationals trained in communist countries: 855

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	62.8	65.2	75.3	29.0	54.5	122.5
European satellites	33.2	46.7	88.0	39.8	77.5	89.6
Communist China	11.8	0.4	0.4	6.8	3.6	2.5
<b>TOTAL (a)</b>	<b>107.8</b>	<b>113.3</b>	<b>163.9</b>	<b>75.6</b>	<b>135.8</b>	<b>215.3</b>
As % of total trade	8	8	12	3	7	10

(a) Including trade with North Korea and North Vietnam

(b) Recent developments

204. The Sino-Indian border conflict, which started in September 1962, did not affect Soviet willingness to continue and even to increase her military aid to India. In early 1963, the Soviet MiG.21 fighters previously ordered by India began to be delivered and in August the Indian Government announced that a government-owned corporation had been organized for the manufacture of the aircraft under Soviet licence in two factories to be constructed in the Maharashtra and Orissa states. The Indian estimates indicated that it would take two years before the factories were set up and the MiGs actually produced. According to the Indian Minister of Defence Production, there has been no Soviet commitment for financial assistance on this project.

205. The USSR had offered a wide range of sophisticated military equipment in May and June which India had welcomed, although she will continue to rely for military supplies mainly on the West.

206. In May 1963, a cultural exchange agreement was signed with the USSR, providing for a substantial increase in exchanges in the fields of science, education, public health, art and sports. The USSR announced that ten scientific centres would be established over the next six years by several Indian universities, with Soviet technical and financial assistance extended through UNESCO. The Soviet system of education has been introduced on an experimental basis in three schools in the Punjab. An exchange of scientists was arranged with Czechoslovakia and a five-year atomic energy agreement was signed with Poland in April 1963.

207. Since the middle of 1962, two new economic credits have been extended to India by the European satellite countries: the first was extended by Poland before the end of 1962, and amounted to \$32.5 million, repayable with Indian exports, and bearing an interest of 2.5% for the development of coal mines and the purchase of equipment for the coal industry. In November 1963, Czechoslovakia offered a new credit of \$50 million for the expansion of the foundry forge at Ranchi and the heavy electric works at Hyderabad, both of which are under construction under previous Czech credits. The total disposition of the new aid is to be negotiated before the middle of 1964.

208. No new Soviet development aid had been extended during 1963 but with a \$460 million backlog of so far unutilised credits still available to India the Soviet assistance programme is in a position to continue to contribute in an important way to the country's economic development programme.

209. Soviet aid has been focused on heavy industry. The most outstanding project is the Bhilai steel mill, whose expansion to a capacity of 2.5 million tons of steel ingots per year is expected to be completed by mid-1964. A United States steel survey team rated Bhilai as the best-operated steel mill in the public sector(1). (The most economically efficient steel works are those of the private Tata Company at Jamshedpur). The United States experts gave the following reasons for this success

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(1) The other main steel mills in the public sector are: The Rourkela plant (constructed with assistance from the Federal Republic of Germany, and probably the most technically advanced type of steel mill in Asia) and the Durgam plant (built with United Kingdom assistance). In 1963 the Soviet Union agreed to replace the United States as the main source of financial aid for the establishment of an additional steel mill at BOKARO.

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- (a) The contract puts no time limit on the period of Soviet supervision and, as a result, the Soviet technicians are able to exercise a continuing influence on the operation of the mill.
- (b) It is a relatively unsophisticated plant, manufacturing a comparatively simple line of products.
- (c) It has access to the highest grade iron ore, and its actual capacity exceeds its rated capacity, thus making it a fairly simple matter to achieve high production records.

210. Work on the other Communist projects progressed at a rate which was generally satisfactory to both India and the Soviet countries. Construction of the heavy machinery factory at Ranchi, which includes both Soviet and Czech assistance, was behind schedule by the middle of 1962, mainly as a consequence of Indian planning errors, but construction has shown considerable progress since the beginning of 1963 and limited production was expected to begin before the end of the year. Production on a significant scale is, however, not expected before 1967.

211. Work on the coal-mining machinery factory in West Bengal continued at an accelerated pace, and production was expected to start before the end of 1963, with full production scheduled for 1966. The Neyveli thermal power station, which was inaugurated in 1962, won high praise from Indian officials and all of its five 50,000 kW units began operation before the end of 1963. In February 1963, the USSR agreed to expand its original capacity from 250,000 to 400,000 kW. The Soviet \$20 million credit for its pharmaceutical programme also moved rapidly ahead, with first deliveries of equipment starting in early 1963, concomitantly with training programmes in the USSR. This programme includes factories for the manufacture of antibiotics, synthetic drugs and surgical instruments.

212. Developments in the field of petroleum under Communist aid programmes included contracts for additional Soviet drilling equipment, and the beginning of construction of a refinery in Gujarat. The Barauni refinery has been delayed and production originally planned to start in April did so only by the end of 1963. The Roumanian refinery in Assam continues to experience difficulties. A project to inoculate the entire population against smallpox with Soviet assistance is under way, which may be compared with an equally impressive United States malaria project.

213. The model co-operative farm established with Soviet assistance at Suratgar appears to have been a failure. Much of the machinery remains idle and recent reports indicate that the enterprise has been running at a considerable loss. Soviet offers

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to establish other similar enterprises have evoked little enthusiasm in Indian Government circles.

214. Of the approximately 960 Soviet bloc economic technicians in India during the second half of 1963, about 735 came from the USSR (mainly in connection with the Bhilai steel plant), while the second largest group consisted of about 110 Czech technicians. An estimated 275 Indian students were following courses at academic institutions of various Soviet countries, while 580 trainees were currently receiving technical training in the Communist countries mainly in the USSR. Whereas approximately 700 Indians underwent training in the USSR in relation to the Bhilai steel programme, most of the current training is now undertaken in India at the Bhilai works. About 75 Indians destined for employment in the Ranchi works are scheduled to go to Czechoslovakia for a year's training in the heavy machinery industry.

215. As India's ability to accommodate training programmes on the spot continues to expand, there should be a noticeable reduction in the number of trainees leaving for Communist countries.

216. While the West has promised to supply a major portion of India's military equipment, both the USSR and Czechoslovakia had indicated their willingness to provide a wide range of military supplies, including missiles, radar and tanks. Military aid from Communist countries has so far been mainly concentrated on Soviet aircraft, including MiG. fighters, AN.12 transports and helicopters. Indian pilots and technicians have undergone specialised MiG. training in India and the USSR.

217. India's trade with the Soviet countries continued to expand markedly, imports totalling \$215 million in 1962, representing 10% of India's world imports. India's balance of payments surplus with the Communist countries turned into a \$38 million deficit during the fiscal year 1961/62 as a result of the accelerated delivery of equipment, while exports expanded to \$164 million, or 12% of Indian total exports. India continued to increase her efforts to export to the Communist countries in order to keep her balance of payments deficit within manageable proportions.

218. The repayment of loans from Soviet countries is not yet a major burden for India, nor is it expected to become one in the future. The financial advantage for India of Soviet loans lies in the absence of any requirement for payment in hard currency: in other respects, financial terms at least as favourable are available in the West. Payment to the Communist countries in ruppes could become a positive benefit to India if it opened a new export market for industries such as textiles and footwear, for which there is excess capacity.

219. A new five-year trade agreement (1964/68) signed with the USSR in June 1963 envisages further increases which would

bring total Soviet trade to about \$240 million by 1966 (twice the 1962 level). The new terms provide for an increase in Indian exports of manufactured and processed items, so that such goods will constitute about 50% of Indian exports to the USSR by 1966, as compared with the present 30% to 35%. The 1956 Indo-Soviet shipping agreement was revised in November 1962 in order to step up freight services and an additional direct air route between Delhi and Moscow was started in March 1963.

220. In November 1963, Czechoslovakia concluded a new five-year trade agreement with India, simultaneously with the offer of an additional economic credit of \$50 million and promised to consider increasing this sum to \$100 million. Under the trade agreement, which became effective in January 1964, planned exchanges will reach \$80 million in 1964 and approximately \$100 million in 1965 and 1966 (the levels for 1967 and 1968 to be determined later). Total trade between the two countries in 1963 will probably amount to some \$50 to \$60 million. The new trade agreement with Czechoslovakia also provides for a diversification of trade. 10% of Indian exports to Czechoslovakia will each year be in non-traditional items, including manufactured goods. Annual Indian imports from Czechoslovakia will include fertilisers, special steels, non-ferrous metals, in addition to machine tools, heavy machinery and equipment for power and other heavy industrial projects. During the first half of 1963, Indian exports to the Soviet Union showed a marked increase over the corresponding period of 1962, while imports from the USSR declined somewhat. Although the trade balance improved on the Indian side, it still presented by mid-1963 a deficit of some \$11 million, as compared with a \$29 million deficit during the first six months of 1962 and a \$47 million deficit over the year 1962. Indian trade with the European satellite countries increased moderately, imports and exports being kept in balance.

INDONESIA

(Population: 9.7 million)

Economic situation

221. After the settlement with the Netherlands of the question of New Guinea, an economic and financial stabilisation programme was set up with the assistance of economic advisers from the International Monetary Fund. In May, a number of measures were taken to favour exports and to control imports. The Western countries then agreed to supply capital equipment, credits, and debt deferments; in this way, it had been estimated that a total of \$300 million aid could be put at the disposal of the Indonesian Government, that would allow it to stem inflation.

222. During the last quarter, however, all hopes of stabilising the Indonesian economy had to be abandoned. The September riots in Djakarta violently expressing Indonesian opposition to the creation of the new Federation of Malaysia led to the severing of all commercial ties with the Malaysia Federation and the ports of Singapore and Penang that had been handling about one-third of all Indonesian exports. The commodities most affected by the ban were rubber, tin, copra and vegetables. As a result, the country's export earnings were suddenly cut in half, while Malaysia's trade was reduced by some 3%. The trade balance deficit therefore worsened rapidly and the Government's budgetary imbalance swung almost out of control.

223. Swift inflation resulted from an increase in the money supply by about 33% over a few months. In May 1963, the official rate of the rupiah was devalued from 45 to \$1 to 315 to \$1 for exports and 540 to \$1 for imports. On the unofficial free market, the exchange value continued to fall thereafter, reaching 1,250 to \$1 by the end of the year.

224. With the possibility of balancing trade thus removed, aid from the West stopped. The United States offered no new credits, and debt deferments were waived. Only Japan extended a credit of \$12 million. By the end of the year by almost any standard the Indonesian economy appears to be in a worse condition than ever, with repayment obligations of foreign debts absorbing more than one-quarter of total export earnings.

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Communist economic activities(a) Recapitulative totalsEconomic aid 1951/53:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	368.9	62.4	306.5
European satellites	224.6	89.0	135.6
Communist China	57.4	27.4	30.0
<b>TOTAL</b>	<b>650.9</b>	<b>178.8</b>	<b>472.1</b>

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 505

Number of nationals trained in Communist countries: 1,205

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	28.1	31.5	34.9	6.7	11.5	58.6
European satellites	6.7	9.5	10.5	7.5	27.4	n.a.
Communist China	35.4	36.4	33.6	57.0	39.9	n.a.
<b>TOTAL (a)</b>	<b>70.3</b>	<b>77.4</b>	<b>79.0</b>	<b>72.4</b>	<b>78.8</b>	<b>n.a.</b>
As % of total trade	8	10	13	13	10	n.a.

n.a. not available

(a) Including trade with North Vietnam and North Korea.

(b) Recent developments

225. Since the settlement of the Dutch New Guinea issue,

Indonesia has been confronted with a deteriorating economic situation, and sought to improve her relations with the West in order to obtain increased Western aid, but the recent conflict over Malaysia has obstructed progress towards a rapprochement. Indonesia probably offers a better opportunity for the Soviets in their rivalry with Communist China than China's Asian neighbours, such as Burma, Cambodia and Laos, all the more since the Chinese colony in Indonesia presents a serious problem for the Sukarno Government.

226. As the Communist economic aid programmes have moved slowly, a considerable backlog of unused credits has been piling up over the years. The only new additional credit extended since the middle of 1962 came from Czechoslovakia, who provided a loan of \$5.6 million, to be repaid over six years at 5% interest, for the purchase of 1,000 trucks, service equipment and spare parts. In addition, some Indonesians will be trained in Czechoslovakia, and some Czech technical inspectors will assist in establishing service centres in the main towns of Indonesia.

227. Two projects were completed by the USSR during the second half of 1962: the Asian Games Stadium and the sub-critical nuclear assembly plant for the university. Most of the Soviet projects already under way are well behind schedule, mainly due to the lack of local currency, and the shortage of skilled labour in Indonesia. The Kalimantan roads project was reduced in scale, and the date of completion postponed from 1964 to 1966. The iron and steel project is closely related to the above roads project. Work on the Tjilegon steel mill started before the end of 1962. Equipment for the Kalimantan mechanised agricultural project was received before the end of 1962, but large quantities were still lying and deteriorating on the docks at Sukabaja a year later. After a two-year delay, construction of the Amboina technological institute started in September 1962, and service surveys were started on the Asahan hydro-electric and aluminium project in Sumatra, which is to cost about \$115 million, and is the largest single Soviet economic project in Indonesia.

228. The economic aid projects of the European satellites showed little more progress than those of the USSR, for the same reasons. Equipment for the \$4 million cement factory in Makassar was delivered by the end of 1962, but construction started with considerable delay and moved slowly. No progress was made on the \$2.5 million diesel locomotive assembly factory, and work on a tyre factory was delayed by lack of local financing. Only the small hydro-electric station at Tjurung was practically completed by the end of 1962, and a new contract under the Czech aid programme for a sugar mill was signed by mid-1963.

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229. Agreement was reached on the utilisation of the Hungarian \$25 million credit for the construction of eight industrial plants and the delivery of some small vessels. Contracts were signed by mid-1963 for the building of three oxygen factories, to be built by Hungary.

230. Up to the end of 1962, there had been little progress on the utilisation of the Polish credits extended in 1961. By mid-1963 contracts had been signed for two projects: a sugar mill and a building materials factory. The last four of a first series of twenty-four ships to be delivered under the 1958 credit arrived at the end of 1962, and construction of the four shipyards to be built under the 1959 credit was under way.

231. Negotiations for the utilisation of the \$30 million Roumanian credit for petroleum development and refineries in Central Java have not reached final decision. A preliminary agreement reached in June 1963 with the Western oil companies at Tokyo removed a potential source of friction with the West.

232. Little economic aid activity has to be reported under the Communist Chinese aid programme. A technical agreement was signed in July 1962 for the implementation of the \$30 million line of credit extended by China, \$20 million being earmarked for the construction of textile mills, and the remainder for spare parts and accessory factories. In January 1963, there was an exchange of notes between Djakarta and Peking under which Indonesia is to be allowed to run an adverse balance of trade with Communist China, the deficit to be financed at a low rate of interest.

233. Communist aid programmes have been more impressive in the military field. Indonesia had been extended military aid valued at \$1 billion that might have helped Indonesia in a conflict with the Dutch, and now lends weight to Indonesia's opposition to Malaysia. By mid-1963, up to 85% of the military aid for the arms build-up of the country had been delivered. Indonesia changed by mid-1963 her emphasis to purchasing spare parts and supplies for the equipment already received, and hopes herself to manufacture small quantities of military support equipment. The spare parts situation seems to be critical in all three services.

234. This massive military aid has created a major repayments problem, as the Soviets originally refused to grant a moratorium for the repayment of Soviet loans for military and economic purchases. A new Soviet/Indonesian three-year trade agreement was signed in Djakarta on the 30th April, 1963 setting a target of \$40 million annually for Indonesian exports during 1963/65 and \$20 million annually for Indonesian imports. In June 1963 an agreement was concluded which, by stretching out the overall period of repayment, reduced the annual repayment obligations of the country.

235. At the end of September 1963, Poland reportedly agreed to lengthen the repayments schedule of Indonesia's military debt, which then amounted to \$14 million a year. It was also learnt that Czechoslovakia had been approached, but had so far refused to accede to Indonesia's request for a debt re-scheduling.

236. During 1963, about 2,000 technicians from Communist countries have been at work in the country for periods exceeding one month, roughly 1,500 being military instructors and advisers, as against some 500 assigned to economic development projects. Of the latter, 430 were Soviet technicians most of them working on the Kalimantan road project and on the related mineral survey and iron and steel projects. The remaining technicians, slightly over 100, were distributed over the Tjilagong steel mill, the Tjilatjap fertiliser factory, the Asahan dam, the soda-ash factory and the Djakarta hospital. Of the 75 European satellite technicians, one of the largest groups consisted of about 15 Poles working at the cement factory. No Chinese technicians were reported in the country during 1963. About 970 academic students were enrolled in high school and university. Institutions of the Communist countries at the end of the year, some 450 of them in the Soviet Union, 300 in Czechoslovakia, 85 in the Soviet Zone of Germany, 95 in other European satellite countries and 40 in Communist China. In addition, 215 Indonesian technical students were following training courses in the bloc, of which 160 in USSR, including a group of about 100 being trained for the petroleum industry.

237. The Communist countries' share of Indonesia's foreign trade continued to increase during 1962, while total Indonesian trade declined further. Basically, Indonesian trade with Communist countries consists of an exchange of Soviet and European satellite machinery and vehicles and Communist Chinese textiles for Indonesian rubber, the Communist countries buying more than 20% of Indonesia's total rubber exports. This percentage rises to approximately 30% of total Indonesian rubber exports if Soviet purchases of this commodity on the Singapore market are added. The Indonesians have been attempting so far apparently with little success to market secondary export products, such as spices, rattan and small-holder rubber. It seems that to break the trade patterns developed with the USSR and to re-open Western markets to Indonesian exports will be a difficult proposition. The previous experience of the Egyptians in the cotton market may be quoted as an example of the problems to be faced by a developing country that wants to re-direct its trade to Western customers after having turned towards the markets of Communist countries.

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LAOS

(Population: 1.9 million)

Economic situation

238. The Government continued to be preoccupied with political and military problems as a result of which the economic development policy was neglected. Although large-scale hostilities were suspended, frequent skirmishes went on throughout the year.

239. Persistent budgetary deficits resulting from the military expenditures led to heavy inflationary pressures, and rapid depreciation of the Laotian Kip, previously considered as a relatively stable currency. Within 10 days from 1st October, the value of the Kip fell from 435 to \$1 to 620 to \$1. Australia, France, the United Kingdom and the United States set up an \$8 million stabilisation fund in an effort to reduce fluctuations in the value of the Kip.

240. The basic economic situation throughout 1963 remained unchanged: Laos is still more dependent on foreign aid than any other country in the area.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	7.6	1.5	6.1
European satellites	0.1	-	0.1
Communist China	4.0	-	4.0
<b>TOTAL</b>	<b>11.7</b>	<b>1.5</b>	<b>10.2</b>

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 5

Number of nationals trained in Communist countries: 60

Trade:

No official Laotian trade statistics available.

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(b) Recent developments

241. By mid-1962 the ceasefire in Laos transferred the East-West confrontation to the political and economic fields. During the following months, Communist economic commitments came mainly from the USSR with minor moves from Communist China and North Vietnam.

242. The USSR offered as grants a 200-bed hospital to be staffed with Soviet doctors and a 50 kW radio station. A credit of \$39 million was extended for the construction of an 8,000 kW hydro-electric station and a power distribution network; the loan is to be repaid in twelve years after the completion of the project and bears an interest rate of 2.5%.

243. The USSR also agreed to consider Laotian proposals for a brick-making project and the processing of cotton and fruit juice. The European satellites did not provide any economic assistance, apart from token gifts of sports goods, photographic equipment and unspecified goods worth \$140,000 from East Germany.

244. Communist China extended a credit of \$4 million which the Laotians proposed to utilise for the construction of a sugar refinery, a cotton weaving mill, a plywood factory, a fruit tinning factory and a paper pulp mill. However, no agreement was reached on these projects. China was requested to continue building the road linking the Chinese border with Phong Saly, to be extended later to the Laos-Thailand border. Four road projects, linking Laos and North Vietnam, were to be completed by the North Vietnamese.

245. A trade and payments agreement with the USSR called for an annual trade of \$2 million, any excess of the debit balance exceeding \$600,000 to be settled within six months by the delivery of goods. This agreement may possibly result in a trade deficit for Laos in view of its limited export capability.

246. Military activities were resumed in the Spring of 1963 and once more drew attention to the military field. Since 1963 the political situation precluded any serious attention for economic development problems and the related foreign assistance question.

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NEPAL

(Population: 9.4 million)

Economic situation

247. The Nepalese economy remains one of the most backward in Asia, depending traditionally on India for her limited relations with the outside world.

248. Economic development depends almost entirely on outside assistance and the first condition for further progress is an improvement of the communications system to open up the country to contact with the outside world. Economic aid is mainly provided by Communist China, the USSR, the United States and India. The United States provides some \$10 million and India about \$8 million a year to improve Nepal's agriculture, infant industry, education and roads. The United States has just constructed a \$5 million ropeway to transport goods in the Katmandu area, a \$3 million telephone exchange for the capital and model farms in the Southern plains. As all aid equipment has to be channelled through Calcutta and Patna, good relations with India remain a prerequisite for any serious progress in the economic field.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/53:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	10.3	8.4	1.9
European satellites	-	-	-
Communist China	43.4	4.6	38.8
<b>TOTAL</b>	<b>53.7</b>	<b>13.0</b>	<b>40.7</b>

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 125

Number of nationals trained in Communist countries: 180

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AC/127-D/170Trade:

No official Nepalese trade statistics available. On the basis of official Soviet trade statistics, the following figures for Nepalese trade with the USSR are reported:

(million US \$)

Nepalese Exports:

1960:	-
1961:	0.3
1962:	nil

Nepalese Imports:

1960:	-
1961:	0.3
1962:	0.8

(b) Recent developments

249. The Nepalese determination to become less dependent on India had created by early 1962 a climate that was favourable for Communist economic penetration, but Communist China's aggression against India tended to dampen this inclination. Communist Chinese economic activities in Nepal have probably been somewhat reduced as a result. There have been no new aid offers by the Communist countries since the middle of 1962, but the Sino-Soviet economic programme did continue to make some slow progress. Difficulties in raising the local currency required to finance bloc projects were, however, somewhat eased, as the newly-formed National Trading Corporation, which handles the sale of Chinese and Soviet goods to be used to generate local currency, began operation. Substantial quantities of such commodities arrived during the second half of 1962, among which cement was one of the most important.

250. The Soviet-built 50-bed hospital in Katmandu, officially opened on the 6th January, 1963, received extensive publicity. It is operated by Soviet personnel, but Nepalese doctors and nurses were added to the staff. Progress was also made on two Soviet-built factories for the manufacture of sugar and cigarettes, and on a hydro-electric project. The Chinese completed a detailed survey of the road from Katmandu to the Tibetan border, and an agreement was reached specifying the conditions under which the road will be built.

251. Little or no progress was made with the Chinese-assisted cement factory and leather tannery. At the end of September 1963, the Chinese decided to abandon their original paper mill project and proposed the substitution of the following five projects: a smaller paper mill of ten-ton daily capacity, a power station, five warehouses, located near Soviet projects, a brick and tile factory in Katmandu and about a dozen small irrigation projects.

This new programme would enable the Chinese to penetrate new areas where hitherto United States, Soviet or Indian projects have been the focus of attention.

252. Both Communist China and the USSR encountered frustrating problems in their programmes in Nepal. The Chinese face the threat posed by India's ability to cut the transit road along which aid materials move into Nepal. The Soviet economic adviser, whose appointment to the Nepalese national planning council was forced upon the Government by the USSR, has met with frequent frustration in getting his advice accepted.

253. The number of technicians from Communist countries currently working in Nepal was estimated at some 35 Soviet and 90 Chinese. On-the-job training is the principal form of industrial education used by the Communist countries. In addition, about 160 Nepalese students were following courses in various Chinese and Soviet academic institutions and twenty trainees were engaged in technical training programmes.

254. There has been some increase in the amounts of Soviet and Chinese commodities imported into Nepal, including substantial quantities of such essential goods as cement and corrugated iron sheets. However Nepal conducts 90% of her trade with India, and such Sino-Soviet imports were mainly the result of temporary domestic shortages in India. Nepal has so far shown no sign of becoming dependent on trade with Communist China and the Soviet bloc countries.

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PAKISTAN

(Population: 98.6 million)

Economic situation

255. According to official reports, the national income during the fiscal year 1963 increased by only 1.1% over the previous year, as compared with 6% in 1962. This slight gain in total national income has been more than offset by the 2.2% growth of population, so that per capita income declined from \$54.37 in 1962 to \$53.95 in 1963.

256. Because of disastrous weather, agricultural production suffered seriously during the last year. The fact that Pakistan's industry has now grown to the point where it has been able to offset losses of a bad harvest in the national income is probably the most remarkable development in recent years: a rise in cotton textiles and jute manufactures compensated the fall in rice production. The part of agriculture in the national income in 1963 has been reduced to 50%, while that of manufacturing accounted for 14.4%. However, more than 80% of the Pakistani population still earns its livelihood on the land, and agricultural exports, mainly jute, account for more than 70% of the nation's foreign exchange earnings. Jute, of which Pakistan provides more than 40% of world production, has been encountering growing competition and the resulting fall in prices has affected Pakistan's largest single export commodity.

257. An important part of development resources is devoted to agriculture, and water resources, bearing directly on agriculture. Soil salination adds to the problems facing the country. Foreign aid continues to play a key rôle in Pakistan's development, since her foreign exchange earnings pay for only a little more than half of what she is importing to fill current needs and to equip the country with capital goods.

258. Pakistan's external economic relations continued to be conducted almost entirely with the Western industrialised countries. During the first half of 1963, exports rose by more than 15% over the first half of 1962, but there has been a decline since July 1963.

Communist economic activities

(a) Recapitulative totale

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	33.2	14.2	19.0
European satellites	-	-	-
Communist China	-	-	-
<b>TOTAL</b>	<b>33.2</b>	<b>14.2</b>	<b>19.0</b>

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: 100

Number of nationals trained in Communist countries: 5

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	4.4	3.4	3.7	5.3	3.8	4.6
European satellites	11.5	13.5	8.1	5.5	3.2	8.0
Communist China	14.8	10.0	1.6	4.0	3.6	4.2
<b>TOTAL</b>	<b>30.7</b>	<b>27.0</b>	<b>13.4</b>	<b>14.9</b>	<b>10.6</b>	<b>16.9</b>
<b>As % of total trade</b>	<b>8</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>

(b) Recent developments

259. The assistance provided by Western countries to India to resist Communist China's aggression has given rise to suspicion in Pakistan which, in turn, provided an uncritically warm reception to Communist Chinese offers of increased trade and cultural relations. In January 1963 the two countries concluded a trade agreement and in March 1963 an agreement on the demarcation of the border between China and Pakistan-held Kashmir. On the 29th August, an air agreement was signed, affording Pakistan air

traffic rights in Canton and Shanghai, while China received rights at Dacca (East Pakistan) or Karachi or Lahor (West Pakistan).

260. During the first half of 1963 the USSR, apparently concerned about the extension of Communist Chinese influence in Pakistan, submitted proposals for the exchange of doctors, scientists and artists, and for the improvement of trade relations, but Pakistan reacted negatively, suggesting that a more cordial reception might be received if the USSR would alter her assistance-to-India policy. Pakistan has indicated, however, that she would welcome Soviet aid in the nuclear field, and in the construction of the Tarbela dam.

261. Between the 28th November and the 1st October, 1963, Pakistan signed five new barter agreements with Communist countries. The USSR and Communist China each will deliver 100,000 tons of cement (worth about \$1.7 million) in exchange for raw jute. Poland is to provide about \$500,000 worth of cement for jute, Czechoslovakia \$300,000 of automobiles and various equipment for chrome ore, and Hungary \$140,000 worth of electric meters for jute. These five agreements are in addition to the barter agreements with the USSR and Poland, and a trade agreement with Albania signed earlier in September. The value of these barter agreements amounted to about \$6 million in trade each way, presumably in addition to regular bilateral trade with Communist countries and would represent a 30% increase over the 1962 trade. The new agreements appear to be intended to demonstrate Pakistan's independence of her Western Allies, rather than to indicate a substantial shift in her economic relations.

262. Exports to Communist China during 1962 had reportedly been extremely small, but it would seem that Pakistan might increase her exports of cotton, jute and leather to China under the new trade agreement, in exchange for industrial products, cement and coal.

263. During the first half of 1963 the USSR stepped up her oil exploration programme in both West and East Pakistan. It was announced in June 1963 that the number of Soviet oil technicians at work in Pakistan would be increased to 165 with a branch office to be set up in East Pakistan. At the end of the year 100 Soviet technicians were reportedly at work in the country.

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LATIN AMERICA

ARGENTINA

(Population: 21.8 million)

Economic situation

264. The political uncertainty which followed the fall of President Frondisi in 1962 and which prevailed up till the election in July 1963 of President Illia seriously affected the economic development of the country. Industrial production during the first half of 1963 dropped by almost 20%.

265. With the establishment of a new Government and the announcement of a series of measures concerning internal credit policy, the protection of creditors, the internal national debt, the reform of the Development Council and the better co-ordination of investment policy, as well as the agreement with the creditor countries on the settlement of Argentina's foreign trade deficit, the situation began to improve.

266. Among the main items of external aid received may be mentioned a credit of \$35.5 million extended by the "Alliance for Progress" for the settlement of the balance of payments deficit with the United States and for Argentina's construction programme - \$18.75 million extended by 54 European Banks for balance-of-payments settlements; and a \$25 million loan for economic development projects by the Bank for Inter-American Development (BID).

267. Although by the end of the year one of the most pressing problems, i.e. the heavy governmental budget deficit, had not been seriously tackled, prospects are that Argentina's economy may move out of stagnation in 1964.

Sino-Soviet economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	100.0	33.0	67.0
European satellites	3.7	3.7	-
Communist China	-	-	-
<b>TOTAL</b>	<b>103.7</b>	<b>36.7</b>	<b>67.0</b>

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Technical assistance as of 1st December, 1963:

Communist civilian technicians in the country: 30  
 Number of nations trained in Communist countries: 20

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	17.8	12.7	8.5	13.5	11.9	8.2
European satellites	41.9	40.1	39.7	34.4	35.8	15.0
Communist China	1.4	4.2	25.8	(a)	(a)	0.2
TOTAL	61.1	57.0	74.0	47.9	47.8	23.4
As % of total trade	6	6	7	4	3	2

(a) Less than \$50,000.

(b) Recent developments

268. No new development is to be reported in the field of economic aid. The line of credit of \$100 million extended by the USSR in October 1958 for the development of Argentina's petroleum interests has been left untouched after some deliveries of equipment in 1960.

269. The Soviet Union in her search for vast quantities of wheat to overcome the current grain crisis concluded during the second half of 1963 an agreement to import 1.6 million tons of wheat from Argentina, and was negotiating a further 0.5 million tons during the last months of 1963. The recent wheat deal will have to be paid by the Soviets in hard currency. Earlier in the year, Soviet Representatives in Buenos Aires had proposed an increased trade exchange to liquidate a \$10 million balance accumulated by Argentina in her trade with the USSR.

270. In late September 1963, it was reported that negotiations with Communist China for the export of substantial volumes of beef and mutton were entering their final stage. According to some reports, as much as 100,000 tons of meat, valued at \$45 million, were being sought by the Chinese. Argentinian officials have released no information on the quantity and value

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of meat actually involved, and trade circles have expressed doubt that Argentina could supply more than 50,000 tons without disrupting shipments to her regular customers. Total Argentine meat exports in 1962 amounted to \$228.5 million, of which about \$3 million were sent to Communist countries, including a small volume to China.

271. Argentinian exports to Communist China increased sharply during 1962 as a result of the Chinese purchases of grain (wheat, rye and coarse grains). The share of the Communist countries in Argentina's total trade increased slightly during 1962, but remained below 5%, a sharp reduction of Argentinian imports from the European satellite countries being compensated by increased Argentinian exports to Communist China.

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BOLIVIA

(Population: 3.6 million)

Economic situation

272. In 1962, Bolivia's national income had reportedly risen by about 4.2% and the Bolivian economy continued its progress throughout 1963 although at a slower rate. Progress during the closing months of 1963 was nevertheless more encouraging than during the first months of the year.

273. This progress has been favoured by the constant flow of economic development credits from the Alliance for Progress and by the implementation of the rehabilitation programme for the state-owned mining company COMIBOL which produces 70% of all mineral exports of the country. The state-owned oil company also reported new gains.

274. In the 1963 Governmental budget \$65 million had been included consisting of United States economic aid under PL 480 and in October the United States Government extended the list of projects to be implemented under the Alliance for Progress.

275. The "boliviano", the exchange value of which has remained unchanged since January 1959, can be considered as one of the most stable currencies in Latin America. As a result of the introduction of the economic stabilisation programme in 1961, the cost of living index during the first 10 months of 1963 fell below the 1962 figure.

276. Bolivia's trade balance continued however to show a heavy deficit. In September 1963, the IMF prolonged its \$10 million standby credit for another year.

Communist economic activities

(a) Recapitulative totals

277. In spite of Bolivia's chronic trade problems and the internal political pressures for acceptance of economic assistance from Communist countries there has been as yet no significant Soviet economic penetration (though Bolivian trade with Communist countries expanded somewhat in recent years by end-1962 it still represented an insignificant fraction of Bolivian foreign trade).

278. Czechoslovakia has repeatedly offered economic assistance for the construction of a copper smelter and a sugar mill, the modernisation of the existing railway system and for the development of the country's hydro-electric resources. Late in 1960, the USSR made a vague proposal of a credit of \$150 million for a tin smelter and for petroleum and mining development. A year later the USSR offered to supply turbo-prop aircraft for the Bolivian civil airline. None of these offers has so far been accepted.

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279. Bolivia is the recipient of large-scale aid from the United States and the Government is anxious to avoid prejudicing future United States aid by closer economic ties with the Communist countries.

(b) Recent developments

280. Czechoslovakia has continued to promote actively Communist interests in Bolivia. During the first half of 1963 a longstanding \$1.6 million offer of a Czech credit for an antimony smelter was repeated. A new contract was proposed, including additional Czech financing for the local construction costs, and providing for total repayment in metallic antimony or ores instead of an obligation to pay at least 25% in US \$. Interest charges (5%) and period of repayment remained unchanged. Bolivia had not reached a final decision by end-1963.

281. There are about 10 bloc technicians in the country, most of whom are Czechs associated with the sale of Skoda lorries and buses. At the end of 1963, some 155 Bolivian academic students were following courses in Communist countries of which more than half in Czechoslovakia, 60 in the USSR and the rest in Soviet Zone of Germany and Roumania. In addition 5 technical trainees were reported in the USSR and a similar number in Czechoslovakia.

282. A resident Hungarian Representative was appointed to Bolivia. Trade with the Communist countries has shown no appreciable change during 1963, and represents a very small percentage of Bolivia's total trade.

BRAZIL

(Population: 77.6 million)

Economic situation

283. The internal struggle for power went on throughout 1963 depriving the country of political and administrative stability. A lack of consistent economic policy, waves of political strikes, a rapid inflation increasing the cost of living by about 90% during the year, as against the target of 25% set by the 3-year plan adopted in January 1963 rendered impossible any comprehensive industrial and commercial planning. Foreign investment from private sources dropped to \$5 million during the first half of 1963 as compared with \$72 million and \$153 million during similar periods in 1962 and 1961 respectively.

284. The United States extended an exceptional standby credit of \$30 million early in the year and promised aid up to \$398 million for the implementation of the 3-year plan of which \$84 million was made available immediately and a further \$110 million was committed to developing projects. Because of the Government's failure to carry out an anti-inflationary programme, the assistance flow from the Alliance for Progress and balance of payments funds was, however, considerably reduced. Nevertheless, by the end of the year, the Federal Republic of Germany extended a \$50 million loan and President Johnson reaffirmed on 21st December, 1963, the United States determination to assist Brazil in its negotiations with the creditors of its trade balance deficit. As exports of coffee increased during the second half of 1963, both in volume and in value, while imports were reduced, prospects for Brazil's trade balance have improved.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	-	-	-
European satellites	183.5	3.5	180.0
Communist China	-	-	-
TOTAL	183.5	3.5	180.0

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Technical assistance as of 31st December, 1963.

Communist civilian technicians in the country: 25

Number of nationals trained in Communist countries: 100

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	13.3	19.2	39.0	17.6	19.2	31.8
European satellites	57.6	55.6	34.2	62.0	51.1	33.
Communist China	0.5	(a)	(a)	(a)	0.1	0.4
<b>TOTAL</b>	<b>71.5</b>	<b>74.8</b>	<b>73.2</b>	<b>79.6</b>	<b>70.3</b>	<b>65.3</b>
As % of total trade	6	5	6	5	5	4

(a) Less than \$50,000.

(b) Recent developments

285. Since the middle of 1962, the Soviet Union and the European satellites have been steadily pressing ahead to improve their economic aid and trade relations with Brazil. This process was helped by the increasing economic difficulties in the country threatening to halt its rapid economic expansion. The Brazilians therefore looked upon development aid from the bloc as a way of obviating the need to undertake major economic and financial reforms while maintaining the pace of economic growth, and on the expansion of Soviet aid imports on a barter basis as a means of reducing the heavy drain on Brazil's convertible currency position.

286. In the Spring of 1963 Brazil announced the conclusion of trade agreements with most of the European satellite countries, and the renewal of her trade agreement with the USSR. The agreements with most of the European satellites included provisions for medium-term credits (two to nine years).

287. Poland thus extended a credit of \$70 million to be repaid in seven years at 3% interest. The main project which will absorb \$26 million is the construction of a 200,000 kW thermo-electric power station in the State of Rio Grande do Sul. Once completed, this plant will be one of the largest of its type in South America. An additional \$7.5 million of the credit

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might be used for the purchase of 50,000 tons of steel rails for the federal railway system. A mixed Polish-Brazilian commission was established at Rio de Janeiro to study the implementation of the Polish credit, but so far little has been done to implement the credit.

288. Czechoslovakia extended \$60 million, and Roumania \$50 million. Hungary also extended a credit, but the amount has not so far been revealed. The Czech credit may be used for the acquisition of equipment for the construction of electric power stations. The credit is said to be extended for ten years at 4% interest, with repayments in iron ore, coffee, cotton, cocoa and manufactured prod

289. The construction of an onion dehydrating plant with Bulgarian equipment and technical assistance was reported in August 1963. The equipment valued at \$500,000 has to be obtained in exchange for coffee, cotton, sisal and other Brazilian export commodities.

290. Up to the end of 1963, the USSR had not extended development credits to Brazil, although offers of large-scale assistance have been persistently rumoured. In early October 1963, the Soviet technicians had completed a study for Petrobras (the Brazilian state oil monopoly) on the prospects for petroleum development in the Amazon and North-East regions. The Soviet findings led to the conclusion that there are "good prospects for both oil and gas". Press articles quoted the report as stating that Brazil has sufficient oil reserves to be self-supporting in petroleum crude and products within five years.

291. In addition to the governmental credit mentioned earlier, private contracts between Brazilian companies and the Communist credit organizations have continued as in the past. For instance, before the end of 1962, a contract for the construction of a shoe factory on credit had been signed between Czechoslovakia and a private Brazilian shoe manufacturer. Simultaneously, contracts with local and state governments had also continued on a limited scale.

292. A number of technicians from satellite countries in Brazil remained negligible, as did the training of Brazilians in Soviet institutions. However, the recent credit agreements provide for technical assistance and supervision, and may result in an influx of technicians into the country.

293. Trade agreements have been concluded with Albania, Bulgaria, Czechoslovakia, Hungary, Poland and Roumania. Although they were the result of a special Brazilian trade mission that visited these countries in 1962, ratification had been delayed until the Spring of 1963 by the recurrent political crises. These agreements call for greatly increased trade levels. Trade between Brazil and the six countries amounted to some \$50 million in 1962. Several satellite countries have sent trade delegations to Brazil to implement the ratified agreements.

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294. The Brazilian Government has restated in September 1963 its desire of expanding the country's iron ore shipments to Eastern European countries. The largest Brazilian iron ore producer currently ships 1.5 million metric tons of iron ore to Poland, Czechoslovakia, Roumania, Hungary, Bulgaria, the Soviet Zone of Occupation of Germany and Yugoslavia. An increase of these shipments to 4 million metric tons annually is contemplated. Brazil is particularly interested in developing this trade as a means of paying for supplies of petroleum which absorbs a considerable part of Brazil's convertible currencies. Western oil suppliers have been selling an average of \$220 to \$250 million annually on the Brazilian market.

295. Among the Soviet bloc countries, Roumania may be the most interested in such a barter deal as she needs iron ore for her planned Galati metallurgical combine, a proposal opposed by the USSR, who is unwilling to expand her iron ore shipments to meet the requirements of this project. Roumania was reportedly trying to sell refined petroleum products and Brazil was apparently ready to accept for the next few years only but insisted on crude oil deliveries in the later future. Part of the Roumanian credit of \$50 million may be used to expand Brazil's refinery capacity thus increasing Brazil's import capacity of crude oil. The volume envisaged would represent a value of about \$36 million.

296. Brazil's trade agreement with the USSR includes a target of 3.7 million metric tons of petroleum crude and products. If this goal was to be reached, the USSR would be providing by 1965 about 32% of Brazil's estimated import needs as compared with 2% in 1962, allowing Brazil a saving in convertible currency of at least \$100 million during the next three years. The new USSR/Brazilian trade agreement replaces the 3-year pact which expired at the end of 1962. It is valid for five years and calls for total turnover of \$160 million during the first year. The total turnover target for 1965 was set at \$225 million (in 1962, \$71 million). Brazil is expected to sell coffee, cotton and rice and to import next to petroleum wheat, machinery and equipment from the USSR. Among the goods to be supplied by the USSR, wheat deserves a special mention in view of the USSR's own shortages. Special features of this agreement are: a limited most-favoured nation treatment, provision of strict controls on re-export of goods exchanged and a swing credit of \$10 million. In addition, a clause has been introduced to permit Brazil to arrange multi-lateral transactions with the Communist countries, subject to the approval of each transfer by all countries concerned. This concession is the first of this type accorded by the USSR to a Latin American country other than Cuba.

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297. The expansion of Communist aid and trade agreements with Brazil has led to the establishment by the Brazilian Government of a special committee Coleste to co-ordinate Brazilian/Soviet bloc trade. In the past, this trade had been inhibited by Soviet unwillingness to accept greater amounts of Brazil's agricultural exports, by Brazil's inability to transfer balances from one Communist country to another and by a lack of interest on the part of private Brazilian importers in goods from these countries.

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CHILE

(Population: 8.2 million)

Economic situation

298 With continuing balance of payments difficulties, a constant decline of the value of the Chilean escudo, a rapid rise of the cost of living, social unrest which provoked a Governmental crisis, the year 1963 was for Chile one of stagnation rather than of growth.

299. To overcome the currency problems resulting from the repayment obligations of trade deficits, standby credits were extended by the Federal Republic of Germany (DM. 45 million), the United Kingdom (£3 million) and the IMF (US \$40 million). Important credits were promised by the World Bank, the Bank for Inter-American Development and the United States Agency for International Development for transport and irrigation projects. In December 1963, the World Bank extended two loans for two agricultural projects worth in total \$24 million.

300. The value of the escudo in relation to the US \$ fell from 1,650 escudos for US \$1, end-1962, to 2,146 escudos for US \$1, end-1963. The cost of living increased by about 40%.

301. Notwithstanding restrictions on imports and efforts to expand exports, the trade balance during the first 8 months of 1963 showed a deficit of \$39 million as against a surplus of \$53 million during the same period of 1962, but a further reduction of imports during the final quarter of 1963 somewhat improved this picture.

302. Production of copper during the first 8 months of 1963 declined to 377,000 tons as compared to 399,000 tons during the same period of 1962.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/53:

No economic development aid extended by the Communist countries.

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: less than 5

Number of nationals trained in Communist countries: 65

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	-	-	0.4	(a)	(a)	(a)
European satellites	0.6	1.2	1.2	1.1	1.4	2.6
Communist China	-	-	-	-	(a)	(a)
<b>TOTAL</b>	<b>0.6</b>	<b>1.2</b>	<b>1.6</b>	<b>1.1</b>	<b>1.4</b>	<b>2.7</b>
As % of total trade	negl.	less than 1	less than 1	$\frac{1}{2}$	$\frac{1}{2}$	1

(a) Less than \$50,000

(b) Recent developments

303 Chile's commercial relations with the Communist countries, while still relatively modest, became more active. The new interest of the Chilean Government results mainly from its weakening international trade position, especially with regard to her basic export - copper. Since 1960, the USSR has made a number of overtures to Chile on the possibility of barter trade to obtain Chilean copper. During 1962, a total of 3,550 tons of electrolytic wirebar, worth \$2.5 million, was sent to the USSR through the Federal Republic of Germany, where it was refined from Chilean copper ores and concentrates.

304. In January 1963, the USSR purchased for the first time Chilean wool and negotiations were reported in mid-1963 for the direct sale to the USSR of up to 21,000 tons of electrolytic copper. So far, the negotiations do not appear to have been successful. By the end of the year, the Chilean press reported that negotiations were underway for the sale of 10,000 metric tons of copper to Communist China to be paid for in cash (\$6 million) at prevailing world market prices.

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MEXICO

(Population: 38.4 million)

Economic situation

305. Mexico's GNP increased by 4.8% in 1962 and preliminary estimates for 1963 indicated a rise of 5.5% to 6%. Population growth is about 3.1% a year.

306. Exports increased by 11.3% and imports by 7.5% thus reducing the chronic trade deficit by about 12% (1 billion Mexican \$ on 30th June, 1963). Mexico's main trading partners were the United States, the Federal Republic of Germany, the United Kingdom, France and Italy (in that order). Japan is becoming an important buyer of cotton and exchanges with the other Latin American countries increased markedly.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

No economic development credits extended by the Communist countries.

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: none

Number of nations trained in Communist countries: 75

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	0.9	(a)	5.6	0.5	0.3	0.1
European satellites	0.1	0.9	0.6	2.3	2.0	1.1
Communist China	(a)	(a)	(a)	(a)	(a)	(a)
TOTAL (b)	1.0	1.0	6.3	2.8	2.3	1.2
As % of total trade	less than 0.5	less than 0.5	1	less than 0.5	less than 0.5	less than 0.5

(a) Less than \$50,000

(b) Including some minor exports to North Korea

(b) Recent developments

307. Mexico agreed to sell her entire 1963 wheat surplus of 275,000 metric tons to an East-West trader operating from Switzerland, part of which will probably be sent to Cuba. By the end of October 1963, a trade agreement had been signed with Poland, calling for an annual exchange of \$20 million (such trade averaged \$200,000 annually during the period 1958/62). Items listed include Mexican minerals, agricultural products and some industrial goods, in exchange for Polish machinery, equipment and chemicals.

308. Mexico was reported to have sold 150,000 tons of wheat to Communist China and 16,000 bales of cotton by the end of 1963. Communist Chinese material and merchandise arrived late in the year in Mexico City for a trade exhibition to start, probably in early January 1964. These deals were the result of negotiations during the visit in January 1963 of a Communist Chinese trade delegation.

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PERU

(Population: 11.7 million)

Economic situation

309. Military Government ended in June 1963 with the election of President Belaunde Terry. The new Government took office in July and gained support from business circles for re-establishing economic stability and the implementation of a vast development programme. At the same time it pledged improved social conditions as a result of land reform, low-cost housing and credit reform.

310. The flow of free world foreign economic assistance continued unabated mainly in the fields of transport, electric energy and irrigation. Loans were extended by the IBRD, the Exim-bank, the United States Agency for International Development and the Bank for Inter-American Development. The Government programmes for housing, land reform, schools and roads are expected to gain momentum in 1964.

311. Final export figures for the year were expected to reach \$555 million, and imports \$565 million. The slightly unfavourable trade balance resulted from imports of heavy machinery, equipment and capital goods.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

No development aid extended by the Communist countries.

Technical assistance as of 31st December, 1963:

Communist civilian technicians in the country: none

Number of nationals trained in Communist countries: 40

Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	-	(a)	(a)	(a)	(a)	(a)
European satellites	0.1	0.4	2.1	1.3	1.3	1.5
Communist China	(a)	(a)	(a)	(a)	(a)	(a)
TOTAL	0.1	0.4	2.1	1.3	1.3	1.5
As % of total trade	negl.	negl.	negl.	negl.	negl.	negl.

(a) Less than \$50,000

(b) Recent developments

312. Czechoslovakia has approached the Peruvian Government concerning commercial representation in Lima, and a request to be permitted to establish a Czech pavilion at Peru's trade fair scheduled for October/November 1963.

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URUGUAY

(Population: 2.6 million)

313. The Uruguayan economy depends heavily on its exports of wool (53% of total exports in 1962 and 1963) and meat (20%). In recent years, the economic development of the country has been slowed down and increasing unemployment in the industrial sector has created a serious problem. In the textile industry 22% of the available manpower was reportedly unemployed while 56% was working only half-time. At the same time, the cost of living has been rising rapidly; an increase of 20% was reported during the first 10 months of 1963. This has had unfortunate repercussions, both internal and external, provoking popular discontent. The Government was obliged to devalue the peso by 40% in May 1963. The meat processing industry remains in a difficult position mainly as a result of its low productivity and competition from Argentina, though its situation improved somewhat after the devaluation.

314. By the end of November 1963, the trade balance showed a deficit of about \$10 million. Meat exports declined during the second half of 1963 but wool exports increased. At the same time, various measures were taken to check the rise in imports.

315. In Autumn 1963, the United States agreed to an extension of the repayment period for loans extended by various banks. It was then agreed to consolidate debts amounting to \$39 million and to postpone repayments covering a further \$14 million. A few new economic development credits were under consideration in various international financial institutions.

Communist economic activities

(a) Recapitulative totals

Economic aid 1954/63:

No economic development aid extended by the Communist countries.

Technical assistance as of 31st December, 1963

Communist civilian technicians in the country:                      None

Number of nationals trained in Communist countries:                      5

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Trade:

(million US \$)

	Exports			Imports		
	1960	1961	1962	1960	1961	1962
USSR	1.5	0.9	12.8	10.6	0.9	0.3
European satellites	7.5	11.6	10.6	4.4	3.1	2.7
Communist China	4.3	2.4	0.8	(a)	(a)	(a)
TOTAL	13.4	14.9	24.2	15.0	4.1	3.0
As % of total trade	10	9	16	7	2	1

(a) Less than \$50,000

(b) Recent developments

316. The bloc has made a series of trade proposals in an effort to reactivate its trade relations with Uruguay. In 1962, the USSR re-emerged as a large buyer of wool and as a consequence Uruguayan exports to bloc countries rose to over \$24 million, and the total turnover to nearly \$28 million, still below the peak level reached in 1959, when bloc trade (total turnover \$36.5 million) represented about 15% of total Uruguayan trade. The share of the Sino-Soviet bloc in the Uruguayan exports during 1962 reached 16%. During the first six months of 1963 the only firm agreement reached concerned the purchase by the Soviet Zone of Occupation of Germany of about \$1 million worth of Uruguayan beef, a portion of the proceeds of these exports to be used for imports from the Soviet Zone of Germany. The USSR, Roumania and Czechoslovakia have all proposed to purchase Uruguayan goods (wool, hides, rice and meat), but by the middle of 1963 no new deals with the bloc had apparently been concluded, despite the fact that North Korea was allowed to open an "unofficial" trade office in Montevideo. Uruguay's frustration over efforts to sell its products in free world markets could lead it once again to increase trade with the Soviet bloc and Communist China.

317. During the second half of 1963, the USSR offered to supply the equipment necessary for an expansion by 80 MW of Uruguay's main thermo-electric power station. Total cost of the equipment is estimated to be approximately \$10.5 million, of which 80% would be paid in Uruguayan products, and the remainder financed under a six-year credit. In addition, the USSR would provide technicians to plan the project and to install the equipment. No final decision had been reached by end-1963.

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OTHER LATIN AMERICAN COUNTRIES

Economic situation

318. According to the annual report of the Alliance for Progress nearly all the remaining Latin American countries exceeded the goal of a 2.5% annual rise in per capita income in 1962 and in 1963. The area's overall average was however held down mainly due to the poor results achieved by Argentina and Brazil, who account for nearly half the region's production and consumption.

319. The project for economic integration covering so far Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica made some slight but steady headway.

Sino-Soviet economic activities

(a) Recapitulative information

320. No economic aid has been extended to other Latin American countries by the Soviet countries nor by Communist China. The following countries had some trade relations with the Communist countries during 1962:

- Guiana - 1% of total imports coming from the bloc
- Honduras - 2% of total imports coming from the bloc
- Surinam - 2% of total imports coming from the bloc.

Exports from these countries to the Communist countries were negligible. Trade between Communist countries and other Latin American ones such as: Colombia, Ecuador, Jamaica and Venezuela remained negligible.

321. Some students from the following countries were reported in Communist countries at the end of 1963:

- Guiana (75); Colombia (50); Costa Rica (25)
- Dominican Republic (5) Ecuador (30); Guatemala (5);
- Honduras (30); Nicaragua (5); Panama (30)
- Paraguay (5); Venezuela (50).

(b) Recent developments

322. Bloc efforts in other countries of Latin America have included visits by various trade missions, but there has been little indication of increased trade, and no offers of economic aid forthcoming from the Communist countries. Representatives of Polish textile mills placed orders in Honduras. Colombia was urged to use the \$ million trade account surplus she had built up over the years with the Soviet Zone of Occupation of Germany.

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Ozechoslovakian commercial representatives stationed in Mexico visited Nicaragua, Costa Rica and Haiti, and Communist China also sent a trade mission to visit various Latin American countries. None of these approaches resulted in a significant expansion of Communist economic relations with Latin America.

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APPENDIX

CUBA

(Population: 7.2 million)

Economic situation

323. Over the last five years the Cuban economy has steadily deteriorated. Faulty planning and gross mismanagement resulted in a decline of both agricultural and industrial production. Inflation and external indebtedness grew rapidly.

324. A drastic revision of economic policy was apparently initiated during the second half of 1963. The new policy recognises that sugar will remain the mainstay of the Cuban economy, while the idea of rapid industrialisation and agricultural diversification seems to have been abandoned, at least for the next few years. The new objectives are to be reached through methods of unprecedented harshness.

325. The priority given to sugar aims at raising its production so as to make it possible for Cuba to control the world market by 1970.

326. In the meantime, Cuba intends to profit from the rapid increase in the price of sugar in free world markets which resulted from the redirection of Cuban sugar exports to the Communist countries and from the poor harvests after 1961.

327. Cuba apparently hopes to sell part of her improved sugar crop to free world countries, using the earnings from such sales for much-needed imports from these countries as well as for the repayment of her accumulated trade debts to the Communist countries. It will be noted that, according to OECD statistics, European OECD countries' 1962 imports from Cuba (\$54.72 million) exceeded exports to Cuba (\$31.08 million) by some \$24 million; during the first ten months of 1963 these countries more than doubled their imports (\$117.34 million), while their exports rose during the same period by only 20% (\$37.21 million). As a consequence, Cuba had already built up a favourable trade balance of some \$80 million by the 31st October, 1963 with the European OECD countries.

External Communist economic aid activities

(a) Recapitulative totals

Economic development aid 1954/63:

(million US \$)

	Extended	Drawn	Outstanding on 1.1.64
USSR	327.0	35.0	292.0
European satellites	107.0	15.0	92.0
Communist China	60.0	-	60.0
<b>TOTAL</b>	<b>494.0</b>	<b>50.0</b>	<b>444.0</b>

Technical assistance as of 1st January, 1963:

Foreign Communist civilian technicians in the country: 2,500

of which: USSR 1,700  
European satellites 600  
Communist China 200

Number of nationals trained in Communist countries: 7,200

of which: academic 2,160  
technical 5,050

Trade: No Cuban trade statistics for the recent years are available.

(million US \$)

	Cuban Exports			Cuban Imports		
	1960	1961	1962	1960	1961	1962
USSR(1)	103.0	309.0	232.0	70.0	273.0	367.0
European satellites(2)	16.0	69.0	128.0	21.0	125.0	183.0
Communist China and Asian satellites(2)	32.0 2.0	96.0 4.0	55.0 -	12.0	76.0 4.0	80.0
<b>TOTAL</b>	<b>153.0</b>	<b>478.9</b>	<b>405.0</b>	<b>105.0</b>	<b>535.0</b>	<b>630.0</b>
As % of total trade	22	75	80	19	85	85

- (1) USSR official trade statistics  
(2) Estimates

(b) Recent Developments

328. The Communist countries extended development credits of nearly \$500 million to Cuba during the 1960/63 period, but as the country continued to live through social revolution and economic upheaval Cuba was unable to translate this aid into immediate economic development. As a consequence, not more than 10% of this form of aid had been drawn by the end of 1963.

329. In view of the considerable backlog of unused credits, only minor amounts of additional economic development aid have been extended since mid-1962. In September 1962, the USSR provided about \$12 million on credit to cover the cost of building and equipping a fishing port, including docking facilities, repair shops, communications equipment and factories for processing fish and producing fishmeal. In October 1962 a trade delegation from the Soviet Zone of Germany in Cuba announced that 20 complete factories would be built within three years, and extended a \$15.3 million loan for a textile combine, to be repaid on the basis of annual trade exchange. In January 1963, the USSR aided another \$15 million loan for irrigation, drainage and land reclamation projects, including equipment and technical assistance for research, construction and installation, and providing for the training of Cuban students in hydrology in the USSR and the sending of Soviet professors to Cuba. In June 1963, the Soviet Zone of Occupation of Germany extended \$13 million for the expansion of wheat flour milling capacity and in early September offered an additional \$10 million long-term credit.

330. On the whole, progress on economic development projects has been slow. The Soviet-assisted electric power station at Mariel, with a capacity of 200,000 kW, on which work was started at the beginning of 1962, is still far from completed and construction began on a 100,000 kW power station at Santiago. Some progress was also made on the expansion of the Antillana de Acero steel mill and plants for the petroleum refinery at Santiago with a 200-ton annual capacity were completed by the end of 1962.

331. The European satellites made some progress on projects under their programmes. Czechoslovakia continued to work on a household appliance factory and factories to produce tableware and sparking plugs. The Soviet Zone of Germany was engaged in the construction of several small projects, including a brush factory and a welding electrode factory. In October 1962, Hungary delivered a large floating crane. Poland was constructing a small hand-tool factory and a steel foundry, in addition to the delivery of a 17,500-ton merchant ship.

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332. The most vital form of assistance provided by the Soviet bloc consisted of large Soviet trade credits of almost the same amount as the development credits, purchases by the Communist countries of Cuba's dwindling sugar production and the maintenance of supplies of goods for current consumption, technical assistance and military equipment.

333. During 1962, imports by Cuba from the Communist countries exceeded the total value of her exports to these countries by at least \$225 million. In mid-1963 at a meeting of COMECON, several European satellite countries expressed their concern about the economic situation in Cuba and her ability to repay the credits extended. Cuba incurred another \$250 million deficit in its trade with the USSR in 1963, financed mainly by balance of payments assistance and partly by drawings on development credits.

334. When the Soviet Union took the place of the United States as a market for Cuban sugar exports, the price fixed by the USSR (US\$ 4 per lb.) was at that time slightly above world market prices (US \$3.5 per lb.). The repercussion on sugar prices of the redirection of the Cuban sugar trade to the Communist countries resulted in a sharp increase, so that by the end of 1963 the Cuban Government sought to obtain a reduction of the volume of sugar to be delivered to the Soviet Union, in order to be able both to earn hard currency and to obtain better prices on free world markets. A temporary agreement was reached and has since been confirmed in a new long-term sugar agreement under which the USSR is to increase progressively her imports of Cuban sugar from 2.1 million tons in 1965 to 5 million tons in 1970. In 1963, Soviet purchases of Cuban sugar amounted to about 1 million metric tons valued at some \$100 million. In early June 1963 a price of 6 cents per lb. was set, which is still well below the sugar price on the New York market (during the second half of January 1964, 10.84 cents per lb.).

335. Soviet economic support permitted Castro to proceed with an ambitious programme of social reform, including an extensive literacy and educational effort, despite economic chaos and decline. However, it did not produce the prosperity and well-being needed to maintain Castro's popularity. As a result of growing popular discontent Castro has come to depend increasingly upon the support of the armed forces and the police.

336. Timely Soviet deliveries of military aid have been going on since 1960, improving the equipment of the Cuban Army, which consists of about 32,000 regulars and of the militia, which consists of about 200,000 part and full-time members. Meanwhile, training under foreign Communist instructors in the country and the sending of military instructors to the Soviet Union has improved the efficiency of the Army and Security Forces.

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