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ECONOMIC COMMITTEE

RECENT COMMUNIST AID TO THE DEVELOPING COUNTRIES

Note by the Chairman

Members of the Committee will find attached a draft report, prepared in the light of the experts' meeting on Communist Aid to the Third World, held on 16th June, 1977.

2. This report is based primarily on inputs from the French, United Kingdom, and particularly United States Delegations, although it also takes account of information provided by the Military Authorities (see IM(77)053 and MC 255/77).

3. In order to expedite transmissal of this document to the Council for discussion, members are requested to obtain reactions from their capitals as soon as possible.

(Signed) J. BILLY

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This document consists of: 15 pages  
Annex of: 11 pages

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RECENT COMMUNIST AID TO THE DEVELOPING COUNTRIES

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Sources Used

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AC/127-WP/510  
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MC 255/77 (NATO SECRET)

UK Ministry of Defence Intelligence Digest, No. 655, August 1976  
(NATO SECRET)

UK Ministry of Defence Intelligence Digest, No. 660, February 1977

DRAFT

RECENT COMMUNIST AID TO THE DEVELOPING COUNTRIES

I. OVERVIEW

1. Soviet economic and military aid, by far the largest Communist programme in the Third World, continued to reflect Moscow's international political interests in 1976, while also being applied to enhance its commercial position in the area. The Soviet venture into Africa, Moscow's readiness to provide sophisticated weapons systems on favourable terms to Peru, and increased military and economic aid to Iraq again emphasized Moscow's use of aid in pursuing its foreign policy objectives in the Third World. As in most recent years, military sales were the USSR's most powerful instrument. The value of the Soviet's military commitments was almost triple that of their economic pledges.

2. Indications that the Soviet leadership aims at establishing a strong presence in Africa are supported by the delivery of military supplies in Angola and Mozambique; arms and technical assistance (including Cuban technicians) to national liberation movements in Southern Africa; and continued military aid to Congo, Uganda and Somalia. Moscow also provided most of these countries with small amounts of economic aid.

3. As in every year since 1970, arms sales kept Moscow's trade with LDCs out of the red in 1976. In addition it provided the USSR with a possible \$1.5 billion of hard currency. Such sales, which have accounted for about a half of Moscow's total exports to LDCs in some recent years, underpin Soviet trade surpluses with the Third World. Preliminary estimates for 1976 indicate that had it not been for arms exports, the Soviet trade surplus with the LDCs of \$1.2 billion would have been a deficit.

4. In contrast with arms sales, Soviet economic aid has become a static programme, focused on a handful of recipients. No major new initiatives have emerged in 1976 or 1977 to date, and the \$900 million aid package contained no surprises. A few large credits went to Moscow's traditional recipient countries and once again the programme tended to be rather more commercially slanted than in the past. Both the USSR and Eastern Europe provided more of their aid in the form of trade credits, which have shorter repayment periods and carry higher interest rates than traditionally allowed under development agreements. Some agreements - especially those with Latin American countries - were associated with formal trade accords and were open-ended. At the beginning of 1976, Soviet aid outlays represented some 0.04% of Soviet GNP compared with 0.25% for the USA, or 0.36% for Western industrialized countries as a whole.

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5. At the end of 1976, LDCs had taken delivery of about \$30 billion of the \$47 billion in Communist economic and military commitments made them over the past two decades. The delivery figure is heavily weighted by the military, for which deliveries have been far larger and more rapid than for economic aid. Nonetheless, substantial repayments of principal and interest continue to erode the flows: by the end of 1976, LDCs had repaid about \$5.8 billion of their debt principal. Repayments for economic aid in 1976 were equivalent to about half of the \$955 million (US estimate) in total Communist disbursements(1). In the case of Soviet economic aid, a net of only about \$50 million remained after repayments, and Moscow's former major clients - Egypt and India - sustained negative flows.

6. The following analysis is based primarily on basic sources provided by the capitals, in particular from Washington, London and Paris. It does not take into account other research materials such as, for example, "The Aid Programme of the USSR" issued in 1977 by the OECD, as this covers assistance only until early in 1976. However, relevant OECD tables are included at the Annex, covering such areas as financial flows to the LDCs as a share of GNP, OPEC disbursements and Soviet aid distribution by sector.

7. Soviet aid suffers from a serious disadvantage in that it cannot compete in quantity or quality with Western aid. Therefore, its objectives must remain limited, and are directed mainly to strategic aims (either defensive, as in peripheral countries, or offensive, as in Somalia) although sometimes aid, willingly given or not, is opportunistic (e.g. Angola, Mozambique), and may also be devoted to obtaining raw materials such as bauxite. Though less of an objective for the USSR than for East European countries, aid also results in welcome sales of Soviet goods.

## II. RECENT TRENDS IN SOVIET MILITARY AID

### A. General

8. Despite the recent cooling of Soviet relations with a number of favoured clients, Communist military supplies to the Third World rose to a near peacetime record in 1976. Massive arms agreements reported with Iraq, extensive new sales to Iran, and major new deliveries to Iraq and Libya pushed Communist military activities to heights reached only in 1973/74, when the USSR replenished client inventories in the Middle East during and after the October War.

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(1) UK figure is \$737 million only, as indicated in Table 5

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9. Moscow accounted for about 90% of the \$2.6 billion of new accords and of the \$2.5 billion in deliveries. China's \$95 million in agreements were almost 20% above any previous years, with four new African clients (Botswana, Ethiopia(1), the Central African Empire, and Rwanda) added to the roster. East European military contracts fell to \$80 million, their lowest level since 1970.

10. Arms deliveries in 1976 surged, as Moscow rushed to fill orders that had accumulated as a result of heavy commitments that began in 1973. The near record was somewhat below expectations, however, because of Moscow's reduced deliveries to Syria in the last six months of 1976.

11. Problems in Egypt and a possibly faltering relationship with Syria did not alter Moscow's preoccupation with the Middle East/North Africa. Although this area still claims the largest share of total Communist arms supplies, the distribution appears to be changing, and the more radical Arab states have emerged as major recipients. This shift has advantages to Moscow in that Iraq, Libya and Algeria are cash customers, even though they may not serve the same Soviet interests as Egypt and Syria have done hitherto. Moscow also started to build a military presence in sub-Saharan Africa by consolidating its position in Angola and giving increased support to insurgent groups in Southern Africa.

B. Regional overview

(a) Middle East and North Africa

12. Because of the apparent cooling-off in Soviet-Syrian relations, there were persistent reports that the Russians had cut off arms supplies to Syria or had threatened to do so: this, presumably, was due to the part it was playing in the Lebanese civil war. On the other hand, Soviet arms carriers continued to call at Syrian ports throughout the year. It, therefore, looks as if the Russians refused to enter into any new commitments, but did not hold up deliveries of equipment already on order. Deliveries to Iraq included an unusually large number of Soviet fighter aircraft, e.g. 30 MIG-23 (FLOGGER 22 MIG-21 (FISHBED) L and 18 SU-22 (FITTER)).

13. Three countries (Algeria, the Yemen Arab Republic and Sudan) took delivery of Soviet equipment for the first time for several years. A big increase in deliveries to ~~both~~ Algeria and the ~~Yemen Arab Republic~~ followed the placing of large orders with the USSR at the end of 1975. Deliveries to Algeria include MIG-21 (FISHBED) L fighters (41), MI-8 (HIP) helicopters (16) and a POLNOCHNY-class landing craft for the first time. There are indications that Algeria will receive MIG-23 (FLOGGER) fighters in due course. The number of Soviet military technicians in

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(1) Ethiopia is now becoming a client of the USSR too.

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Algeria (now estimated at 650) will rise sharply over the next few years with the expanding high-technology inventory and more Algerians will go to the USSR for training. Deliveries to the Yemen Arab Republic included its first T-54 tanks. Sudan received 10 second-hand MIG-17 (FRESCO) fighters and 2 U-MIG-15 (MIDGET) trainers ordered in mid-1975. These were the first major items of Soviet equipment it has obtained since 1968.

14. Libya did not reportedly order any more equipment in 1976, but deliveries of equipment ordered in 1974/75 continued throughout the year. They included Libya's first SCUD-B surface-to-surface missiles and her first Soviet-built naval vessels and OSA-II-patrol craft and an 'F'-class submarine. They also included more MIG-23 (FLOGGER) fighters, TU-22 (BLINDER) bombers and tanks. Total tank deliveries to date stand at about 1,900. This massive input has been paralleled by an increasing Soviet military presence in Libya: indeed, this presence seems to have reached such a level as to represent one of the most conspicuous elements of penetration in Libya. It is believed that this will be further increased in line with the planned grant of additional Soviet equipment during 1977.

15. Two countries (Jordan and Kuwait) seemed to be on the point of receiving Soviet military equipment for the first time during 1976. When Jordan's negotiations with the USA over the supply of HAWK surface-to-air missiles ran into serious difficulties, the USSR tried hard to persuade it to buy Soviet missiles and other equipment too. However, these overtures came to nothing because Saudi Arabia refused to supply funds for the purchase of Soviet equipment and Jordan subsequently settled her differences with USA. Kuwait is believed to have ordered ZSU-23-4 self-propelled anti-aircraft guns and surface-to-air-7 (GRAIL) missiles from the USSR towards the end of 1975, but apparently nothing was delivered during 1976. An agreement in principle was signed early in 1977 for the purchase of missiles.

(b) Asia

16. India and Afghanistan remained the only two recipients of Soviet bloc arms of any importance in Asia. Deliveries to India in 1976 included SAM-6 (GAINFUL) for the first time as well as six more OSA-II-class patrol craft. Equipment ordered by India included 70 MIG-21 (FISHBED) L fighters some of which have already been delivered and five NANUCHKA-class corvettes (the first is to be delivered early in 1977). Discussions continued on the supply of three large anti-submarine warfare units, possibly modified KREVAK-class destroyers.

(c) Sub-Saharan Africa

17. Buoyed by its success in establishing a major presence in sub-Saharan Africa in 1975, Moscow moved rapidly to sign new agreements with clients in the region. In contrast to commercially oriented policies elsewhere, favourable financing terms were undoubtedly offered new clients in sub-Saharan Africa.

18. The USSR's relationship with Angola was enhanced by a Twenty-Year Friendship Agreement, as well as commitments to provide \$170 million of military equipment to upgrade Luanda's military establishment. The pledge was Moscow's largest ever with a sub-Saharan country. Deliveries to Angola - also a record for the sub-Sahara - reached almost \$190 million under commitments made before and after independence and introduced new weapons systems including jet fighters, modern tanks, and guided anti-aircraft missiles.

19. Moscow also increased shipments of military equipment through established African governments to support insurgent groups in Southern Africa. Mozambique, which had received pledges of \$15 million in Soviet hardware almost immediately after independence in mid-1975, signed a new agreement in 1976. In a surprise move, Moscow offered Ethiopia large credits for arms, while assuring Somalia - a rival of Ethiopia - of continuing heavy support.

20. Two countries (Chad and the Malagasy Republic) took delivery of Soviet equipment for the first time. The former received two obsolescent BM-13 rocket launchers and may receive more of them as well as other kinds of Soviet equipment in due course. The latter received some MI-8 (HIP) helicopters. There is no current evidence that it is contemplating any further purchases of Soviet equipment.

21. Military aid to Ghana which ceased following Nkrumah's overthrow in 1966 could be renewed. The Ghanaian Government seems to be showing signs of interest in a revival of Soviet military aid, but a visit by a Ghanaian military delegation to Moscow in September and the first exchange of military attachés in over a decade has not yet produced contracts.

C. Technical Services

22. In addition to the large new deliveries of military equipment in 1976, some 21,700 Communist military personnel were stationed abroad to assemble and maintain equipment and train local units in the operation and maintenance of the new weapons. Soviet and East European technicians - traditionally accounting for about 90% of the total - were outnumbered by the 12,000 Cubans, all in Africa and the Middle East. Cubans were most heavily concentrated in Angola, where an estimated 10,000 were assigned at all levels of the military. In addition, around 600

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were in other former Portuguese colonies and some 900 in Somalia, Guinea, and South Yemen, where the shortage of skills has handicapped the absorption into inventories of recent large Soviet hardware deliveries. Reportedly, Libya has requested a large contingent of Cubans to help alleviate its military manpower shortage.

23. Moscow's use of Cuban troops as an adjunct to its military supply programme first received widespread attention during the Angolan conflict in 1975, when up to 16,000 Cuban troops were deployed to MPLA forces in connection with an airlift of Soviet military equipment. Cuban personnel trained Angolans in the operation and maintenance of their new Soviet inventory, and Cuban combat support was credited with turning the tide in favour of Soviet-supplied forces.

24. Although the conditions of Cuban military technical assistance are not known, the USSR has probably shouldered at least part of the financial burden. This may have involved only transport costs, but it could have included subsistence and salaries as well. In any case, there were savings to the LDCs because Cubans come at possibly less than a third of the price of Soviet or East European technicians. It is estimated that salaries for Soviet and East European personnel run as high as \$15,000 to \$20,000 a year each, and are paid for on a current basis. If other allowances and costs are added, this figure might be doubled. The use of Cubans probably also was calculated to have had fewer political and social repercussions.

25. The number of Soviet and East European military advisors in LDCs increased 10% in 1976, while the Chinese presence declined by more than 30%. The largest increases were in Angola, Libya, Uganda, and Iraq. Soviet military technical programmes in Egypt and Syria were sharply curtailed, as reportedly neither renewed service contracts that expired.

D. Assessment

26. Whilst the Soviet Union has not specifically sought base facilities in return for military supplies, nevertheless acquisition of such facilities has resulted from her policies towards Somalia and Guinea. It may be an important motive in policies towards Angola and Mozambique and may lie behind her policies towards Algeria and Libya. Foreign exchange earnings are becoming an important additional consideration in Soviet supplies to such countries as Libya, Kuwait and Iran; it is difficult to separate and quantify these political strategic and economic factors some or all of which are involved to a greater or lesser degree in Soviet policy towards individual countries.

27. Clearly, military aid is one of the most effective means of penetration by the Warsaw Pact and generally takes the form of the provision of equipment through low interest loans with relatively long repayment periods or, occasionally, the form of outright gifts. Repayment is made either with merchandise or in hard currency. The capability of some Arab oil-producing countries to purchase large amounts of military equipment allows them to build up significant arsenals and could present a longer-term risk to international stability.

28. Such aid provides a number of opportunities to the Warsaw Pact. It permits the introduction of Warsaw Pact military instructors, technicians and other personnel into the countries, thus providing the means for intelligence collection and propaganda dissemination. This also permits a familiarization of Warsaw Pact personnel with the region and its local conditions; it enables them to exercise to some extent influence over the recipient armed forces, which in certain cases play an important rôle in influencing the domestic and foreign policies of the target countries; and it allows the manipulation of the delivery of equipment and spare parts to selected countries in the region so as to alter the military balance of the area, and bring about situations advantageous to the Warsaw Pact.

29. Developments in 1975 and 1976 revealed the successes and limitations of Soviet military aid policy in the Middle East and Africa. The USSR suffered conspicuous failure to influence the course of events in Egypt despite massive investment in the country, and now wields no appreciable influence there. In Syria, Soviet displeasure expressed through the virtual cessation of arms supplies after June 1976 had no discernible effect on Syrian policy in the Lebanon. On the other hand the Soviet Union has acquired important base facilities in Africa of considerable strategic importance.

30. A review of Soviet military aid for 1976 and so far for 1977 suggests no deceleration in either arms accords or deliveries. The USSR appears to have developed the techniques, the doctrine, and the military assistance capacity which they exercise to boost Soviet influence in salient areas, in very low-key ways that avoid open confrontation with the Alliance: indeed, the USSR seems to believe that this policy of large-scale military inputs into strategic LDC areas can be implemented concurrently with a policy of détente. In view of the Angola success, the possible and, apparently, unhindered penetration of Ethiopia, it may be presumed that Soviet attention to a continuing military aid programme will increase.

III. RECENT TRENDS IN COMMUNIST ECONOMIC AID

A. General

31. Communist aid pledges were apparently more conservative in 1976 than in most recent years, although Western estimates probably understate such commitments because the values of some agreements are not known(1). Communist aid deliveries of more than \$950 million recovered somewhat from the 1975 slump, although Soviet shipments dropped to only about \$425 million. In general terms, Soviet assistance to major clients again emphasized development of heavy industrial and power facilities, sectors in which Moscow has some advantage. Over the course of its 23-year aid programme, the USSR has put about three-quarters of its total aid into these development activities.

32. The \$1.5 billion actually pledged was half a billion dollars below the annual average of commitments in the five preceding years. While Soviet aid commitments, which accounted for 60% of the total attempted to maintain the 1971-75 average, Eastern Europe's commitments fell 25%. Chinese aid dropped even more precipitously.

33. Indeed, Peking's \$100 million programme was less than a fourth of the previous five-year annual average. Nonetheless, Chinese aid continued as the most concessionary programme. More than half of Peking's aid was given as outright grants for cost overruns on the Tan-Zam railroad, while commodities and cash outlays (mostly to African countries), absorbed another fourth.

B. Regional overview

(a) Sub-Saharan Africa

34. Moscow's aid to sub-Saharan Africa generally responded to the needs of former Portuguese colonies for technical assistance and infrastructure development. Mozambique received pledges of aid for irrigation, mining, transportation, port management, the construction industry, and public health. Smaller agreements with Angola and Guinea-Bissau provided similar assistance. Most Soviet economic aid went to Mozambique, Angola, and Guinea-Bissau, where Moscow sought to consolidate its presence. Despite somewhat greater interest in economic assistance to sub-Saharan Africa, the USSR's tropical African aid programme still accounts for less than 10% of the \$12.1 billion global Soviet commitment: the \$60 million pledge to Somalia in 1975 was Moscow's largest pledge to the area since 1969.

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(1) At the end of 1976, the USSR was negotiating agreements with Latin American countries and Indonesia that could easily provide \$550 million in additional credits.

35. Peking maintained its low-key economic programmes to sub-Saharan Africa although hitherto it was the principal target for Chinese assistance programmes. Nevertheless, China signed its first economic agreements with the small African nations (Botswana, the Comoro Islands and Sao Tome and Principe). Overall in 1976, Peking made new commitments of around \$75 million, all to traditional recipients: Zambia, Tanzania and Madagascar.

(b) Arab Countries

36. Arab countries remained the largest recipients of Soviet aid, taking 95% of Moscow's new extensions. Large commitments to these countries confirmed Moscow's policy of selectively providing assistance to countries with which the USSR hopes to expand or consolidate political, economic or commercial ties. Repeating the pattern of 1975, large agreements with three countries (Syria, Algeria and Iraq) absorbed the lion's share of new pledges. While all of these agreements are expected to yield economic benefits to Moscow, the three countries also have long-standing political ties with the USSR, which Moscow is anxious to maintain. It should be noted, moreover, that Moscow's \$860 million in aid to Arab states was overshadowed by the \$1.2 billion extended by OPEC nations.

37. Soviet aid, mostly designated for continuing development programmes, included: an estimated \$300 million to Syria for continuing oil, irrigation, and power development; at least \$150 million in new assistance to Iraq for continuing projects, complemented by \$1 billion of commercial contracts for four major power and irrigation projects; smaller agreements with Jordan, Tunisia, and South Yemen which totalled about \$100 million, largely for water and power development.

38. Of particular interest, in view of the large Soviet military aid input into Libya, is the fact that Libyan economic and aid relations with the USSR also reflected an upswing in 1976. During President Gadafy's Moscow trip in December 1976 the USSR agreed to construct \$1 billion worth of projects in Libya, probably all for cash. These include a nuclear power station (a project that has been under discussion for several years), a 600 km gas pipeline from Brega to Misuratah to supply a proposed 1.7 million ton iron and steel complex, a unified power grid, and three major training centres. The USSR also agreed to formulate a 25-year natural gas development plan. The USSR had agreed previously to construct an atomic research centre near Tripoli (on which work had begun by year's end) and had signed a \$22 million contract to install two powerlines between Tripoli and outlying agricultural areas.

(c) Latin America

39. The Communist economic programme in Latin America retained its commercial thrust as a means of cutting recent billion dollar trade deficits with the area. Last year, the Soviet-Latin American deficit alone topped \$850 million. Communist countries have served notice that failure to redress the huge imbalances of recent years could force them to buy grain and food in other markets. As a follow-up the East European countries and the USSR offered \$300 million in trade credits to Latin American raw material suppliers in 1976. Some \$175 million of new agreements were signed, despite Latin America's traditional preference for Western machinery and equipment that has left \$1.5 billion of previous Communist credits unspent. Communist officials hope that credits will be drawn on as the deficits of major Latin American traders persist with the rest of the world.

40. Open-ended trade credits, for which limits and terms have not been set, were the only kind of Communist credits provided in 1976, for example: Peru signed an agreement with the USSR that could result in commitments to finance up to a third of Peru's \$300 million Olmos hydroelectric project; Mexico signed general economic agreements with all European Communist states except Hungary and Bulgaria. The agreements included Polish aid for coal development; Bolivia and Peru also were offered Polish aid for coal development; Chile and Peru were promised aid for their petroleum industries by Romania.

41. In trade, the era of experiment and initial contacts of the early 1970s which caused the fluctuations in trade between the socialist and Latin American countries appears to be ending; the next phase of relations may well bring about a strengthening of trading links in order to gain more lasting benefits from the already visible trends in the trade patterns. The exports and imports of all parties are becoming more diversified: Eastern European countries are adding semi-manufactured goods, foodstuffs and even raw materials to their traditional exports of machinery and equipment, whilst, for instance, Brazil's latest credit from the USSR is repayable up to 85% in manufactured goods.

42. Development of Communist trade links with Latin America is basically to the advantage of both sides, with aid playing only a small part compared to the LDCs in other areas. It is, therefore, reasonable to suppose that the economic links will continue, and that in spite of the different styles of individual countries on both sides Communist economic penetration will go on expanding. Generally, it is likely that the future will see a move away from the traditional, set-piece trade and aid agreements towards more complex agreements covering financial, technical, scientific and educational co-operation matters.

C. Communist Technicians in the LDCs

43. The Communist technical presence in the Third World soared from less than 60,000 in 1975 to 70,500 in 1976, despite a 25 percent decline in the number of Chinese personnel in Africa after the completion of the Tan-Zam railroad. The total was swelled by an inflow of 4,700 Cubans, mostly to Africa, but more significantly by a doubling of the number of East European technicians. All in all 26,000 East Europeans worked in LDCs, including some 12,500 working in Libya under commercial contracts.

44. Almost half of the Soviet technicians were concentrated in Algeria, Iran, Iraq and Syria, where major new construction projects are starting. Afghanistan and India employed another 2,350. Rekindled Soviet interest in sub-Saharan Africa brought 250 economic technicians to Angola, Guinea-Bissau, and Mozambique for an overall increase of 650 in the area, although certain Western reports place this number far higher. Most of the new personnel were employed in administration, public health, and training positions. The USSR is providing 10-year credits for technical services to Angola, although Moscow usually insists on cash for services not associated with aid projects.

IV. COMMUNIST VERSUS OECD AID

45. Resource flows from DAC countries(1) include official development aid (oda), food aid, commercial credits (whether or not backed by official guarantees) and grants from private organizations (e.g. charities); virtually all Communist aid comes into the oda category. Bearing in mind these definitions, DAC aid rose steadily from \$5,916 million in 1965 to \$13,585 million in 1975, or an average of 0.36% of the GNP of the donor countries concerned. Soviet and East European aid represents 0.05% of GNP, and Chinese aid 0.06%. Gross aid disbursement by all the Communist countries amounted to only \$737 million, or 5% of Western aid, and net disbursements \$181 million, or 1.3% of Western aid. The oda terms, with approximately 87% grant element(2) are far more favourable than the 38% average for the USSR and East Europe, although China's terms are usually nearer to those of the DAC countries.

46. Still more striking is the net flow of total resources (including non-concessional aid such as export credits, direct and portfolio investments and international bank loans) which are making a massive contribution to the development of Third World countries: these amounted to over \$40 billion from Western sources, \$6 billion from OPEC countries and \$300 million, or 0.06% of the total, from Communist countries.

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(1) Development Assistance Committee of the OECD

(2) The form of calculating the grant content of credits, taking into account interest rates, grace periods, life of the credit and rescheduling.

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V. ASSESSMENT

47. A review of Communist, particularly Soviet economic penetration of the LDCs in 1976, unequivocally shows that the Soviets are continuing to disburse economic aid to the LDCs perhaps for political reasons primarily, but also more substantially for economic reasons, with development aid possibly turning more actively from the encouragement of import-substituting output in the LDCs towards the promotion of export-oriented production, with the major stress on those sectors which have outlets in COMECON markets. The extent to which the Soviets hope, thereby, to exploit LDC markets, especially as regards commodities, remains an area for discussion. The form of Soviet aid has been governed firstly by the limitations in the USSR's capacity to provide the aid required; secondly by the consideration of the type of aid which will best achieve the purpose of giving it; and, finally, by consideration of the recipient country's ability to absorb and repay the aid received.

48. In order to gain maximum propaganda impact from economic aid, the Soviet Union has, in the past, normally preferred to offer large prestige projects such as the Aswan Dam in Egypt, and integrated iron and steel works such as those in India, Iran, Egypt and Algeria. There is, however, some evidence to suggest that the Russians are becoming disillusioned with this form of aid, since in the industrial field they cannot compete in efficiency with the West, and the high cost of such projects leads to repayment problems later.

49. The USSR appears to have developed the technique, the doctrine and the assistance capacity to boost Soviet influence in salient areas, in a manner that avoids overt confrontation with the Alliance nations. Indeed, the USSR seems to believe that this policy of large-scale inputs contributes to maintaining or consolidating a presence in what are, for Moscow, strategic LDCs. In this context, Soviet interest in promoting a North-South dialogue is debatable, as it might not be in the interest either of Soviet or of COMECON's overall LDC strategy.

TABLE 1

COMMUNIST MILITARY AGREEMENTS AND DELIVERIES TO LESS DEVELOPED COUNTRIES

(Million U.S. dollars)

AGREEMENTS(1)

<u>Year</u> <u>Total(2)</u>	<u>Total</u> <u>23,550</u>	<u>USSR</u> <u>20,890</u>	<u>Eastern</u> <u>Europe</u>	<u>China</u> <u>725</u>
1955-66	5,360	4,515	665	180
1967	680	530	95	55
1968	575	495	55	25
1969	485	360	120	5
1970	1,250	1,135	50	65
1971	1,790	1,590	120	80
1972	1,735	1,505	150	80
1973	2,965	2,810	130	25
1974	3,910	3,505	325	80
1975	2,175	2,005	135	35
1976	2,625	2,450	80	95

DELIVERIES

<u>Total(2)</u>	<u>19,625</u>	<u>17,025</u>	<u>1,760</u>	<u>640</u>
1955-66	4,365	3,590	655	120
1967	555	490	30	35
1968	600	505	65	30
1969	560	450	80	30
1970	1,100	990	80	30
1971	1,045	865	120	60
1972	1,365	1,205	70	90
1973	3,200	3,010	115	75
1974	2,395	2,245	130	20
1975	1,970	1,685	215	70
1976	2,465	2,185	195	85

- (1) includes all agreements for military supplies provided for cash, under credit arrangements, and as grants.  
 (2) because of rounding, components may not add to totals shown.

Note: Military agreements and deliveries are based on Soviet trade prices that usually are quoted in rubles. The data for 1972 and later were revised in 1976 to reflect new prices for some categories of Soviet equipment. The values for 1973-1976 are adjusted for the change in the dollar value of the ruble used in foreign trade transactions.

COMMUNIST MILITARY AGREEMENTS WITH LESS DEVELOPED COUNTRIES, 1955-76

TABLE 2

Million US \$

	Agreements Signed				Equipment Delivered			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Total	23530	20690	1830	725	10625	17225	1760	840
Africa	3695	3295	223	173	2590	2590	210	160
Algeria	860	845	5	10	550	535	5	10
Angola	170	170	negl	0	190	190	negl	0
Benin	5	5	negl	0	negl	negl	negl	0
Botswana	negl	0	0	negl	negl	0	0	negl
Burundi	5	negl	negl	5	negl	negl	negl	negl
Cameroon	5	negl	0	5	5	negl	0	5
Central African Empire	10	10	0	0	5	5	0	0
Chad	5	5	0	0	5	5	0	0
Congo	73	65	negl	10	20	10	negl	10
Equatorial Guinea	5	5	0	negl	5	5	0	negl
Ethiopia	10	5	0	5	5	5	0	0
Gabon	negl	0	0	negl	negl	0	0	negl
Gambia	negl	negl	0	negl	negl	0	0	negl
Ghana	20	10	10	negl	20	10	10	negl
Guinea	65	55	negl	10	65	55	negl	10
Guinea-Bissau	negl	negl	0	0	negl	negl	0	0
Libya	1465	1325	140	0	1250	1120	130	0
Madagascar	5	negl	5	negl	5	negl	5	negl
Maldivé Islands	negl	negl	0	0	negl	negl	0	0
Mali	35	35	0	negl	30	30	0	negl
Mauritania	5	0	5	0	negl	0	negl	0
Morocco	85	73	20	0	50	30	20	0
Mozambique	20	15	0	5	20	15	0	5
Nigeria	115	100	15	0	90	80	10	0
Rwanda	negl	0	0	negl	negl	0	0	negl
Sierra Leone	5	negl	negl	5	5	negl	negl	5
Somalia	305	305	0	negl	273	275	negl	negl
Sudan	105	85	10	10	100	85	10	5

Source: AC/127-WP/516 (SECRET)

(cont)

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COMMUNIST MILITARY AGREEMENTS WITH LESS DEVELOPED COUNTRIES, 1955-76

TABLE 2 (cont)

Million US \$

	Agreements Signed				Equipment Delivered			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Africa(cont)								
Tanzania	160	75	10	75	120	30	10	80
Togo	5	0	0	5	negl	0	0	negl
Tunisia	5	0	0	5	5	0	0	5
Uganda	95	90	5	negl	95	90	5	negl
Zaire	20	0	negl	20	20	0	negl	20
Zambia	20	15	0	5	20	15	0	5
East Asia	1155	890	220	45	1150	885	220	45
Burma	negl	negl	negl	negl	negl	negl	negl	negl
Cambodia	35	10	negl	25	35	10	negl	25
Indonesia	1120	880	220	20	1105	870	215	20
Latin America	535	535	negl	0	170	170	negl	0
Colombia	negl	0	negl	0	negl	0	negl	0
Haiti	negl	0	negl	0	negl	0	negl	0
Peru	535	535	negl	0	179	170	negl	0
Near East & South Asia	18160	16175	1485	500	15340	13580	1325	430
Afghanistan	680	650	30	0	593	570	25	0
Bangladesh	45	45	negl	negl	45	45	negl	negl
Cyprus	20	20	negl	0	20	20	negl	0
Egypt	4410	3945	465	0	4395	3940	450	5
Greece	10	0	10	0	0	0	0	0
India	2550	2355	183	0	1975	1810	165	0
Iran	1325	1325	negl	0	615	615	negl	0
Iraq	4185	3775	403	5	3025	2690	330	5
Lebanon	10	5	5	0	10	5	5	0
Nepal	negl	0	0	negl	negl	0	0	negl
North Yemen	153	115	40	negl	135	95	35	negl
Pakistan	590	70	35	463	463	25	35	405
South Yemen	215	205	10	negl	195	185	10	negl
Sri Lanka	25	15	0	15	25	15	0	15
Syria	3940	3650	290	negl	3810	3570	270	negl

Source: AC/127-WP/516 (SECRET)

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TABLE 3  
Communist Military Technicians in LDCs <sup>1</sup>

	1975						1976					
	Total	USSR and Eastern Europe	Cuba	China	North Korea	Yugo-slavia	Total	USSR and Eastern Europe	Cuba	China	North Korea	Yugo-slavia
Total	10,470	8,220	700	1,205	165	120	21,730	9,080	11,600	825	30	135
Afghanistan	350	350	0	0	0	0	350	350	0	0	0	0
Algeria	650	650	0	0	0	0	650	650	0	0	0	0
Angola	0 <sup>2</sup>	0 <sup>2</sup>	0 <sup>2</sup>	0	0	0	10,480	480	10,000 <sup>3</sup>	0	0	0
Bangladesh	35	35	0	0	0	0	35	35	0	0	0	0
Burundi	10	0	0	10	0	0	10	0	0	10	0	0
Cameroon	20	0	0	20	0	0	50	0	0	50	0	0
Central African Empire	15	15	0	0	0	0	35	35	0	0	0	0
Chad	5	5	0	0	0	0	5	5	0	0	0	0
Congo	80	35 <sup>4</sup>	0 <sup>5</sup>	45	0 <sup>5</sup>	0	100	55	0	45	0 <sup>5</sup>	0
Egypt	215	215	0	0	0	0	190	190 <sup>6</sup>	0	0	0	0
Equatorial Guinea	330	30	200	100	0 <sup>5</sup>	0	330	30	200	100	0 <sup>5</sup>	0
Ethiopia	5	5	0	0	0	0	0	0	0	0	0	0
Guinea	440	75	315	50	0	0	430	75	315	40	0	0
Guinea-Bissau	90	65	25	0	0	0	75	50	25	0	0	0
India	300	300	0	0	0	0	300	300	0	0	0	0
Iran	70	70	0	0	0	0	120	120	0	0	0	0
Iraq	1,040	1,035	0	0	0	5	1,355	1,200	150	0	0	5
Libya	345	345	0	0	0	0	845	845	0	0	0	0
Madagascar	0	0	0	0	0	0	10	10	0	0	0	0
Mali	80	35	0	45	0	0	135	65	0	70	0	0
Morocco	10	10	0	0	0	0	10	10	0	0	0	0
Mozambique	85	25	0 <sup>5</sup>	60	0	0	495	45	350	100	0	0
Nigeria	45	45	0	0	0	0	50	50	0	0	0	0
North Yemen	120	120	0	0	0	0	115	115	0	0	0	0
Pakistan	40	0	0	40	0	0	40	0	0	40	0	0
Peru	35	35	0	0	0	0	35	30	0	5	0	0
Sierra Leone	30	0	20	10	0	0	20	0	20	0	0	0
Somalia	1,050	1,000	50	0	0	0	1,250	1,000	250	0	0	0
South Yemen	410	260	150	0	0	0	695	345	350	0	0	0
Sri Lanka	15	15	0	0	0	0	5	5	0	0	0	0
Sudan	105	80	0	25	0	0	105	80	0	25	0	0
Syria	3,230	3,200	0	0	30	0	2,500	2,500	0	0	0	0
Tanzania	765	55	0 <sup>5</sup>	700	5	5	290	80	0 <sup>5</sup>	200	5	5
Togo	5	0	0	0	5	0	5	0	0	0	5	0
Uganda	100	100	0	0	0	0	315	315	0	0	0	0
Zaire	145	0	0	20	125	0	60	0	0	40	20	0
Zambia	200	10	0	80	0	110	235	10	0	100	0	125

1 Minimum estimates of the number of persons present for a period of one month or more Numbers are rounded to the nearest five  
 2 The 215 Soviet East European technicians and a minimum figure of 10 000 Cuban military personnel in Angola were excluded because Angola was not an established government in 1975  
 3 Estimates of the number of Cubans present have run as high as 16 000  
 4 300 additional Soviet military technicians were in the Congo associated with arms deliveries to Angola  
 5 Number of technicians is not available  
 6 By year's end very few Soviet military advisers remained in Egypt

Source: AC/127-WP/516 (SECRET)

N A T O    S E C R E T

ANNEX to  
AC/127-WP/526

COMMUNIST ECONOMIC AID TO LESS DEVELOPED COUNTRIES

TABLE 4

Million US \$

	Extended				Drawn			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Total <sup>1</sup> .....	22,922	12,105	6,688	4,131	10,706	6,559	2,199	1,949
1954-66 .....	8,046	5,281	1,927	838	3,146	2,246	555	345
1967 .....	480	299	132	50	530	311	117	101
1968 .....	662	379	220	63	504	310	124	70
1969 .....	894	476	401	16	526	353	102	71
1970 .....	1,127	200	196	731	588	385	132	72
1971 .....	2,172	1,126	484	563	795	440	166	189
1972 .....	2,176	654	915	607	827	429	142	257
1973 .....	1,870	709	587	574	899	491	177	231
1974 .....	1,978	807	893	278	1,113	689	186	239
1975 .....	2,037	1,299	435	308	824	484	198	142
1976 .....	1,479	875	496	108	953	422	300	231

<sup>1</sup> Because of rounding, components may not add to totals shown.

Source: AC/127-WP/516 (SECRET)

ANNEX to  
AC/127-WP/526

TABLE 5

Aid Disbursements By Regions  
1976

	USSR		East Europe		China & N. Korea		Total	
	\$ million	%*	\$ million	%*	\$ million	%*	\$ million	%*
Europe and the Middle East	181.9	45	90.9	52	13.6	9	286.4	39
Africa	110.0	27	37.6	21	104.7	67	252.3	34
Asia	90.9	22	29.3	17	36.1	23	156.3	21
Latin America and the Caribbean	23.5	6	17.1	10	1.7	1	42.3	6
World Total	406.3	100	174.9	100	156.1	100	737.3	100

Source: AC/127-WP/517

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TABLE 6

Communist Economic Aid Extended to LDCs, 1976

Million US \$

	<u>Eastern Europe</u>									
	Total USSR		Total Bulgaria		Czecho-slovakia	East Germany	Hungary	Poland	Romania	China
Total <sup>1</sup>	1,479	875	496	NA	135	71	5	35	250	108
<u>Africa</u>	530	376	76	NA	30	11	0	35	NA	78
Algeria	290	290	0	0	0	0	0	0	0	0
Angola	20	10	10	NA	0	10	0	0	0	0
Benin	NA	0	NA	0	0	0	0	0	NA	0
Botswana	NA	0	0	0	0	0	0	0	0	NA
Central African Empire	Negl	Negl	0	0	0	0	0	0	0	NA
Comoro Islands	NA	0	0	0	0	0	0	0	0	NA
Ethiopia	1	0	0	0	0	0	0	0	0	1
Guinea-Bissau	13	13	0	0	0	0	0	0	0	0
Madagascar	22	1	Negl	0	0	Negl	0	0	0	21
Morocco	NA	0	NA	0	NA	0	0	0	0	0
Mozambique	4	3	1	0	0	1	0	0	0	0
Sao Tome and Principe	NA	NA	0	0	0	0	0	0	0	0
Senegal	35	0	35	0	0	0	0	35	0	0
Somalia	4	4	0	0	0	0	0	0	0	0
Tanzania	28	0	0	0	0	0	0	0	0	28
Tunisia	85	55	30	0	30	0	0	0	0	0
Zambia	28	0	0	0	0	0	0	0	0	28
<u>East Asia</u>	5	0	5	0	0	0	0	NA	5	NA
Philippines	5	0	5	0	0	0	0	NA	5	0
Western Samoa	NA	0	0	0	0	0	0	0	0	NA
<u>Latin America</u>	156	NA	155	0	100	50	5	NA	0	1
Bolivia	NA	NA	NA	0	0	0	0	NA	0	0
Brazil	100	0	100	0	100	0	0	0	0	0
Colombia	50	0	50	0	0	50	0	0	0	0
Jamaica	1	0	0	0	0	0	0	0	0	1
Mexico	NA	NA	NA	0	0	NA	0	0	0	0
Peru	NA	NA	0	0	0	0	0	0	0	0
Uruguay	5	0	5	0	0	0	5	0	0	0
Venezuela	NA	NA	0	0	0	0	0	0	0	0
<u>Near East and South Asia</u>	789	499	260	0	5	10	NA	0	245	30
Cyprus	5	0	5	0	5	0	0	0	0	0
Greece	NA	0	NA	0	0	0	0	0	NA	0
Iran	45	0	45	0	0	NA	0	0	45	0
Iraq	150	150	NA	0	0	0	0	0	NA	0
Jordan	25	25	NA	0	0	0	NA	0	0	0
Nepal	NA	NA	0	0	0	0	0	0	0	0
North Yemen	27	0	0	0	0	0	0	0	0	27
Pakistan	10	0	10	0	0	10	0	0	0	0
South Yemen	24	24	0	0	0	0	0	0	0	0
Sri Lanka	3	0	0	0	0	0	0	0	0	3
Syria	300	300	0	0	0	0	0	0	0	0
Turkey	200	0	200	0	0	0	0	0	200	0

<sup>1</sup> Because of rounding components may not add to totals show

Source: AC/127-WP/516 (SECRET)

TABLE 7

Terms Comparison by Major Groups  
(including debt relief)  
(%)

	Grants as a share of total commitments			Grant element of loans		
	1973	1974	1975	1973	1974	1975
DAC countries	66	65	69	63	60	61
OPEC countries	78	58	38	41	39	43
USSR	35	48	35	30	35	55
China	36	34	37	77	80	77

Note: a) Soviet and Chinese financial conditions given in the above Table include aid to Cuba and Vietnam and debt relief. Excluding Vietnam, the share of grants in overall commitment fell sharply in 1973 to 6% and to 11% in 1974 and 1975: this is merely a small percentage of the corresponding DAC ratio. The upturn in the grant element of loans in 1975 is due entirely to debt rescheduling. New development lending in 1975 remained at 35% grant element. Terms last year are believed to have hardened again.

b) Chinese aid, excluding Vietnam, where assistance reportedly consists of grants, is approximately as soft as the DAC average, with the total grant element lower than the DAC average. All Chinese loans are free of interest.

Source: OECD, October 1976

TABLE 8

Financial flows to LDCs as % of GNP

	1972	1973	1974	1975
<u>ODA (Net)</u>				
DAC Countries	0.33	0.30	0.33	0.36
OPEC Countries	0.69	0.52	1.36	1.35
USSR & Eastern Europe	0.08(a)	0.08(a)	0.07(a)	0.04(a)
China	0.13	0.17	0.19	0.16
<u>Total Flows (Net)</u>				
DAC Countries	0.77	0.79	0.82	1.01
OPEP Countries	0.87	0.98	2.57	2.94
USSR & Eastern Europe	0.09(a)	0.09(a)	0.08(a)	0.04(a)
China	0.13	0.17	0.19	0.16

(a) refers to USSR only

Source: OECD, October 1976

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TABLE 9

OPEC Disbursements by Donor, 1974 & 1975

(\$ million)

	Total Concessional		Total Non-Concessional	
	1974	1975	1974	1975
Algeria	42.8	18.7	0.3	9.7
Iran	332.7	485.4	331.8	236.0
Iraq	405.6	224.8	6.0	24.8
Kuwait	274.8	330.5	337.5	816.7
Libya	117.6	165.7	131.5	193.0
Nigeria	9.9	29.7	119.5	168.5
Quatar	86.5	147.0	34.6	33.2
Saudi Arabia	870.0	917.2	628.7	1,097.3
UAE	291.9	403.7	229.0	239.2
Venezuela	56.0	24.9	404.6	412.6
<b>TOTAL</b>	<b>2,487.8</b>	<b>2,747.6</b>	<b>2,223.5</b>	<b>3,231.0</b>

Source: OECD, October 1976

ANNEX to  
AC/127-WP/526

TABLE 10

Number of Soviet Aid Projects  
in Developing Countries(1) by Sector  
(as of January 1976)

	Agreed	Completed
Industry	426	208
Electric power	74	33
Ferrous and non-ferrous metallurgy	38	15
Coal, gas and petroleum-extracting industry	37	18
Chemical, oil refining, petro-chemical industry	26	13
Machine tools and metal-working industry	53	40
Construction material industry	35	10
Light and Food industry	149	67
Agriculture	138	66
Transport and communications	88	58
Geological and mineral explorations	63	28
Education, culture and health	215	129
<b>TOTAL</b>	<b>954</b>	<b>507</b>

Source: OECD, the Aid Programme of the USSR, 1977

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