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THE SINO-SOVIET BLOC ECONOMIC OFFENSIVE 1954 - 1961  
A SUMMARY REVIEW

Note by the Chairman of the Committee of  
Economic Advisers

As agreed in the Council on 22nd February, 1962(1), the Committee of Economic Advisers has prepared the attached report which reviews in broad terms the features of the Sino-Soviet economic offensive in the less-developed countries of the free world for the period 1954-1961. This report is submitted to the Council, which may decide to present it as a reference document for the Ministerial Meeting in Athens on the 4th May, 1962. The subject will also be raised by the Secretary General in his political appraisal. On the basis of the two documents, the Ministers may wish to give further consideration to the risk involved for the West in the economic activities of the Sino-Soviet countries in less-developed parts of the world, and consider possible remedies.

(Signed) F. D. GREGH

OTAN/NATO,  
Paris, XVIe.

(1) C-R(62)8, paragraph 45

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THE SINO-SOVIET BLOC ECONOMIC OFFENSIVE 1954 - 1961  
A SUMMARY REVIEW

Report by the Committee of Economic Advisers

The development of economic relations appears as one of the most important means used by the Sino-Soviet bloc in its overall strategy to enhance its influence in the less-developed countries of the free world. In this respect, Sino-Soviet policy reached an important turning point shortly after the death of Stalin. Since 1954, large-scale economic and military aid has been extended, increased technical assistance has been provided, and trade with the less-developed countries expanded at an impressive rate. Such developments are a reflection of the growing economic strength of the Soviet Union. As they involve risks for the free world, it is felt that NATO has a concern in them.

I. SINO-SOVIET AID PROGRAMMES

2. The amount of Sino-Soviet aid extended to the less-developed countries reached a total of \$6 billion by 1961, of which more than 40% was granted during the last two years. Out of the total, \$4.7 billion were lines of credit for economic assistance; only 22% has been drawn so far, but the rate of drawing is now rapidly gaining momentum.

3. Sino-Soviet aid is still only a fraction of Western assistance, a fact which is sometimes overlooked, both in the non-committed areas and amongst NATO countries. The part of it which has been actually drawn since 1954 represents about one-twentieth of the aid received over the same period from government sources of the free world. However, Sino-Soviet aid to the less-developed countries has been about equal since 1957 to the aid extended by Communist countries to each other: the total amount of credits extended to India, for instance, has been greater than the total amount extended to Communist China; this was the case even before the ideological dispute between Peking and Moscow reached its acute phase.

4. Moreover, quantitative comparisons are misleading, owing to the special features of Sino-Soviet aid. While Western assistance is spread over a large number of countries, that granted by the Sino-Soviet bloc is concentrated on a limited number of them. In the case of Afghanistan, Indonesia, Egypt, Iraq and Cuba, aid promised by the Communist countries during the period 1954-1961 exceeded Western governmental assistance. Soviet credits are granted in large and impressive amounts without describing the projects to be covered. This is left to subsequent negotiations, each round of which gives rise to

publicity and also provides the Sino-Soviet bloc with real influence on the development programmes of the recipient countries.

5. Actual deliveries of military equipment under credits and grants exceed drawings of economic development credits. The latter give priority to the expansion of industry. There have also been spectacular undertakings, intended primarily to impress public opinion in the less-developed areas, apart from their economic value. Although some assistance has been given for projects of limited economic value, such as stadiums, these cases are exceptional.

6. Bloc assistance is granted bilaterally from government to government in the form of tied loans with fairly long terms of repayment (usually 12 years) and low interest rates (usually 2½%); it should be noted, however, that some recipient countries have been displeased to discover that the theoretical advantage of low interest rates is offset by high Russian prices and in some cases by the poor quality of Russian goods. Communist China, which, in spite of domestic difficulties, has considerably increased her aid during recent years, has even extended \$60 million interest-free to Cuba, whose per capita income is about four times higher than her own.

7. Free world foreign aid, which comes from many sources, may have the advantage of flexibility and specialisation over Sino-Soviet aid. On the other hand, it carries the danger of competition and overlapping. Communist assistance is more standardised, and attempts are made to increase its efficiency by better co-ordination. In India, for instance, a special bureau was set up in 1961 to co-ordinate the various Soviet assistance programmes to be implemented under India's third Five-Year Plan.

## II. SINO-SOVIET TECHNICIANS IN THE LESS-DEVELOPED COUNTRIES AND FOREIGN STUDENTS IN COMMUNIST COUNTRIES

8. The number of Sino-Soviet personnel at work in the less-developed countries more than quadrupled from 2,320 by the end of 1957 to 10,230 (of which 1,800 were military advisers) by the end of 1961. The impressive development of science and technical education in the Soviet countries has considerably enhanced their capabilities in providing services abroad. In addition, in the Communist régimes, technicians can be mobilised in substantial numbers at short notice if the need arises. There is no evidence that Sino-Soviet aid personnel are engaged in political propaganda or subversive activities, but they act as economic agents, promoting the utilisation of Communist methods and creating permanent links for providing maintenance and replacement equipment. On the other side of the picture it is certainly true that some newly independent

countries have been disappointed and disillusioned by their actual experience of working with Communist technicians and the Communist aid administrators.

9. The Sino-Soviet bloc has attached growing importance to its educational and training programmes for nationals from less-developed countries. One of the most spectacular developments was the establishment in late 1959 of the "Peoples' Friendship University", later renamed "Patrice Lumumba University" in Moscow, at which it is planned to train annually up to 4,000 Asian, African and Latin American students in various fields. Since 1955, more than 15,000 nationals of these areas have studied in Communist countries; this cumulative total remains well below the number of students from less-developed countries in the United Kingdom during any of the recent academic years. But the Sino-Soviet ventures in this field are recent and three-quarters of these students come from a small number of countries: mainly Egypt, Indonesia, Iraq, Guinea, Syria, India, Afghanistan, Cuba, Ghana, Sudan and Somali. All the students going to the Communist universities are obliged to follow courses in Communist doctrine, in addition to their academic subjects.

### III. SINO-SOVIET TRADE WITH THE LESS-DEVELOPED COUNTRIES

10. By the end of 1961, Sino-Soviet trade with the less-developed countries had increased three and a half times over the 1954 level, representing a faster rate of increase than that of trade with the industrialised West. More than 45% of the former is conducted by European satellites, mainly Czechoslovakia, East Germany and Poland. Its volume, direction and composition result not from the free interplay of competition, but from a deliberate decision taken at government level. While in the West trade is left to free enterprise, which has to take account of market conditions, Communist countries can buy up surpluses of primary products, even when there is no economic case for doing so.

11. The Sino-Soviet share in total trade of all under-developed countries represented in 1961 between 8% and 9%, as against only 3% in 1954. This sharp increase is the result of a double trend: the number of countries having concluded trade and payments agreements with the Sino-Soviet bloc is steadily increasing; at the same time, Sino-Soviet trade has considerably expanded in a limited number of countries. At least six of these countries outside Europe exported to the bloc more than 20% of their total exports: Cuba, Egypt, Guinea, Afghanistan, Syria, Iran; the first four imported from the bloc more than 20% of their total imports.

12. Although the Sino-Soviet bloc has offered expanding markets for the products of the less-developed countries, some of these have experienced sharp fluctuations in their trade with the Communist countries, in particular, Syria, Burma, Ceylon, the Yemen, Argentina and Uruguay. On the other hand, Western countries have encountered price competition from Soviet goods in the less-developed countries. If either for economic or political reasons, the bloc considers it desirable to conquer certain markets, there is nothing to stop it from lowering its prices without being always compelled to take into account production costs.

13. The concentration of purchases on a limited number of commodities in a few selected countries, the conclusion of barter deals and above all the commodity composition of imports point to the presence of political motives in the Sino-Soviet trade drive towards the less-developed areas of the free world. This is more true in the case of the Soviet Union than in that of the European satellites, which are less well endowed with raw material supplies.

#### IV. ASSESSMENT OF THE RISK INVOLVED FOR THE FREE WORLD

14. The assessment of the danger of the economic activities of the Sino-Soviet bloc in the less-developed countries is difficult to make, and it is not surprising that students of this problem hold different views as to the degree of risk involved for the West.

15. Sino-Soviet aid to and trade with the less-developed countries need not necessarily be always damaging to the West. They may, at least in the short run and from a strictly economic point of view, entail gains to some of these countries. Moreover, in some cases contacts which less-developed countries have had with the Sino-Soviet bloc have emphasised the unattractive features of Communist aid and show up Western arrangements favourably by comparison.

16. However, owing to its centralised administration, the Sino-Soviet bloc is well adapted to direct the use of various economic means to foster its declared political design, which is to induce the less-developed countries to break away from the world capitalist economy. The distinction between the various economic activities of the Sino-Soviet bloc in less-developed countries - economic aid, military assistance, technical training and trade - has much less meaning in the Communist context than in the West. In fact, they all constitute complementary aspects of one and the same policy. For instance, economic development credits have initiated an exchange of capital goods for various indigenous products received as subsequent repayment, thus leading to a permanent increase of trade; at the same time, deliveries of arms and military

equipment, in particular in the Middle East, have occasionally paved the way for the establishment of more permanent economic relations.

17. It may be noticed that:

- (i) in one case at least - viz., Cuba - Sino-Soviet support in the form of credits, trade and military assistance has been provided in order to strengthen the economy of a country which had taken a hostile attitude towards the West; the existence of bloc economic activities considerably increases the danger of Communism whenever a less-developed country experiences political unrest and serious economic set-backs;
- (ii) there is no doubt that when trade with the Sino-Soviet bloc exceeds a certain proportion, some countries may develop economic links with the bloc that have to be taken into account in the framing of their foreign policy: Afghanistan may well be in such a situation;
- (iii) economic assistance has occasionally been used - although not always with full success - for exerting pressure on the recipient government to alter its overall political attitude. This happened within the bloc to Yugoslavia, Albania and Communist China. Pakistan has also been openly invited to modify her international policy if she wanted to receive more aid. Recently, the USSR tried to exploit the economic difficulties encountered by Guinea, and the presence of Guinean students in Russia was used as a means of pressure on the Sékou Touré government.

18. By carefully choosing the occasion of its intervention and by adjusting the form of it to special circumstances, the Sino-Soviet bloc may obtain political benefits out of proportion to the amounts involved in economic terms. In general, it would seem that one of the chief dangers of its economic activities lies in providing propaganda for Communist techniques of development at the expense of the development methods of the free world, largely based on free enterprise and the profit motive. The Communist leaders try to convey the impression that the Communist economic system is both a responsible and reliable partner and the most efficient model for the promotion of economic growth to be copied. Countries with a low standard of living may believe that there is a short-cut to prosperity to be taken in applying Communist methods of economic development, even if such a choice implies the sacrifice of highly praised Western values such as individual liberty and freedom of choice.

19. It is hoped that the recent report may be of some use if exchanges of views take place between NATO countries to assess with more precision the danger of the economic activities of the Sino-Soviet bloc in less-developed countries, and consider possible remedies.

ANNEXES

I: Geographical distribution of the Sino-Soviet bloc aid programmes

Bloc credits and grants extended to and bloc technicians present in the less-developed countries of the free world.

Map A - situation at the end of 1957  
Map B - situation at the end of 1961.

II: Sino-Soviet bloc economic and military credits and grants

III: Sources of bloc aid

Sino-Soviet bloc economic credits and grants extended by donor country.  
Sino-Soviet bloc military credits.

IV: Sino-Soviet bloc technical assistance

V: Sino-Soviet bloc trade with the under-developed countries of the free world

GEOGRAPHICAL DISTRIBUTION OF THE SINO-SOVIET

BLOC AID PROGRAMMES

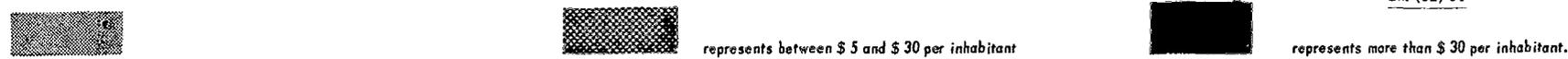
Bloc Credits and Grants extended to and Bloc  
Technicians present in the less-developed Countries  
of the Free World

Map A Situation at the end of 1957

Map B Situation at the end of 1961

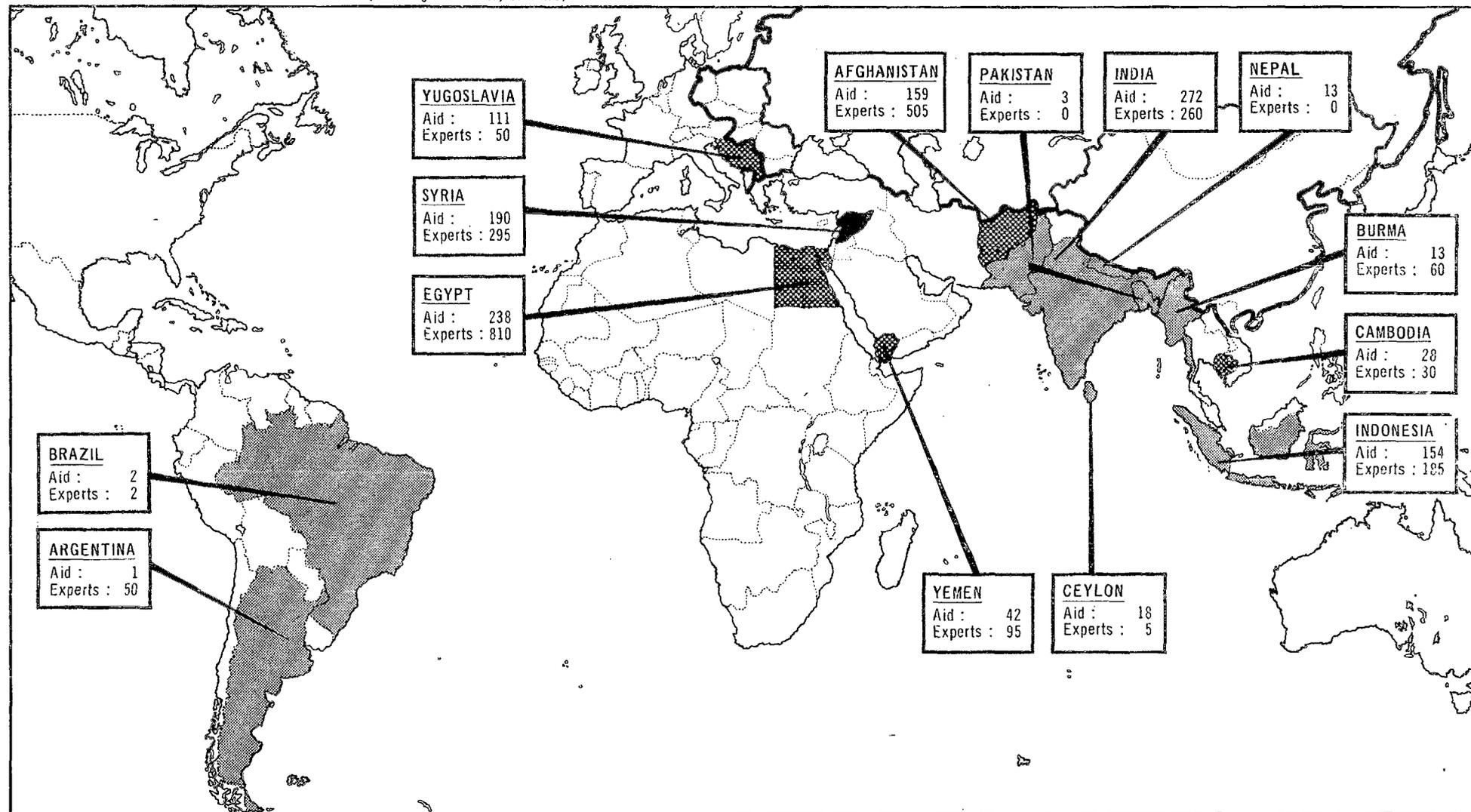
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COUNTRIES IN WHICH TOTAL BLOC AID EXTENDED SINCE 1954 :



A. SITUATION AT THE END OF 1957

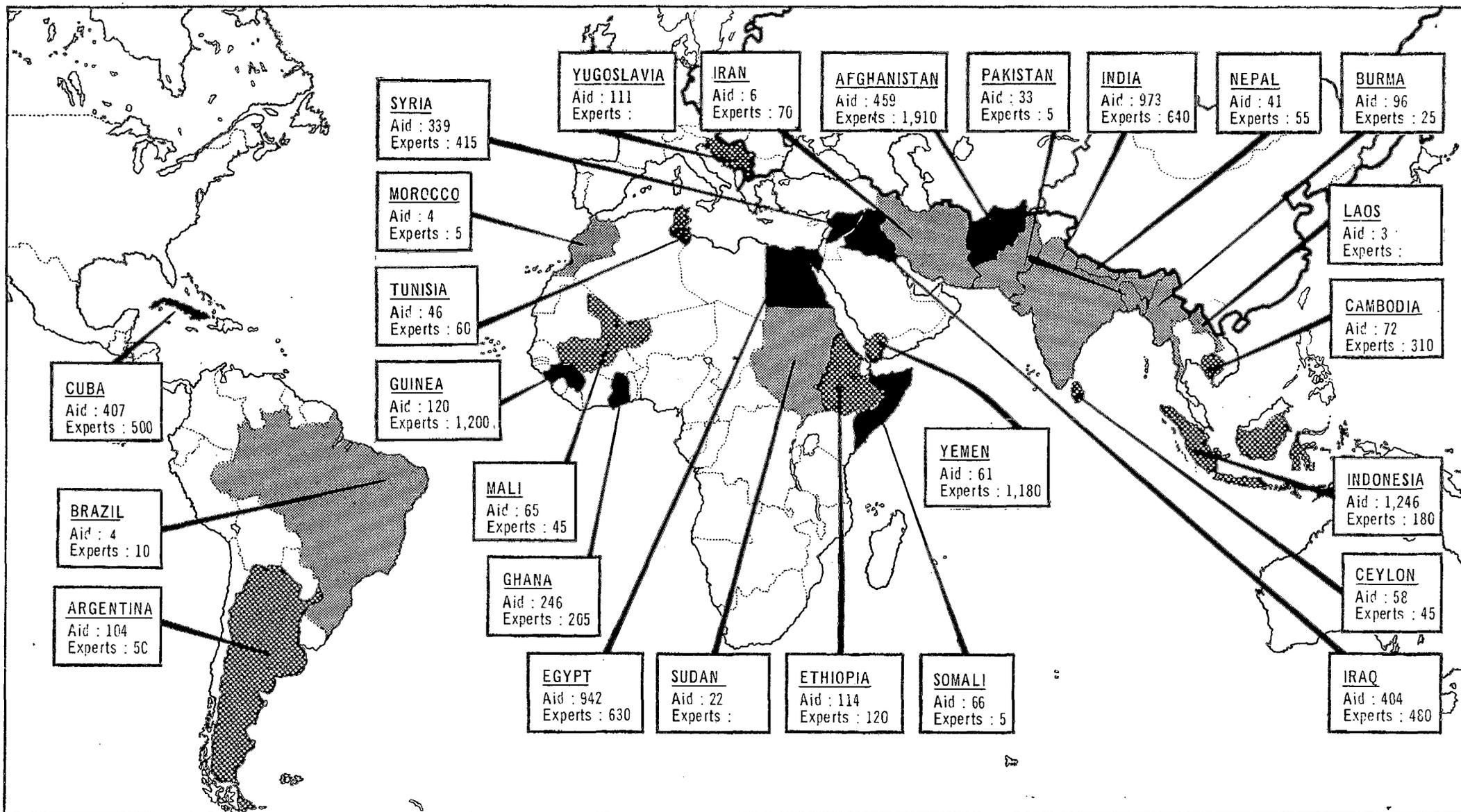
Total Credits and Grants extended : \$ 995 million to 14 countries  
Total number of experts in these countries : 2.320 (including 800 military advisers)



B. SITUATION AT THE END OF 1961

Total Credits and Grants extended : \$ 6.036 million to 26 countries

Total number of experts in these countries : 10.230 (including 1.800 military advisers)



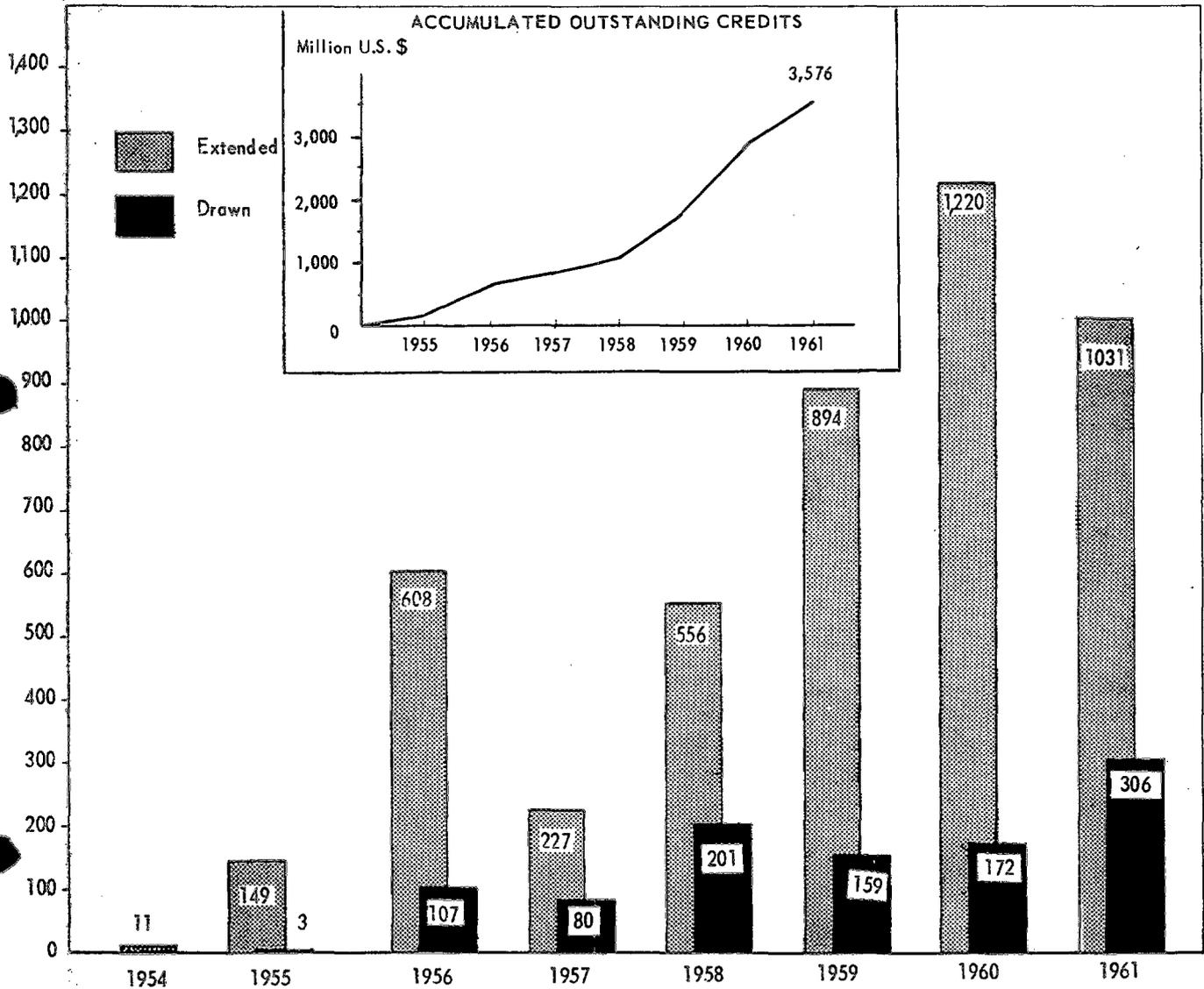
**Aid :** Total bloc credits and grants (economic and military) extended since 1954 in million US \$ up till the end of the relevant year.

**Experts :** Number of bloc civilian and military experts, technicians and labourers in the country for a period of at least one month, excluding personnel solely engaged in diplomatic and trade promotion activities, at 31st December of the relevant year. Figures on bloc experts for 1961 give the situation as at 1st July, 1961. (military personnel excluded)

### SINO-SOVIET BLOC ECONOMIC CREDITS AND GRANTS

Million U.S. \$

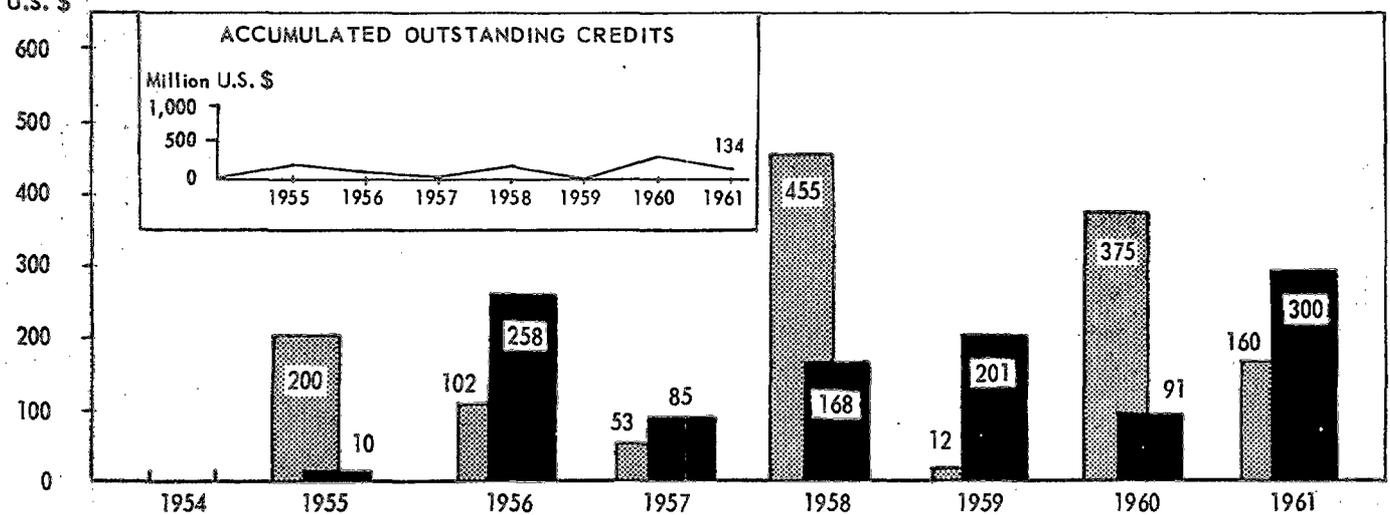
extended to and drawn by underdeveloped countries of the free World year by year from 1954 till 1961 inclusive



### SINO-SOVIET BLOC MILITARY CREDITS AND GRANTS

Million U.S. \$

extended to and drawn by underdeveloped countries of the free World year by year from 1954 till 1961 inclusive



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SOURCES OF BLOC AIDSino-Soviet Bloc Economic Credits and Grants  
extended by Donor Country

(million US \$)

Donor Country	1954 to 1956	1957	1958	1959	1960	1961	Grand Total
Bloc	768.0	227.0	556.0	394.0	1,219.7	1,030.8	4,665.5
<u>USSR</u>	<u>593.4</u>	<u>184.6</u>	<u>399.8</u>	<u>788.4</u>	<u>829.1</u>	<u>606.4</u>	<u>3,401.7</u>
<u>European Satellites</u>	<u>118.7</u>	<u>26.6</u>	<u>111.9</u>	<u>74.4</u>	<u>245.1</u>	<u>288.3</u>	<u>865.0</u>
of which:							
Czechoslovakia	70.6	21.6	31.0	66.2	139.0	67.8	396.2
Poland	22.0	-	39.2	8.2	36.5	100.5	211.4
Hungary	6.8	-	0.9	-	31.4	54.3	93.4
East Germany	17.2	2.3	30.1	-	18.2	5.7	73.6
Roumania	1.0	-	10.7	-	15.0	50.0	76.7
Bulgaria	1.0	2.7	-	-	5.0	5.0	13.7
<u>Communist China</u>	<u>55.9</u>	<u>15.8</u>	<u>44.3</u>	<u>31.2(1)</u>	<u>145.5</u>	<u>133.6</u>	<u>396.3</u>
North Vietnam	-	-	-	-	-	2.5	2.5

Sino-Soviet Bloc Military Credits

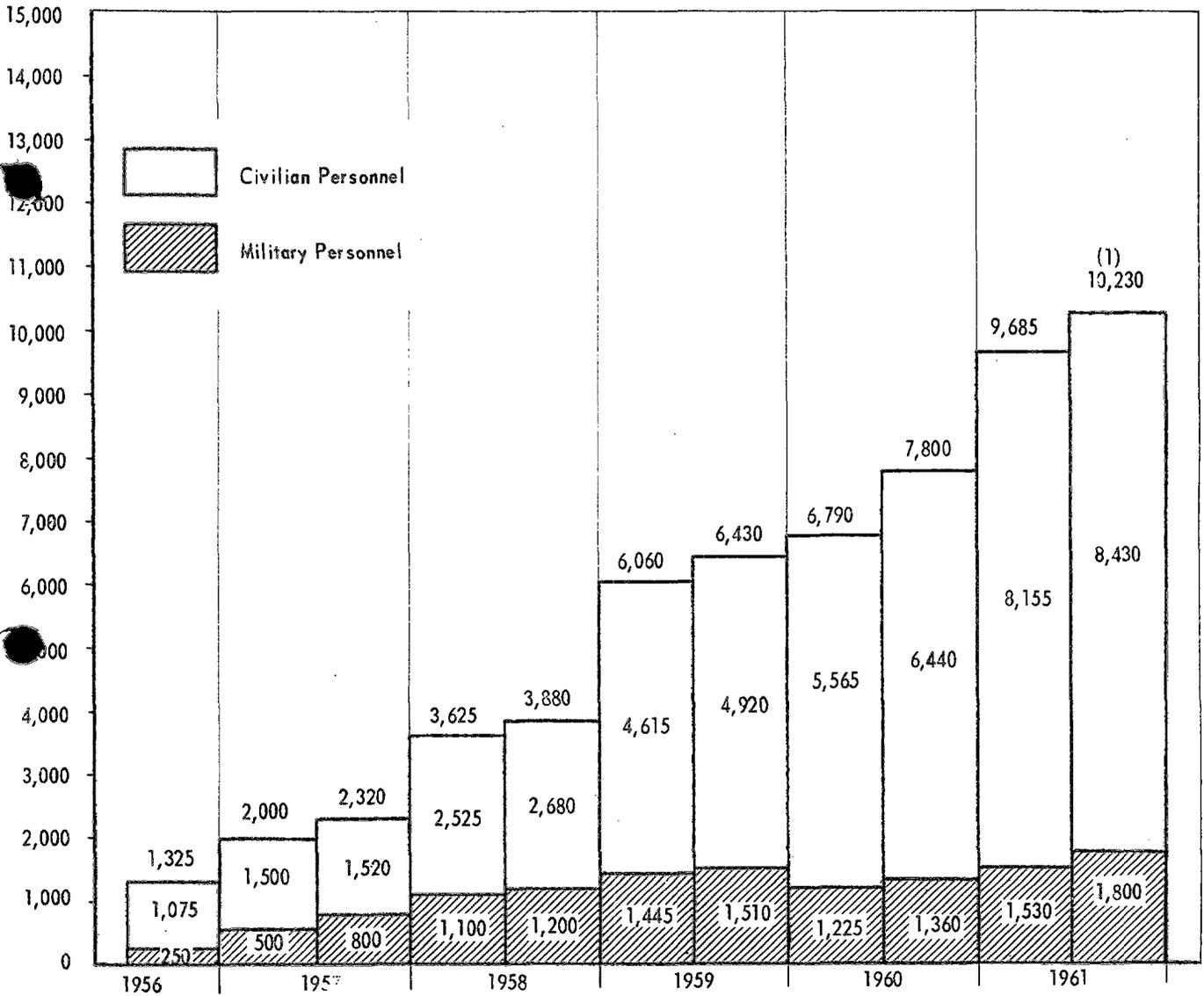
(million US \$)

Donor country	1954-1961	in % of total
Bloc	1,370.4	100
<u>USSR</u>	<u>998.3</u>	<u>73</u>
<u>European satellites</u> of which	<u>372.1</u>	<u>27</u>
Czechoslovakia	263.9	19
Poland	108.2	8
<u>Communist China</u>	<u>0</u>	<u>0</u>

(1) including \$30 million extended in 1959 and cancelled in January 1960.

SINO-SOVIET BLOC TECHNICAL ASSISTANCE

Bloc personnel (Technicians, Experts and Labourers) in underdeveloped countries of the free World outside Europe  
 Minimum estimates on a 6 monthly basis of bloc personnel in underdeveloped countries for a period  
 of at least one month excluding personnel solely engaged in trade promotion

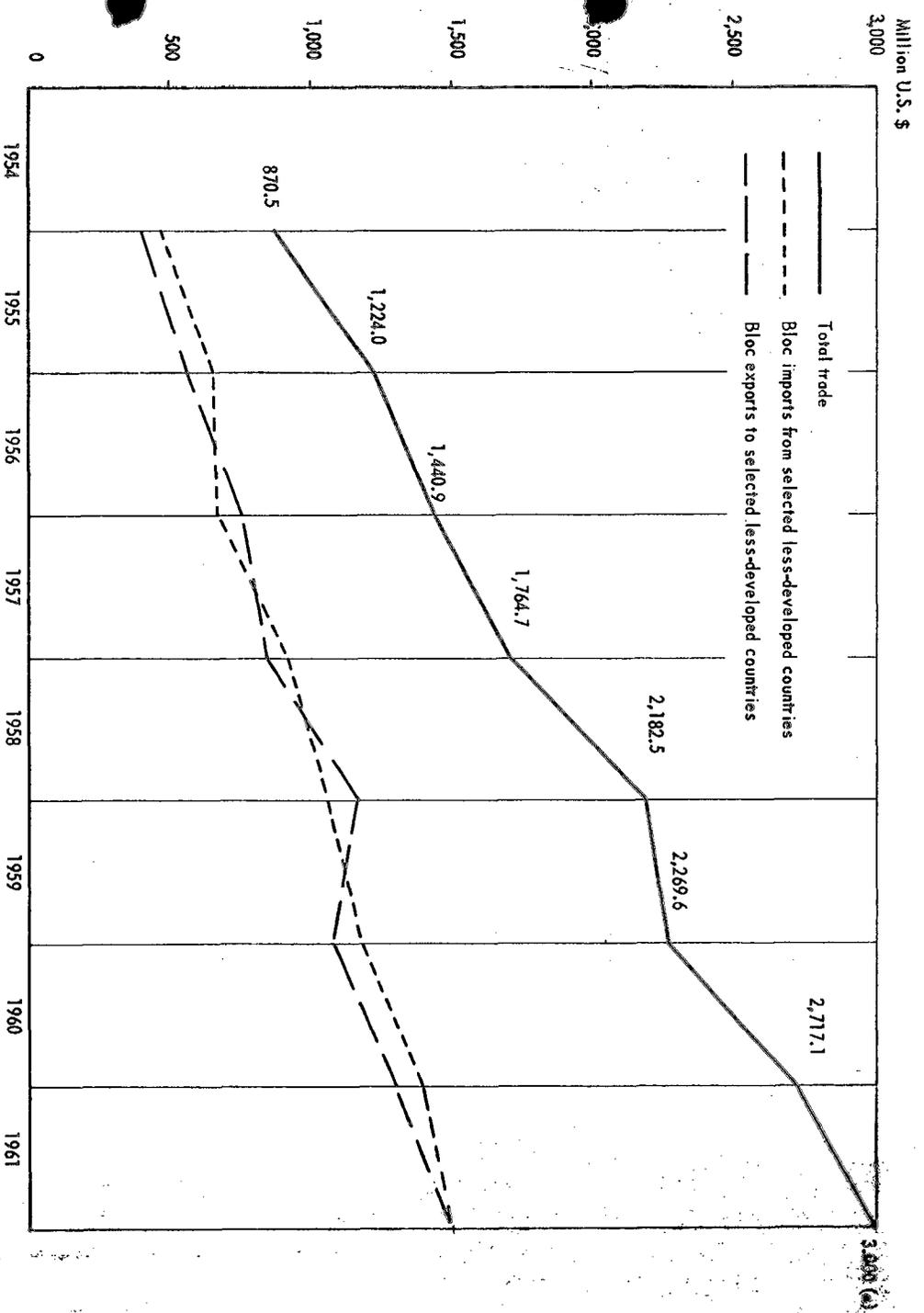


(1) estimate

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SINO-SOVIET BLOC TRADE WITH THE UNDERDEVELOPED COUNTRIES OF THE FREE WORLD

(Annual totals at the end of each year)



(a) estimate