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## Economic Aid Flow from the USSR: A Recount of the First Fifteen Years

Since the inception in 1954 of Soviet economic aid to non-Communist underdeveloped countries, commitments have grown to over \$6 billion and deliveries to \$2.7 billion. Concomitantly an extensive literature on the subject has emerged. Per unit of aid money, the attention paid to the Soviet programs is much greater than for a comparable flow of resources from other countries. Undoubtedly circumstances that go beyond conventional considerations about international capital flows are responsible for this interest. Writers take various approaches, such as the motives of the donor, contract terms, contribution to the development of recipient countries, impact on alignment with bloc politics, and so on. With few exceptions the investigators attempt, one way or another, to estimate the payoffs accruing to the donor from such international transfer of resources. Yet there is no comprehensive record that could serve as a basis for the numerous appraisals and evaluations. Ironically, at the milestone of one and a half decades of Soviet aid activities the "authentic" sources on the subject still use varying figures.

The object of the present survey is to offer a recount of the international economic aid programs of the USSR. Indeed, even at the risk of being too narrow in scope, the study undertakes no more than (1) to enumerate the various Soviet aid projects, (2) to arrange the findings so they will lend themselves to further study, and (3) to offer a brief summary of the possible reasons for the fluctuations in the program.<sup>1</sup>

An attempt to sum up the amounts of international economic aid from the USSR is a difficult task, for the donor government has never published a detailed account of all its programs.<sup>2</sup> Analysts have been compelled to make their own estimates. Presumably most of the large agreements have been reported in official communiqués of the two contracting parties, or at least one of them. Yet this source of information has proved inadequate, for in these reports such important details as the total commitment, description of projects,

1. This writer has had a share in attempting appraisals of economic aid in the mirror of various criteria. See Janos Horvath, "International Grants as Policy Instruments: The Case of the USSR," in *The Grants Economy in an International Perspective*, ed. Kenneth E. Boulding, Janos Horvath, and Martin Pfaff (Belmont, Calif., 1971).

2. In contrast, economic aid projects of the other major donors have been continuously reported by the statistical bureaus of the respective countries, as well as by international organizations such as the United Nations, OECD, Colombo Plan, and so forth.

terms of payment, and delivery dates are often absent, and it is not always clear whether the agreement alluded to has actually been concluded in contractual form or is merely an offer. Consequently the researcher must piece together a picture of the aid program from many scattered sources, mostly by combing through newspapers and reprints of monitored radio broadcasts.

Such a method can lead to the omission of certain items or the double counting of others. For example, although the amount of an aid contract is announced routinely at the time of offer, at later stages—such as the approval of certain blueprints, delivery of some equipment, completion of certain structures—the value of partial drawings is again reported, the amount of which has been added to the foreign aid list just as if it were a new commitment and not listed already. Furthermore, in a few cases the lack of precise separation of military aid from economic aid causes vagueness. No wonder that writers usually caution their readers about the figures currently circulating.<sup>3</sup>

Some observers even suggest that the veil of secrecy and the resultant uncertainty might be welcomed by the Soviet policy-makers. If one of the goals of the economic aid programs is to impress the world with the donor's capabilities, then the Soviet Union would not wish to conceal aid performance. Therefore, the speculation goes, Soviet authorities may choose to withhold publication of foreign aid summaries because those made by Western sources show larger amounts. In any case, the scarcity of exact information has resulted in a tendency to overstate the sum total of aid commitments forthcoming from the USSR.

Afghanistan serves as a case in point. An item-by-item enumeration of the Soviet aid commitments to that country, as shown in table 1, adds up to \$509 million. Yet some sources give a substantially larger sum (\$697 million).<sup>4</sup> Attempts to reconcile the discrepancy lead back to the 1950s. Because of the secrecy at that time, investigators had less opportunity to double-check the information that came their way. Thus some aid projects were counted more than once, but the list on file was never corrected.<sup>5</sup> Regardless of circumstances surrounding the original miscount, an inventory to reconcile accounts at the

3. For example, Joseph S. Berliner, *Soviet Economic Aid* (New York, 1958), p. 193; Marshall I. Goldman, *Soviet Foreign Aid* (New York, 1967), p. ix.

4. See, for example, U.S. Department of State Research Memorandum, RSE-65, Sept. 5, 1969, where it is listed that the USSR has committed to Afghanistan \$697 million in economic aid. See also U.S. Congress Joint Economic Committee, *Soviet Economic Performance: 1966-67* (Washington, D.C., 1968), p. 127 (\$570 million plus \$127 million new commitment during 1968 equals \$697 million).

5. For instance, what appears to be the first case of overstatement resulted from a \$40 million military-aid delivery in 1956 that had not been clearly separated from economic aid in some of the current communications. The second error can be traced back to the addition to the list, on the basis of an IMF (International Monetary Fund) report, of \$125 million that had been incorporated already.

end of the first fifteen years is timely. Recent summaries by other reviewers tend to corroborate the findings of this author.<sup>6</sup>

### *The Extent of Aid Commitments*

No wonder that in various publications there lingers a sense of uncertainty about Soviet aid figures. Yet, in the absence of better alternatives, one author often has drawn upon the estimates of another, thereby lending added authority to the original estimates. The example of Afghanistan plainly demonstrates that any attempt to measure these foreign aid activities needs a firmer base. With this lesson in mind, we embarked on a reconstruction of the volume of programs by summarizing the committed amounts project by project. The undertaking has resulted in a rather elaborate list (see table 1). Figures are given in U.S. dollars to facilitate comparability with international transfers from other donors, although the original announcements by the donor USSR and/or the recipient countries have almost invariably expressed the commitments in dollars also.

We have attempted to specify each item by date reported, project description, and repayment terms. Unfortunately, some of the conditions for repayment are still unavailable for several projects. This inaccessibility might have contributed to the cursory treatment of that aspect of the contract terms in several surveys. It is still customary for writers to repeat the generalization that aid from the USSR is repayable with shipments of raw materials and industrial products from the recipient country, allowing an initial grace period after project completion, with 2.5 percent annual interest. This appears to be an oversimplification. There have been lighter terms, such as the gifts to Afghanistan, Guinea, and Nepal, the thirty-year loans to Afghanistan and Burma, and a longer grace period for the UAR. Heavier terms have also been imposed, such as the eight-year loan at 4 percent interest to Brazil and the 3.6 percent interest charged to Iran. Because of the variation in repayment terms, we have included in table 1 the available information, even though the occasional absence of parallel specifications renders the treatment ununiform.

The findings of this recount, for the sake of tractability, are summarized by year and country in table 2. The summation shows that beginning in 1954 the Soviet Union committed economic aid to underdeveloped countries slowly at first and then with increasing momentum. But the pattern is not uniform. The initial upward trend reached its peak in 1959 with an annual commitment of \$821 million. The lowest point of the subsequent downturn came in 1962 with \$24 million. Then among substantial fluctuations the highest commitment occurred in 1966 with \$1,266 million. This was followed by a steep downturn

6. Goldman, *Soviet Foreign Aid*, pp. 115-23; United Nations, *Statistical Yearbook, 1968*, pp. 693-99.

to \$69 million in 1967 and then a movement toward the annual average in 1968.<sup>7</sup>

The list of thirty-six aid beneficiary countries reveals substantial gaps between the large and small commitments. Of the \$6,083 million, India alone received \$1,588 million, or more than one-fourth. The second largest recipient was the United Arab Republic (Egypt) with \$1,027 million. The next sizable commitments went to Afghanistan (\$509 million), Iran (\$506 million), and Indonesia (\$368 million). They were followed by Pakistan (\$240 million), Syria (\$237 million), Algeria (\$229 million), Turkey (\$210 million), Iraq (\$184 million), and Ethiopia (\$102 million). The potential impact of smaller amounts of assistance—for example, \$92 million to Yemen and \$62 million to Mali—is also substantial when viewed in the context of the recipient country's investment from domestic sources and recent aid received from Western sources.<sup>8</sup>

Table 3 ranks the countries by amounts received, percentage share, and cumulative percentages. These columns show that the first ten countries received over five-sixths (83.8 percent), while the other twenty-six countries received less than one-sixth (16.2 percent) of the total. Also, the ten trailing recipients account for only about one percent of the commitments (\$65 million). At the other end of the scale, three countries (India, the UAR, and Afghanistan) received more than half (\$3,124 million).

Deliveries on aid commitments reveal even more skewed patterns. India, the UAR, and Afghanistan received 51.4 percent of the commitments, but they continue to account for about 70 percent of the deliveries.<sup>9</sup> This concentration in favor of the three leading recipients implies that the other thirty-three countries, with 48.6 percent of the commitments, could draw no more than 30 percent of the actual shipments. Further specification of deliveries can be

7. It appears from the data for 1969, so far unconfirmed, that this year witnessed aid extensions below the average. The sum of commitments, \$399 million, is composed of the following items: (1) Congo (Brazzaville), April 1969, geological survey, hospital, industrial plants (twelve-year loan with 2.5 percent interest, \$12 million); (2) Uganda, August 1969, construction of cotton spinning mill at Lira (\$14 million); (3) Turkey, October 1969, construction of iron and steel works at Iskenderun (fifteen-year loan, 2.5 percent interest, \$263 million); (4) UAR, October 1969, three heavy industrial projects: phosphate plant near Aswan, aluminum plant and iron silicon plant at Helwan (\$110 million). See *International Financial News Survey*, May 16, Oct. 17, Oct. 24, Nov. 14, 1969.

8. In addition to economic aid, the USSR offered to non-Communist underdeveloped countries military aid of approximately \$4.5 billion during the fifteen years under study. According to Western estimates about half of this went to two countries, the UAR and Indonesia, while the full list of recipients includes, in declining order of magnitude, Iraq, India, Syria, Afghanistan, Algeria, Iran, Yemen, Pakistan, Morocco, Somalia, Cyprus, Nigeria, Ghana, Guinea, Cambodia, Uganda, Tanzania, Mali, and Congo (Brazzaville). Nevertheless, this present recount does not incorporate military aid figures, and they are not considered in the subsequent analysis.

9. U.S. Congress Joint Economic Committee, *Soviet Economic Performance: 1966-67*, pp. 125-26.

made on neither a country-by-country nor a contract-by-contract basis, owing to the scarcity of data.

Table 4 shows the long time-lags in the programs. The accumulation of aid commitments passed the billion mark early in 1958, but deliveries did not until the end of 1963. Cumulative deliveries reached \$2.7 billion at the end of 1968, but cumulative commitments had already passed that figure in 1961.

In contrast to the sharp fluctuation in commitments, the pattern of deliveries reveals remarkable stability. When it comes to project implementation, such as the efficient delivery of equipment and the completion of a steel mill or hydroelectric plant, the Russian technicians want to complete the job without delay. In the course of an almost continuous rise, the size of actual deliveries peaked with \$372 million in 1964. Thereafter there was a mild decline, but still the value of annual aid shipments has not fallen below \$300 million. Nevertheless, the actual burden of the overall program has declined substantially since 1964. Because of repayments (installments plus interest) the balance of net outflow has come down to \$125 million during the last two years, an amount less than half of the \$287 million record in 1964.

Another way of putting the Soviet Union's economic aid program into sharper perspective is to compare it with international capital flows from other sources. International organizations, especially the United Nations and the Organization for Economic Cooperation and Development, provide the bases for such a comparison.<sup>10</sup> No comparable data are available for the years before 1956; however, the various summary tables show that during 1956–68 the "net outflow of long-term capital" from sixteen "market economies" to the developing countries exceeded \$102 billion. Of this amount about half represents governmental funds and the other half private investments. During the same period there was a net outflow of economic aid from the USSR of slightly over \$1.8 billion (table 4). Comparison with members of the "market" group reveals that in terms of the magnitude of actual capital outflow, eight countries supplied more than the USSR: United States (\$54.7 billion), France (\$15.3 billion), England (\$9.9 billion), Germany (\$7.8 billion), Japan (\$3.2 billion), Netherlands (\$2.4 billion), Italy (\$2.2 billion), Canada (\$1.9 billion). Countries which trail the USSR are Belgium (\$1.6 billion), Switzerland (\$1.2 billion), and with even smaller amounts, Australia, Austria, Denmark, Norway, Portugal, and Sweden.

To provide a balanced picture of capabilities and global involvements it seems appropriate to outline USSR economic aid to Communist countries as well. In this area, however, there is even less information available. Estimates vary greatly on those items conventionally incorporated into the aid list which

10. United Nations, *Statistical Yearbook, 1968* (New York, 1969), pp. 693–700; OECD, *The Flow of Financial Resources to Less Developed Countries, 1956–1963* (Paris, 1964).

consist of cancelled World War II reparation obligations, release from paying per diem for armed forces, and the transfer of Soviet shares in joint stock companies. Various sources tend to conclude that since 1945 the USSR has granted to Communist countries approximately \$9 billion, mostly delivered, out of which \$4 billion went to Eastern Europe (Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania), \$3 billion to Asia (China, Mongolia, North Korea, and North Vietnam), and \$2 billion to Cuba.<sup>11</sup>

Although the limited scope of this survey must exclude many lively aspects of international relations, still the very fact that we are concerned with the numerical record of economic aid and its fluctuations requires that we register our awareness of one recent important approach to the subject. Under close scrutiny the conventional usage of the word "aid" seems rather ambiguous. Literally, it means the unilateral transfer of resources (i.e., a gift). Thus the grant of convertible currencies with no requirement for compensation in tangibles or intangibles is in fact aid in the strictest sense. But the "grant component" as contrasted with the "exchange component" of a loan might sometimes prove to be insignificant, or even negative. Borrowers benefit from loans, but so do lenders. Without determining the real cost to the lender and the equivalent pure grant accruing to the recipient, we have a less than exact measure of aid.<sup>12</sup> But in light of this measuring technique the grant-equivalent of an aid dollar might vary greatly—it would be "high," for example, in the \$2 million gift to pave Kabul's streets, or in the thirty-year loan to Afghanistan with 2 percent interest and eight years' grace period, but "low" in an eight-year loan at 4 percent interest to Brazil. (By similar reasoning, of course, varying degrees of high and low grant-equivalence can be identified in the flow of funds from the United States and other countries.) Nevertheless, it is still customary to refer to the face value of government-to-government resource flows as aid, and that is the terminology used throughout this study.

### *Fluctuation of Aid Activities*

The sharp fluctuation in annual extensions of Soviet economic aid has led to an even wider range of speculation among observers. Undoubtedly, the

11. *Planovoe khoziaistvo*, June 1961, pp. 74–83; U.S. Congress Joint Economic Committee, *Annual Economic Indicators for the USSR '64* (Washington, D.C., 1964); Janos Horvath, *A Comparative Appraisal of Economic Aid*, University Microfilms 69-9197, pp. 21–22; Goldman, *Soviet Foreign Aid*, pp. 23–59.

12. Recently analysts have attempted to sort out the grant-equivalent of aid by computing the present value of a transfer. See Goran Ohlin, *Foreign Aid Policy Reconsidered* (Paris, 1966); John Pincus, *Economic Aid and International Cost Sharing* (Baltimore, 1965); Martin Pfaff, *The Grants Economy: Unilateral Transfers in the U.S. and Global Economies* (East Lansing, 1968). A general theory of the "grants economy" will first become available in a forthcoming book by Martin Pfaff of the Brookings Institution.

annual trend curves shown in the graph (p. 620) lend themselves to various interpretations. However, the curves depicting cumulative commitments, deliveries, and net outflow of resources may give a different impression—that is, a pattern of considerable continuity. These visual trend lines, in conjunction with the columns of table 4, warrant further explanation.

The annual moderate increase in aid commitments during 1954–58 was followed by a sharp upswing in 1959. The more than 150 percent increase from the \$308 million of 1958 to the \$821 million of 1959 prompted speculation that could be neither verified nor refuted in the short run. Much of it proved to be exaggeration and overreaction typical of East-West relations during those years. The envisioned grandiose and accelerating Soviet campaign did not materialize. Instead aid commitments dropped during the early 1960s, reaching the low figure of \$24 million in 1962. At that time some observers suggested that the Soviet government's disillusionment might result in the scaling down of projects. But then, after repeated ups and downs, an all-time high was reached in 1966, only to be followed by another low level of commitment during 1967.

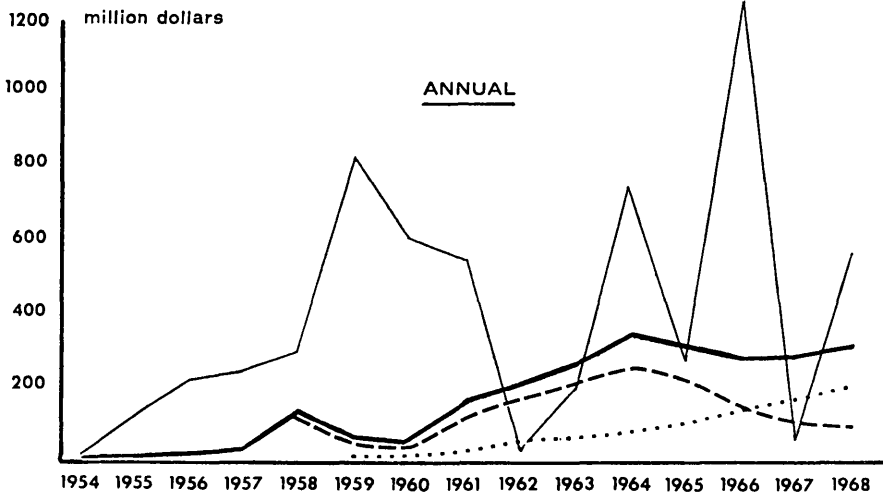
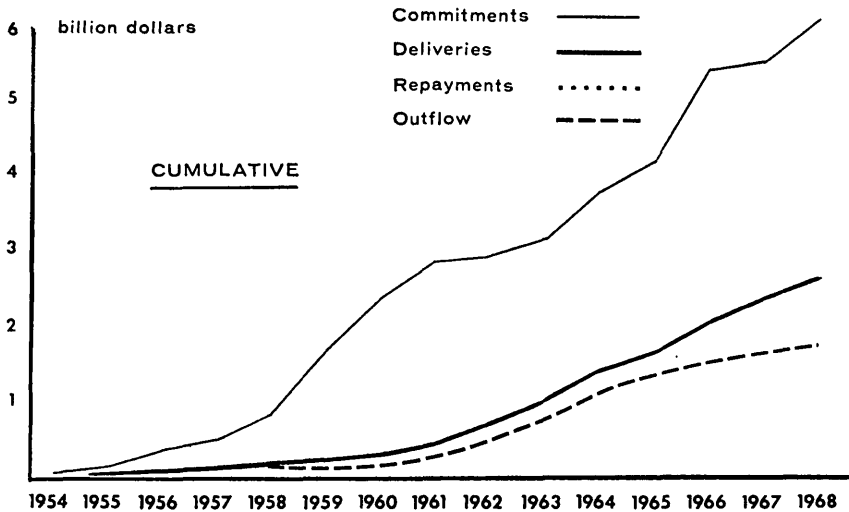
Although many of the hasty conclusions in the West have been mistaken, it is still quite likely that foreign-aid policies are subject to reappraisal in Moscow from time to time. The most salient reasons behind such reappraisals appear to be the following ones: fewer opportunities are available for undertaking sizable new projects; the assistance already promised must be implemented; the economic growth rate of the USSR fluctuates; there is some internal opposition to foreign aid; and occasional doubts arise about political payoffs. Though these considerations overlap, they may be seen as falling generally under two headings—economic and political.

One of the economic explanations for the fluctuation in aid commitments has to do with the limited absorptive capacity of underdeveloped countries. This phenomenon is encountered by all aidgivers occasionally. In many of the least developed countries there are few persons capable of designing, building, and operating projects that use substantial amounts of capital. Economic overhead (transport, power, water supply) and social overhead (schools, hospitals) tend to be overprovided in the economies that have the least absorptive capacity, because technicians from the donor countries find such projects relatively easy to undertake.<sup>13</sup>

The need to implement assistance already promised might not be particularly pressing at any single point of time, yet no policy-maker can ignore

13. I. M. D. Little and J. M. Clifford, *International Aid* (Chicago, 1965), pp. 132–33; Raymond F. Mikesell, *The Economics of Foreign Aid* (Chicago, 1968), pp. 99–104; John H. Adler, *Absorptive Capacity: The Concept and Its Determinants* (Washington, D.C., 1965).

## USSR Economic Aid, 1954-68



it for long. Some sort of balance between obligations and capabilities is a concern in any kind of housekeeping, but it is perhaps more important for the sake of retaining credibility among those to whom promises have been made. There is no indication that the USSR has overextended itself, nevertheless the time-lag between commitments and deliveries appears to be substantially longer than it is for other sources of international capital flow.

Fluctuations in the domestic economic performance of any donor could hardly leave international transfers unaffected. This applies to the dropping off of new aid extensions by the Soviet Union during 1962 and 1963. The decline



in the growth rate was particularly pronounced in the agricultural sector during those years, but the industrial sector also experienced serious difficulties.

Internal opposition in the USSR to foreign aid embraces elements of both economic and political reasoning. No doubt the resources from which aid is given are scarce in the Soviet Union itself and could be applied to developing the economy at home.<sup>14</sup> Russian agriculture, in particular, is still undercapitalized. Also, the Communist allies in Asia—Mongolia, North Korea, North Vietnam, and China prior to the break—need economic development just as urgently as India, Egypt, or Afghanistan. Furthermore, there have been other voices of “internal” opposition, in the sense that they are from within the Communist movement, even though from the orthodox segment of the international family.<sup>15</sup> This opposition had become somewhat blurred by the mid-1960s, when rivalry between the USSR and China for leadership of the world Communist movement had spread into international relations and foreign aid.

Without at least some cursory remarks on the political aspects of aid fluctuations we would run the risk of presenting an unbalanced treatment. Yet the complexity of the task of assessing the political payoffs that result from aid can hardly be exaggerated. To begin with, it is not really clear when Soviet aid results from close political ties or when close political ties are the result of aid. Some countries that receive sizable amounts of Soviet aid have made efforts to emphasize their independence of the donor, even to the extent of suppressing local Communist parties—for example, the UAR, Iraq, Syria, Algeria, Guinea, Ghana, and Indonesia. Extreme examples are Iraq and Indonesia, where Russian aid officials who were engaged in large-scale development programs watched helplessly as the countries reversed their political orientation and began to jail and execute Communists. Another manifestation of independence occurred in 1962 during the Cuban missile crisis. When most Western observers thought of Guinea as a Soviet stronghold, that country denied permission to land Cuba-bound planes at the Soviet-built airport in Conakry. Furthermore, the Soviet ambassador was expelled on charges of interfering in domestic affairs.

14. This attitude is reflected in a remark by a Russian official, who said that while he had been “happy and proud” to see the finest of Soviet electrical equipment in India, on his return home he asked: “Is such equipment common in our factories? Apparently not. Why is this so? See *Plenum Tsentral'nogo komiteta KPSS*, June 24–29, 1959; quoted in Milton Kovner, “Trade and Aid,” *Survey*, August 1962, p. 50.

15. For example, in a series of sharp discussions on matters related to economic aid, the Syrian Communist leader, Khaled Bagdash, disapproved aid to the Nasser government on the ground that “the possibility of a restoration of capitalism is not excluded in Egypt” (*World Marxist Review*, August 1964, pp. 50–58). Expressing similar opposition, Sawaja Sawaja, the Lebanese Communist leader, wrote: “Ideologically, Egyptian Arab socialism is a conglomeration of scientific and utopian socialism, petty-bourgeois ideas, narrow nationalism, religious prejudices and subjective idealism” (*World Marxist Review*, September 1964, pp. 54–63).

Occasionally less conspicuous, though no less thoroughgoing, developments were noticeable. For example, Indonesia, contrary to prevalent impressions, did not orient her national economic system completely along the lines of the Communist model during President Sukarno's tenure. Credit allocations by the Central Bank of Indonesia between the public sector and the private sector of the Indonesian economy reveal a tendency different from the political inclinations of the government. While reliance on the domestic and international Communist forces increased, a monetary policy persisted that strengthened the private sector of the economy—the country's bourgeoisie. Specifically, credit allocations showed a noticeable shift toward private enterprise, while the share of the public sector was shrinking.<sup>16</sup>

In counting the payoffs of aid programs another unwelcome side effect must be mentioned—that is, the resentments sometimes created in neighboring countries. Aid to India and Afghanistan arouses the suspicion of Pakistan, and vice versa. Sudan is jealous of aid to Egypt, and Somalia denounces assistance to Ethiopia, and so on.

In short, the Soviet government, like other donors, has had to realize that acceptance of economic aid does not assure acquiescence to its policies. Feelings of friendship, gratitude, and good will are generated, but their course and continuity are unpredictable. This writer even suspects the emergence of a pattern that might be called the "rebound effect." The sequence of events in a distinctly identifiable group of countries (Algeria, Ceylon, Ghana, Guinea, Indonesia, and Iraq) suggests the recurrent working of such an effect. In their respective aid-history four stages can be discerned. During the first stage of aid inflow the United States generally served as the main donor. The second stage began when the appeal of offers from the USSR and concurrent disillusionment with the United States led to increasing reliance on the newer grantor and declining contacts with the older. The third stage was the complete or near-complete severance of economic ties with the United States and the simultaneous and pronounced reliance on the Soviet Union. This monopolistic position, however, prevailed only in the short run. The fourth stage was a time of "rebound," when the Soviet aid monopoly suddenly halted and there was a subsequent realignment. (The observer might suggest at this point that the second stage also shows a "rebound," away from American aid dominance.) It may seem that the grantees decided to reciprocate with ingratitude instead of gratitude. The resentment rebounds in various ways, such as the removal of a pro-Soviet government (in five of the six countries), broadening of Western

16. Several questions may arise from these findings which invite further investigation: Was Sukarno aware that the bourgeoisie were gaining in relative strength? Did he build up the private sector of the national economy on purpose or did some of his associates connive behind his back? For an analysis of the relevant monetary policy data, see Janos Horvath, "A Note on Economic Trends in Indonesia," *Political Science Quarterly*, December 1969, pp. 638–42.

contacts (four countries), diminution of the local Communists (in all six countries), and so on. Only the extremely cautious and judicious handling of these upheavals by the Soviet government could prevent the severance of even more ties.<sup>17</sup>

Casual observations of this nature indicate that further research is needed in which the joint efforts of economists and political scientists could bring to the surface lessons of broad implication. In any case, the flexibility and dynamism displayed by the USSR, in spite of occasional frustrations, suggest that foreign aid activities have undergone repeated evaluations, on the one hand, and have been regarded as instruments of global strategy, on the other. The subsequent inferences drawn and the policy steps taken by the Soviet government reflect the novel international power game (certainly a "positive-sum-game" for the aid recipient countries) of the 1960s. Policy statements emphasize intimate collaboration with the "third world" leaders, even though some of them might "establish for a time reactionary political regimes and subject Communists . . . to persecution."<sup>18</sup> Some Soviet writers foresaw a new era developing in which "petty bourgeois and even bourgeois leaders of the national liberation movements [would go] over to the position of the working class."<sup>19</sup> Endorsement and praise were offered to "socialism of the national type" and to leaders who advocated noncapitalist methods for the solution of national problems and declared their intention to build socialism.<sup>20</sup> This new approach seems to be far from the dogmatist attitudes of the early 1950s, when, for example, Gandhi was referred to as a bourgeois nationalist and India was called a British colony.

Western Sovietologists discern several reasons for the Soviet government's perseverance in extending large sums of aid:

(1) In the realm of foreign trade definite gains have been realized. From 1955 to 1966, a period for which accurate data are available, exports from the USSR to the underdeveloped countries of Asia, Africa, and Latin America increased from \$88 million to \$1,300 million.<sup>21</sup>

17. Here follows a recent illustration: "Indonesia [postpones] repayment of the first installment in respect of its long-term debts to the USSR [equivalent to \$785 million, which includes both economic and military aid] from April 1, 1969 to April 1, 1970. . . . With regard to projects financed with Soviet credits, the two Governments have agreed to continue with the establishment of the Faculty of Oceanography at Ambon and the highway project in Kalimantan but to postpone construction of the Tjilegon steel mill project and the Tjilatjap superphosphate project." *International Financial News Survey*, May 31, 1969, pp. 182-83.

18. Letter from the Central Committee of the CPSU to the Central Committee of the Chinese Communist Party, *Pravda*, April 3, 1963.

19. Articles by K. Ostrovitianov and V. Tiagunenko in *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, 1964, no. 4, pp. 116-31, and no. 6, pp. 62-81.

20. Interview with Premier Khrushchev, *Pravda*, Dec. 22, 1963.

21. United Nations, *Yearbook of International Trade Statistics, 1966* (New York, 1967), pp. 26, 824-34.

(2) Many of the aid recipient countries have instituted reforms in their national economic organization that have strengthened the government at the expense of the private sector. In fact, governmental participation in the national economy tends to be more pronounced in the group of Soviet aid recipient countries than in a control group of countries that received no Soviet aid while American aid was forthcoming.<sup>22</sup>

(3) Economic aid provided the USSR with a substantial leverage in international affairs and created favorable publicity to advance its global aims. Examples are the aid offers to Greece, Turkey, Iran, and Pakistan in the hope of weakening the Western alliance, and the coincidence of a record amount of aid commitments during 1966 before the Algerian Conference of Afro-Asian nations, where the USSR hoped to participate in the face of Chinese opposition.

(4) In Marshall Goldman's words, "the Russians seem caught up in what might be called the 'quicksand' effect. Once they begin an aid program it is not easy to withdraw." After having committed more than \$500 million to the UAR by 1960, the donor apparently felt forced to extend an additional \$500 million during the decade: "To do otherwise might have jeopardized the positive political effects of all Soviet aid in the past."<sup>23</sup>

(5) In the global power struggle for influence the USSR might not wish to leave the arena and allow the United States to assert a position of monopoly. Accordingly, the availability of Soviet aid provides countries with more bargaining power to underscore independence in their economic and political contacts with the West.<sup>24</sup>

(6) In the competition with China the Soviet Union might want to use the advantage she has in being able to win favor with the use of economic aid. As Goldman has said, "Just as countries in the past have successfully played the United States off against the Soviet Union, now they are playing the Soviet Union off against China."<sup>25</sup>

### *Concluding Remarks*

The complexities of international operations warrant their appraisal from time to time. In order to facilitate the evaluation of economic aid programs from the USSR, this paper provides some of the prerequisites for a balance sheet that would include motives, achievements, payoffs, and so forth. At present, focusing on the volume of commitments and deliveries in juxtaposition with the underlying reasons for fluctuations, this review confirms two prevalent

22. *A Comparative Appraisal of Economic Aid*, pp. 96-140.

23. Marshall I. Goldman, "A Balance Sheet of Soviet Foreign Aid," *Foreign Affairs*, January 1965, p. 360.

24. Albert O. Hirschman, "The Stability of Neutralism: A Geometrical Note," *American Economic Review*, March 1964, pp. 94-100.

25. Goldman, "A Balance Sheet of Soviet Foreign Aid," p. 360.

hypotheses. First, the efficiency of Soviet foreign aid per monetary unit tends to be very high. With less than 2 percent of the total shipments from the group of industrially advanced to the group of underdeveloped countries, the USSR is preceded by eight other donors, but in matters of publicity she is second to none. But the high leverage of Soviet economic aid seems to be effective more in the short run than for any long periods of time. Second, the USSR possesses no patent for success in foreign aid. The good will that initially accompanied contact occasionally has undergone a cooling off to the extent of an actual rebound of bad will.

The elements of these findings will certainly change. Still, notwithstanding possible fluctuations in capabilities and priorities inside the donor countries, unilateral transfer as another manifestation of "ambition explosion" and "expectation explosion" has become part of the operational tool kit of international relations.

Table 1. *USSR Economic Aid Commitments to Non-Communist Underdeveloped Countries, 1954-68* (in millions of U.S. dollars)

Country and Date Reported	Project Description and Conditions	Amount
<i>Afghanistan</i>		
1954 January	Grain elevators, flour mills, mechanized bakeries (eight-year loan, 3 percent interest)	4
1954 October	Road building equipment and paving Kabul's street	2
1956 January	Automobile repair shop, oil storage tanks, airports, highway, port, irrigation canal, hydroelectric plants (thirty-year loan, 2 percent interest, eight-year grace period for repayment after delivery of equipment)	100
1957 July	Geological survey for oil and gas, plus equipment	15
1961 October	Nitrate fertilizer plant, thermal power plant, home construction factory, equipment for state farms, film studio, technical institute, oil refinery (loan, 2.5 percent interest)	81
1961 October	Additional loan for completion of projects announced earlier	116
1962 May	New loan to complete projects	20
1964 June	Exploration of natural gas deposits (loan, 2.5 percent interest, repayable in gas from the project itself)	39
1967 August	Completion of irrigation projects	5
1968 October	Projects of the Afghan Third Five-Year Plan (loan)	127
	TOTAL	509
<i>Algeria</i>		
1963 July	Technical assistance projects (grant)	1
1963 August	Tractors, repair shops, experimental farms, aluminum and glass plants, textile and petroleum research institutes (fifteen-year loan)	100
1964 May	Steel mill at Bône, oil and gas institute, textile institute, vocational schools, agricultural machinery (loan)	128
	TOTAL	229
<i>Argentina</i>		
1958 August	Oil drilling equipment, heavy electrical material, road building machinery, railway wagons and engines (loan)	100

Table 1—Continued

Country and Date Reported	Project Description and Conditions	Amount
<i>Brazil</i>		
1966 August	Industrial equipment (eight-year loan, 4 percent interest)	100
<i>Burma</i>		
1955 October	Technological institute, hotel, hospital (reciprocal gift)	10
1962 August	Construction of reservoir and supply of equipment (thirty-year loan)	4
	TOTAL	14
<i>Cambodia</i>		
1957 October	Hospital, technological institute (gift)	6
1963 May	Dam and power station on River Camachai (loan)	12
	TOTAL	18
<i>Ceylon</i>		
1958 February	Hydropower and irrigation projects, fisheries, industrial plants (loan, 2.5 percent interest)	30
1965 March	Fisheries harbor, fishing gear (ten-year loan)	11
	TOTAL	41
<i>Chile</i>		
1967 October	Machinery and equipment (eight-year loan, 3 percent interest)	55
<i>Colombia</i>		
1968 April	Trolley buses (eight-year loan, 3 percent interest)	2
<i>Congo (Brazzaville)</i>		
1966 August	Hydroelectric station, hotel, geological survey, various factories (twelve-year loan, 2.5 percent interest)	9
<i>Ethiopia</i>		
1959 May	Construction of a technical school (gift)	2
1959 July	Oil refinery, gold ore processing plant, geological surveys, metallurgical plant (loan)	100
	TOTAL	102
<i>Ghana</i>		
1960 August	Geological survey, industrial plants, machinery (loan)	41
1961 April	Shipyard, tractor assembly, housing development (loan)	42
	TOTAL	83
<i>Guinea</i>		
1959 August	Technical institute, state rice farm, sports stadium, reconstruction of airport and railroad (loan)	35
1960 March	River development, several industrial projects (loan)	35
1960 March	Radio station, hospital (gift)	8
	TOTAL	78
<i>Iceland</i>		
1958 July	Financing twelve fishing vessels from East Germany (twelve-year loan, 2.5 percent interest)	3

Table 1—Continued

Country and Date Reported	Project Description and Conditions	Amount
<i>India</i>		
1955 February	Steel mill at Bhilai (twelve-year loan, 2.5 percent interest, one-year grace period after completion)	136
1957 November	Multipurpose: machinery plant, glass factory, mining explorations, power station	125
1959 May	Drug factories	20
1959 September	Multipurpose: expansion of steel mill, power station, machinery plants, oil exploration	375
1959 September	Oil refinery	25
1961 February	Multipurpose: Hydroelectric stations, oil refinery, oil explorations	125
1965 January	Bokaro steel mill (twelve-year loan, 2.5 percent interest, grace period)	211
1966 July	\$333 multipurpose: industrial and agricultural projects; \$222 trade credits	555
1966 November	200,000 tons of wheat and equipment for five state farms (gift)	16
	<b>TOTAL</b>	<b>1,588</b>
<i>Indonesia</i>		
1956 September	Metallurgical works, superphosphate factory, mining equipment (twelve-year loan, 2.5 percent interest)	100
1959 June	Sports stadium, navigational school (twelve-year loan, 2.5 percent interest)	18
1960 February	Steel, chemical, atomic energy establishments, agricultural equipment (twelve-year loan, 2.5 percent interest)	250
	<b>TOTAL</b>	<b>368</b>
<i>Iran</i>		
1963 August	Construction of dam, grain silos, steel mill (loan, 3.6 percent interest)	39
1966 November	Steel mill, gas pipeline, machine building plant (twelve-year loan, 2.5 percent interest, grace period)	289
1968 April	Selected industrial facilities, gas pipeline	178
	<b>TOTAL</b>	<b>506</b>
<i>Iraq</i>		
1959 March	Steel mill, fertilizer plant, glass factory, textile mill, railway expansion, shipyard, telephone exchange, geological survey (twelve-year loan, 2.5 percent interest)	139
1960 October	Major rehabilitation of Basra-Baghdad railway (twelve-year loan)	45
	<b>TOTAL</b>	<b>184</b>
<i>Kenya</i>		
1964 May	Hospital, technical college, textile mill, fish cannery, fruit processing factory, sugar mill, radio station	3
<i>Laos</i>		
1963 April	Dam construction on River Nam Nhiap (loan)	4
1964 August	Hospital and radio station (gift)	1
	<b>TOTAL</b>	<b>5</b>

Table 1—Continued

Country and Date Reported	Project Description and Conditions	Amount
<i>Mali</i>		
1961 March	Mineral prospecting, cement plant, connecting rail line, aircraft, training center, stadium (loan)	55
1965 January	Cement plants (loan)	6
1966 August	Training center	1
	TOTAL	62
<i>Mauritania</i>		
1967 August	Industrial plants (loan)	3
<i>Morocco</i>		
1966 October	Dam on Dra River, mineral exploration, metal processing plant, vocational training center (loan)	42
<i>Nepal</i>		
1959 April	Hydroelectric power station, sugar factory, cigarette factory, hospital (grant)	7
1960 May	Hydroelectric dam, cigarette and sugar factories (\$4 million grant, \$3 million loan)	7
	TOTAL	14
<i>Pakistan</i>		
1961 March	Oil exploration (twelve-year loan, 2.5 percent interest)	30
1965 February	Various industrial projects (loan)	60
1966 September	Electrical and mechanical equipment (loan, 2.5 percent interest: 25 percent repayable in twelve years, 75 percent in ten years, out of which 40 percent in convertible currencies and 60 percent through Pakistani exports)	84
1968 July	Industrial equipment (loan)	66
	TOTAL	240
<i>Senegal</i>		
1964 December	Industrial projects (loan)	7
<i>Somalia</i>		
1961 June	Hydroelectric complex, water well drilling, tractor assembly (loan)	52
<i>Sudan</i>		
1961 November	Grain elevators, canning factories, asbestos cement plant, agricultural research station, cotton selection station (loan)	22
<i>Syria</i>		
1957 October	Geophysical surveys, river development, electrification, railway construction, fertilizer plant (loan)	87
1966 April	Euphrates Dam at Tabaqa (twelve-year loan, 2.5 percent interest, grace period)	150
	TOTAL	237
<i>Tanzania</i>		
1966 June	Technical college, telephone network, fisheries, cold storage, milk processing plants, cement factory, geological and hydroelectric survey (loan)	20
<i>Tunisia</i>		
1961 August	Irrigation dams, technical institute (loan)	29



Table 1—Continued

Country and Date Reported	Project Description and Conditions	Amount
<i>Turkey</i>		
1961 August	Textile mills, glass factory, transport equipment	10
1964 April	Arpa Chai River dam, and steel, aluminum, petroleum, sulphuric acid, glass, vodka plants (fifteen-year loan, 2.5 percent interest)	200
	TOTAL	210
<i>UAR (Egypt)</i>		
1958 January	Geological survey, petroleum refinery, metallurgical and engineering equipment, textile plants (loan)	175
1959 January	Construction of first stage of Aswan Dam (loan)	100
1960 August	Second stage of Aswan Dam (twelve-year loan, 2.5 percent interest, grace period)	225
1963 June	Equipment for electric power lines (twelve-year loan, 2.5 percent interest, repayment begins in 1970)	44
1964 May	Aswan Dam and industrial projects	277
1968 January	Oil exploration in Sirveh	46
1968 March	Steel complex at Helwan	160
	TOTAL	1,027
<i>Uganda</i>		
1964 December	Agricultural institute, tractors, and textile, dairy, and cold storage plants (loan)	15
1968 March	Cotton spinning mill	8
	TOTAL	23
<i>Yemen</i>		
1956 January	Geological survey, road building, port development, communications facilities (loan)	20
1964 March	Road construction, cement factory, fish cannery, hospital, schools	72
	TOTAL	92
<i>Zambia</i>		
1967 October	Machinery and equipment (loan)	6

Sources: United Nations, *International Flow of Long-Term Capital and Official Donations, 1951-1959* (New York, 1961); United Nations, *Statistical Yearbook, 1968* (New York, 1969); International Monetary Fund, *International Financial News Survey* (Washington, D.C.); Marcello Caiola, "Balance of Payments of the USSR, 1955-58," *IMF Staff Papers*, March 1962; Marcello Caiola, "Balance of Payments of the USSR, 1959-60," *IMF Staff Papers*, July 1963; OECD, *The Flow of Financial Resources to Less Developed Countries, 1956-1963* (Paris, 1964); *Den'gi i kredit*, 1962, no. 6 (Moscow); V. Rimalov, *Economic Cooperation Between the Union of Soviet Socialist Republics and Underdeveloped Countries* (Moscow, 1962); *Vneshniaia torgovlia Soiuzu SSR, 1949-1963* (Moscow, 1964); R. G. Iskandrov, *K voprosu o pomoshchi slaborazvitym stranam* (Moscow, 1960); *International Affairs*, 1954-69 (Moscow); *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, 1958-69 (Moscow); *The Times of India*, January 26, 1965; Joseph Berliner, *Soviet Economic Aid* (New York, 1958); Marshall I. Goldman, *Soviet Foreign Aid* (New York, 1967); Charles Wolf, Jr., *Foreign Aid: Theory and Practice in Southern Asia* (Princeton, 1960); U.S. Congress Joint Economic Committee, *Annual Economic Indicators for the USSR '64* (Washington, D.C., 1964), and *Soviet Economic Performance: 1966-67* (Washington, D.C., 1968); U.S. Department of State, Research Memoranda RSE-65, September 5, 1969; RSE-120, August 14, 1968; RSB-80, July 21, 1967; RSB-173, November 14, 1962.

Table 2. Annual Record of USSR Economic Aid Commitments to Non-Communist Underdeveloped Countries, 1954-68 (in millions of U.S. dollars)

Country	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	Total
<i>Asia:</i>																
Afghanistan	6	10	100	15				197	20		39			5	127	509
Burma				6					4							14
Cambodia										12						18
Ceylon					30											41
India	136	125	100	125		420	125					11	571			1,588
Indonesia					18	250						211				368
Laos										4						5
Nepal				7			7				1					14
Pakistan								30				60	84		66	240
																(2,797)
<i>Middle East:</i>																
Iran						139	45			39			289		178	506
Iraq																184
Syria				87									150			237
Turkey								10		44	200					210
UAR (Egypt)			20		175	100	225			277	72				206	1,027
Yemen																92
																(2,256)
<i>Africa:</i>																
Algeria										101	128					229
Congo (Brazzaville)													9			9
Ethiopia						102	41	42								102
Ghana						35	43									83
Guinea																78
Kenya										3						3
Mali								55				6	1			62
Mauritania														3		3
Morocco													42	3		42
Senegal										7						7
Somalia								52								52
Sudan								22					20			22
Tanzania																20
Tunisia								29								29
Uganda										15						23
Zambia														6		6
																(770)
<i>Latin America:</i>																
Argentina					100								100			100
Brazil														55		100
Chile																55
Colombia															2	2
																(257)
<i>Europe:</i>																
Iceland					3											3
TOTAL	6	146	220	233	308	821	611	562	24	200	742	288	1,266	67	587	6,083

Source: Table 1.

Table 3. *Ranking of Recipients of USSR Economic Aid During 1954-68*

Country	Amount Committed (in millions of dollars)	Percentage of Total	Cumulative Percentage
India	1,588	26.106	26.106
UAR	1,027	16.883	42.989
Afghanistan	509	8.368	51.357
Iran	506	8.318	59.675
Indonesia	368	6.050	65.725
Pakistan	240	3.945	69.670
Syria	237	3.896	73.566
Algeria	229	3.765	77.331
Turkey	210	3.452	80.783
Iraq	184	3.025	83.808
Ethiopia	102	1.677	85.485
Argentina	100	1.644	87.129
Brazil	100	1.644	88.773
Yemen	92	1.512	90.285
Ghana	83	1.364	91.649
Guinea	78	1.282	92.931
Mali	62	1.019	93.950
Chile	55	0.904	94.854
Somalia	52	0.855	95.709
Morocco	42	0.690	96.399
Ceylon	41	0.674	97.073
Tunisia	29	0.477	97.550
Uganda	23	0.378	97.928
Sudan	22	0.362	98.290
Tanzania	20	0.329	98.619
Cambodia	18	0.296	98.915
Burma	14	0.230	99.145
Nepal	14	0.230	99.375
Congo (Brazzaville)	9	0.148	99.523
Senegal	7	0.115	99.638
Zambia	6	0.099	99.737
Laos	5	0.082	99.819
Iceland	3	0.049	99.868
Kenya	3	0.049	99.917
Mauritania	3	0.049	99.966
Colombia	2	0.033	99.999
TOTAL	6,083		

Source: Tables 1 and 2.

Table 4. *Economic Aid from the USSR: Commitments, Deliveries, and Repayments in Annual and Cumulative Numbers, 1954-68 (in millions of U.S. dollars)*

Year	Annual				Cumulative			
	Commitments	Deliveries	Repayments	Outflow (net)	Commitments	Deliveries	Outflow (total)	Percentage Delivered
1954	6	2	—	2	6	2	2	33.3
1955	146	8	—	8	152	10	10	6.6
1956	220	20	—	20	372	30	30	8.1
1957	233	40	—	40	605	70	70	11.6
1958	308	140	—	140	913	210	210	23.0
1959	821	87	10	77	1,734	297	287	17.1
1960	611	86	25	61	2,345	383	348	16.3
1961	562	174	30	144	2,907	557	492	19.2
1962	24	228	40	188	2,931	785	680	26.8
1963	200	276	60	216	3,131	1,061	896	33.9
1964	742	372	85	287	3,873	1,433	1,183	37.0
1965	288	339	110	229	4,161	1,772	1,412	42.6
1966	1,266	300	145	155	5,427	2,072	1,567	38.1
1967	69	300	175	125	5,496	2,372	1,692	43.2
1968	587	330	205	125	6,083	2,702	1,817	44.4
TOTAL	6,083	2,702	885	1,817				

Sources: Tables 1 and 2; also U.S. Congress Joint Economic Committee, *Soviet Economic Performance: 1966-67* (Washington, D.C., 1968), pp. 124-28, and U.S. Department of State, Research Memorandum RSE-65, Sept. 5, 1969.