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Aan Zijne Excellentie Prof. Dr. J.E. de QUAY
Minister-President

Plein 1813 no. 4

's-GRAVENHAGE.

USSR

GEHEIMUSSR CHANGES IN POLICY ON GRANT AID

The USSR, competing directly with Western aid in underdeveloped areas, has relaxed its policy against grants.

Moscow's foreign aid program has been limited primarily to repayable loans and credits. While it has extended about \$ 20,000,000 in the past two years in emergency food shipments and gifts of humanitarian enterprises such as hospitals, Moscow until May of this year resisted the extension of grants as part of its economic development aid program.

The USSR apparently was induced to extend its first major grant to Afghanistan - for a road project valued at \$ 80,000,000 by the USSR - to ensure the primacy of its position in that country. Afghan refusal in late 1957 to accept additional loans from either the West or the bloc had been followed by American grants of \$ 18,000,000 for road building in mid-1958 and of \$ 12,000,000 for civil air development in May.

The USSR is not expected in the near future to increase the role of grants significantly but probably will seek to expand aid loans. Low-interest loans, propagan-
dized as "without strings", frequently are repayable in surplus products and nonconvertible currency and consequently will continue to be attractive to underdeveloped areas.

Moscow's promotion of loans rather than grants stems from its desire to strengthen long-term economic ties maintained not only during the expenditure of the loan, but during the period of repayment. This results in a redirection of the trade of underdeveloped countries and may cause extended dependence, thus favoring bloc political purposes. The USSR's preference for this type of relationship in its aid program was portrayed by its refusal last year to

extend a requested aid grant to Cambodia and its substitute offer of a \$ 12,500,000, 40-year, interest-free loan.

The internal financial problems and foreign exchange shortages from which nearly all underdeveloped countries suffer probably will result in increased requests for bloc economic development grants. Areas comprising current key targets in the Soviet economic offensive may now be able to secure some grant aid if they proceed with the same perseverance as did Afghanistan.

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