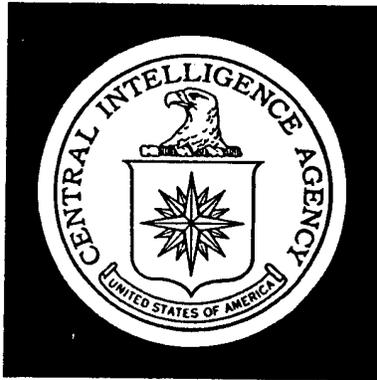


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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Report

*Soviet Foreign Trade: Policy, Performance,  
and Prospects*

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
May 1969

INTELLIGENCE REPORT

Soviet Foreign Trade:  
Policy, Performance, and Prospects

Summary

Over the past decade, Soviet foreign trade has grown at an annual rate of about 9 percent -- a rate roughly comparable to that of world trade. And although performance was uneven over the period, the 1967-68 growth matched the longer term average. Soviet exports plus imports in 1968 amounted to \$20.0 billion, or approximately 5 percent of gross national product. The most significant trends by major geographic areas are as follows:

a. Trade with Eastern Europe, which accounts for more than half the total, has been growing significantly more rapidly than total Soviet trade. Communist plans for the next few years envision a continuation of this trend, as the economies of the USSR and the Eastern European countries become even more closely interrelated.

b. Trade with the Industrial West, the second largest component, grew rapidly in the 1960's, bolstered by emergency wheat imports and a willingness to draw down gold reserves to gain modern technology. The West now accounts for about 20 percent of total Soviet trade. Although continued absolute growth is likely, the rate is expected to be slower than in the 1960's. The current regime, in principle, is following Khrushchev's lead in vigorously acquiring Western plant and equipment to modernize backward

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Soviet industries. However, the Brezhnev-Kosygin foreign economic policy is more conservative -- it requires hard currency purchases within the framework of building up gold reserves and limiting the acceptance of available credits.

c. In less developed countries of the Free World, Soviet trade has remained static since 1965. This leveling off is in large part a reflection of the failure of Soviet economic aid deliveries to grow since that year. Imports from the less developed countries are not high on the list of Soviet economic priorities; the justification for this trade is very largely political in Soviet eyes. The USSR has not found the less developed countries a receptive market for Soviet machinery and equipment under commercial trading arrangements. Unless there is a shift in Soviet aid policy, trade with less developed countries of the Free World should remain at about 10 percent of the Soviet total over the next few years, or even decline slightly.

d. Trade with Communist China, which was an important factor in the total picture in the 1950's and early 1960's, has virtually ceased. China's place as a claimant on Soviet economic and military resources has been taken only in part by North Vietnam. The USSR's largest input into North Vietnam was in 1967 (\$505 million military aid plus \$200 million economic aid), substantially below the peak flows to China in 1958-60. However, the Soviet leadership remains committed to the future support of both the Hanoi and Havana regimes through a continuing flow of assistance.

The Soviet leadership has reaffirmed its policy of expanding trade with Eastern Europe -- now accounting for 56 percent of Soviet trade. Reflecting its superior bargaining position, the USSR has taken a tougher line on the terms and composition of trade. It has demanded higher prices for its raw materials as well as Eastern European assistance in developing Soviet sources of raw materials on which Eastern Europe depends. In addition, the USSR has required

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that these countries take more Soviet machinery as part of the bargain to obtain a flow of essential raw materials. Finally, the USSR has become more selective about goods it will accept from Eastern Europe, thus cutting down on the limited assortment that these nations find salable in Western hard currency markets. In these economic relations the USSR has relied largely on bilateral arrangements. Although CEMA is now 20 years old, it has been ineffective in securing any appreciable degree of economic integration or multilateralism. Moreover, significant progress is unlikely in the near future, in spite of the increasing clamor by some Eastern European countries for greater integration.

The Soviet leaders now are willing to temper the traditional Communist goal of economic autarky by acquiring Western plant and equipment to help modernize various sectors of the Soviet economy and by planning for offsetting exports to the West. But Soviet ability to generate acceptable exports to pay for continued increases in these imports is limited. Since 1965, Soviet sales to hard currency countries have grown at about \$200 million annually, but these gains have reflected in the main larger exports of traditional goods such as oil, cotton, timber, and food. The Soviet leadership recognizes -- as indicated in the current five-year plan directives -- that continued export expansion depends on diversification. Diversification for the USSR means selling more manufactured goods -- goods which are now largely uncompetitive in the West. Thus far the regime has relied on organizational and procedural changes to spur exports, but these changes do not get to the heart of the problem. The hard decisions to invest in export industries and to tailor manufactured goods to the demands of sophisticated buyers in the West have yet to be made, and they are unlikely to be made in the foreseeable future. Failure to generate a steady expansion of exports will severely limit imports from, and the growth of trade with, the West.

Western export controls have had little impact in the past on the growth of Soviet trade with the Industrial West. The volume of this trade has been circumscribed much less by such controls than by limits on the ability of the USSR to pay for increased imports. By the same token, the anticipated relaxation of COCOM controls in 1969 is expected to have

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little impact on the growth of future Soviet trade with the West. US unilateral controls, which are more stringent than COCOM controls, are only one of a number of restrictions tending to limit US trade with the USSR. Were such controls reduced to the COCOM level, and other US restrictions lifted, Soviet purchases from the United States would probably rise in areas of superior US technology.

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## Introduction

1. Soviet foreign trade is conducted as a state monopoly by specialized foreign trade corporations. Foreign trade activities are designed and executed primarily to serve the needs of the Soviet economy. In this system, the role played by the state trading companies and the fact that foreign trade prices bear no systematic relation to domestic prices have served to insulate the Soviet economy from economic developments in the outside world.

2. The USSR traditionally pursued a policy of attaining maximum economic independence from the West. This policy has been tempered by the desire to draw on Western countries for advanced technology and industrial equipment. The goal of independence from the West has been basically achieved; the USSR is now largely a self-sufficient economic entity possessing vast and diverse resources, a well-developed industrial base, and a large internal market. In aggregative terms, foreign trade plays only a small role in the economy. Soviet foreign trade is small in comparison with the total value of goods and services produced in the Soviet economy. Soviet exports in 1968 -- estimated at more than \$10 billion -- accounted for roughly 2-1/2 percent of Soviet gross national product, compared with about 4 percent for the United States. Per capita exports of about \$40 are far below those of any other industrialized country. Exports of the Common Market countries, for example, exceed \$400 per capita -- ten times greater than those of the USSR.

3. Soviet planners design their policies to insure that most Soviet requirements for foreign goods are met from production within the Communist world. About two-thirds of Soviet foreign trade is conducted with other Communist countries, and most of this trade is with Eastern Europe. Trade is also one of the levers used by the USSR to maintain its hegemony over Eastern Europe.

4. The remaining one-third of Soviet foreign trade is divided roughly between the Industrial West -- two-thirds -- and the less developed countries -- one-third. The USSR traditionally has traded with the Industrial West primarily to obtain

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goods -- principally industrial goods including plant, equipment, and knowhow -- to raise the level of industrial technology and to achieve production goals more rapidly than Communist resources permit. Soviet trade with the less developed countries is an outgrowth of Soviet foreign policy to increase Soviet influence in these countries at the expense of the West.

#### General Foreign Trade Developments

5. Over the past decade, Soviet foreign trade has grown at an annual rate of about 9 percent -- from a level of \$8.6 billion in 1958 to an estimated \$20.0 billion in 1968. Growth has been uneven, particularly in 1959 and the early 1960's when significant changes in trade with China occurred. During the period 1963-66 the pace of Soviet foreign trade growth slowed, and in 1965-66 it was only 4 percent annually, largely because trade with Eastern Europe increased only 2 percent for the two years. The growth rate of trade has increased since 1966, however, rising by an average annual rate of 9 percent in 1967-68, led by an increase of almost 11 percent annually with Eastern Europe (see Table 1).

6. Ten years ago the share of the Communist world in Soviet foreign trade was about three-fourths, but in recent years the Free World's share has risen to roughly one-third, largely as the result of the rapid growth in trade with the Industrial West. The decline in trade with China also was an important factor in the reduced share of the Communist world. Eastern Europe's share has not changed significantly over the decade, but such countries as Cuba and Yugoslavia have become more important in Soviet trade.

7. Soviet exports have been dominated by fuels, raw materials, and semifinished materials throughout the postwar period, but exports of machinery and equipment have increased significantly -- from \$800 million in 1958 to more than \$2 billion in 1967 (see Table 2). Most Soviet exports of machinery and equipment have gone to Eastern Europe, and this area has accounted for most of the recent increase in these exports. Most of the remainder is destined for the less developed countries of the Free World. Oil exports almost tripled in the period 1958-67 but

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Table 1  
Geographic Distribution of Soviet Trade a/

Area	Value in Million US \$															
	1958		1959		1961		1963		1965		1966		1967		1968 b/	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
Total	8,649	100.0	10,523	100.0	11,826	100.0	14,331	100.0	16,233	100.0	16,754	100.0	18,185	100.0	20,050	100
Communist countries	6,378	73.7	7,921	75.3	8,468	71.6	10,086	70.4	11,166	68.8	11,137	66.5	12,321	67.8	13,500	67
Eastern Europe	4,467	51.6	5,470	52.0	6,444	54.5	8,310	58.0	9,225	56.8	9,154	54.6	10,129	55.7	11,200	56
China	1,515	17.5	2,055	19.5	919	7.8	600	4.2	417	2.6	318	1.9	107	0.6	2,300	11
Other c/	395	4.6	396	3.8	1,105	9.3	1,176	8.2	1,524	9.4	1,665	9.9	2,085	11.5		
Free World	2,271	26.3	2,602	24.7	3,358	28.4	4,245	29.6	5,067	31.2	5,617	33.5	5,864	32.2	6,550	33
Industrial West	1,315	15.2	1,636	15.5	2,162	18.3	2,618	18.3	3,039	18.7	3,451	20.6	3,667	20.2	4,350	22
Less Developed countries	852	9.8	843	8.0	1,076	9.1	1,416	9.9	1,756	10.8	1,790	10.7	1,765	9.7	2,200	11
Unspecified	103	1.2	123	1.2	120	1.0	211	1.5	272	1.7	376	2.2	430	2.4		

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a. Because of rounding, components may not add to the totals shown.  
b. Estimated.  
c. Other Communist countries include Cuba in 1960-68. Before 1960, Cuba is included in the less developed countries of the Free World.

Table 2

## Soviet Trade in Selected Commodities a/

Commodity	Value in Million US \$							
	1958		1962		1966		1967	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent
<u>Exports</u>								
Total	4,298	100.0	7,030	100.0	8,841	100.0	9,649	100.0
Of which:								
Machinery and equipment	795	18.5	1,169	16.6	1,838	20.8	2,039	21.1
Petroleum and petroleum products	430	10.0	804	11.4	1,064	12.0	1,152	11.9
Base metals and manufactures	693	16.1	1,010	14.4	1,346	15.2	1,339	13.9
Chemicals	118	2.7	179	2.5	271	3.1	325	3.4
Wood and wood products	241	5.6	420	6.0	622	7.0	626	6.5
Food	511	11.9	912	13.0	781	8.8	1,081	11.2
<u>Imports</u>								
Total	4,350	100.0	6,455	100.0	7,913	100.0	8,536	100.0
Of which:								
Machinery and equipment	1,065	24.5	2,245	34.8	2,565	32.4	2,917	34.2
Consumer goods	1,187	27.3	1,827	28.3	2,721	34.4	2,858	33.5
Food	563	12.9	713	11.0	1,442	18.2	1,238	14.5
Manufactured goods	624	14.3	1,114	17.3	1,279	16.2	1,620	19.0

a. For detailed data for 1965-67, see Tables 20 and 21.

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did not occupy a significantly greater share in 1967, when they were valued at \$1.2 billion, than in 1958. The recent growth in exports of oil has resulted from sharply increased exports to the Industrial West. Food exports have now regained their former importance after grain exports fell sharply in 1964-66. Grain exports valued at \$450 million in 1967 represented an increase of more than \$200 million over the 1966 level. The USSR is once more a net exporter of grain, achieving a net surplus of 4.1 million tons in 1967 following a 1966 import surplus of 4.2 million tons. The USSR, however, has maintained with the Industrial West the net import position in grain that it has had since 1963.

8. Soviet imports for the past decade have featured machinery and equipment as well as consumer goods. Imports of machinery and equipment -- three-fourths of which originate in Eastern Europe and most of the remainder in the Industrial West -- increased from \$1.1 billion in 1958 to \$2.9 billion in 1967. Imports of consumer goods, valued at \$2.9 billion in 1967, have grown little in recent years because of a decline in food imports, particularly wheat in 1967. Manufactured consumer goods have figured more importantly in Soviet imports in the last few years, rising from \$1.1 billion in 1965 to \$1.6 billion in 1967. Most of these products originate in Eastern Europe, but the Industrial West provided substantial quantities in 1966 and 1967.

### The Communist World

#### Eastern Europe

##### *Policy*

9. During the postwar period, Soviet trade with Eastern European countries has been conducted by barter. Under Communist control they have become heavily dependent on needed Soviet raw materials and on Soviet markets for their manufactured goods, most of which are not competitive in Western markets.

10. The terms on which the USSR trades with the Eastern European countries have played an important role in the conduct of Soviet foreign economic policy in recent years. Five years ago the USSR agreed to change the pricing in its trade with Eastern Europe.

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World market prices for 1964 were substituted for those of 1957 as the basis for prices in Soviet-Eastern European trade. The result was to reduce the prices of most raw materials which bulk large in Soviet exports to Eastern Europe and account for a small share in Soviet imports from Eastern Europe. As a result Soviet terms of trade with Eastern Europe worsened in 1965 and 1966.

11. The post-Khrushchev leadership, however, soon assumed a tougher stance. The USSR claimed that Soviet costs of raw material extraction were in excess of prices charged to Eastern European customers and that the recipients of the raw materials should share in the cost of raw material exploitation in the USSR. Czechoslovakia and other countries have subsequently agreed to provide credit to the USSR to extract oil and gas, to develop phosphate mines, and to assist in other similar undertakings. The USSR also complained that it pays world prices for inferior Eastern European machinery and insisted on price reductions. It has also become more selective about what it will accept from Eastern Europe, particularly machinery. Finally, the USSR has made purchases of its machinery a condition for increased supplies of raw materials.

12. As the dominant power in Eastern Europe, the USSR is clearly in a position to influence the terms on which it trades with individual CEMA countries. The leadership in the various Eastern European countries recognizes the need to work within the system. As a consequence, these countries -- Poland, Hungary, and Czechoslovakia, in particular -- have agitated for changes in CEMA that would bring about improvement in their economies. The USSR is aware of the need to improve the lot of the Eastern European countries, but only within a framework which maintains its economic control over these countries. It has called for improvements in CEMA cooperation but has made no concrete suggestions, nor has it accepted proposals made by Eastern European countries. A proposal by Poland, for example, to introduce currency convertibility to promote multilateralism was not acceptable, because it would result in heavy drains on Soviet hard currency and gold reserves.

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13. As the dominant member, the USSR, however, is willing to back some further cooperation among CEMA members, apparently favoring "selective integration" in relatively new and expanding industries -- such as chemicals and electronics -- that require heavy investment for development. Such joint ventures can help to surmount the problems of the limited resources and small markets of the Eastern European countries and can be arranged within the present framework of bilateralism. These joint ventures also would contribute to the economic cohesion of the Eastern European countries -- politically desirable to the USSR -- without infringing on their economic sovereignty.

14. For the time being, bilateralism will continue to be the principal basis for Soviet economic relations with Eastern Europe. In addition, Soviet trade with Eastern Europe is being accorded special attention, particularly since the events in Czechoslovakia.

#### *Trade*

15. Soviet foreign trade with the Communist countries of Eastern Europe grew at an average annual rate of 9.5 percent in the period 1958-67, increasing from \$4.5 billion in 1958 to \$10.1 billion in 1967. The 1967 total was up almost 11 percent over the 1966 level, following a slowdown and decline in 1965-66, brought on largely by a revision of intra-CEMA foreign trade prices. Soviet-Eastern European trade increased only a meager 3 percent in 1965 and declined by 1 percent in 1966 -- the first decline in this trade since 1955.\* The increase in 1967 thus was a resumption of the growth from 1958-64, when Soviet-Eastern European trade had increased at an average annual rate of 12 percent. Eastern Europe continues to account for well over half of Soviet total foreign trade

\* The price revisions took effect in late 1965, but had their greatest effect in 1966. According to official Soviet data, the volume of Soviet trade with Eastern Europe increased 4 percent in 1966, although value declined slightly. Soviet export prices declined more than import prices in both 1965 and 1966 so that the Soviet terms of trade worsened in those years.

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and about four-fifths of Soviet trade with the Communist countries.

16. East Germany has been the USSR's largest trading partner in Eastern Europe and in the world during this period, except for 1959 when China occupied first place. In 1967, East Germany accounted for more than 15 percent of total Soviet trade, as shown in Table 3. Czechoslovakia has been the USSR's second most important trade partner in the area. When viewed in terms of growth, however, Soviet trade with East Germany and Czechoslovakia has been slow, particularly since 1964. As Table 4 indicates, Soviet trade with Bulgaria and Poland has shown by far the fastest growth in recent years, and that with Rumania has been the most sluggish.

17. Generally speaking, the commodity composition of Soviet-East European trade has shown little variation over time. Industrial and agricultural raw materials, semifinished products, and fuels have dominated Soviet exports to Eastern Europe (see Table 5). The bulk of these exports are shipped to East Germany, Czechoslovakia, and Poland, which are heavily dependent on such goods. Soviet exports of ores, metals, and fuels -- the basic raw materials for industry -- have accounted for approximately 40 percent of total exports to the area for a number of years. From 1965 to 1967, exports of these materials have remained almost constant in value at just under \$2 billion while their share of exports to Eastern Europe have declined from just over 42 percent to just under 40 percent. East Germany has been by far the largest buyer, importing some \$640 million worth in 1967.

18. Prior to the 1963 grain crisis, the USSR had supplied a large quantity of grain, mainly wheat, to Eastern Europe. Czechoslovakia, East Germany, and Poland have been the major importers. After 1963, grain exports to Eastern Europe declined sharply, reaching a low of 2.9 million tons in 1966, a substantial decline from the 4.9 million tons exported in 1962 and the average 4.3 million tons exported yearly from 1958 through 1961. Improved Soviet crops enabled the USSR to expand its exports of grain to Eastern Europe in 1967 to 3.7 million tons (\$271 million).

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Table 3  
 Soviet Trade Turnover  
 with Individual Eastern European Communist Countries a/  
 Value in Million US \$

Country	1958		1962		1965		1966		1967	
	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent
Total	4,467	51.6	7,561	56.1	9,225	56.8	9,154	54.6	10,129	55.7
Bulgaria	404	4.7	838	6.2	1,204	7.4	1,351	8.1	1,536	8.4
Czechoslovakia	959	11.1	1,595	11.8	1,961	12.1	1,813	10.8	1,950	10.7
East Germany	1,616	18.7	2,446	18.1	2,648	16.3	2,645	15.8	2,829	15.6
Hungary	362	4.2	800	5.9	1,061	6.5	1,016	6.1	1,183	6.5
Poland	642	7.4	1,158	8.6	1,507	9.3	1,536	9.2	1,815	10.0
Rumania	485	5.6	724	5.4	844	5.2	792	4.7	819	4.5

a. Because of rounding, components may not add to totals shown.

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Table 4

Growth in Soviet Trade with Eastern Europe

Country	Percent				
	Average Annual 1958-64	1965	1966	1967	Average Annual 1965-67
Total	10.5	3.1	-0.8	10.7	4.2
Bulgaria	16.8	9.4	12.2	13.7	11.8
Czechoslovakia	10.4	4.9	-7.5	7.5	1.4
East Germany	7.6	-2.4	Negl.	6.9	1.4
Hungary	15.4	8.9	-4.2	16.4	6.7
Poland	10.5	9.4	1.9	18.1	9.6
Rumania	11.0	-7.7	-6.2	3.4	-3.6

19. During this decade the Soviet drive to increase its exports has seen, particularly in recent years, increased Soviet pressure on Eastern Europe to take more Soviet machinery and equipment. As a result, Soviet exports of machinery and equipment to the Eastern European countries have grown at an annual rate of 19 percent during the last decade and as a share of total Soviet exports to the area rose from less than 10 percent in 1958 to nearly 22 percent in 1967. In 1967, such exports were valued at roughly \$1.1 billion, typically featuring transport equipment (chiefly motor vehicles), complete plants, and agricultural equipment. These three categories together accounted for nearly 60 percent of Soviet exports of machinery and equipment to the area in 1958 and for 70 percent in 1967. The major share of these exports continues to be sent to the less developed Eastern European countries, particularly Bulgaria, which normally accounts for one-third of the total exported to Eastern Europe by the USSR.

20. Soviet imports from Eastern Europe have been dominated by machinery and equipment and manufactured consumer goods. As noted in Table 5, these two

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Table 5  
Commodity Composition of Soviet Trade  
with the Eastern European Communist Countries a/

Commodity	1958		1962		1965		1966		1967	
	Value	Percent								
<u>Exports</u>										
<i>Total</i>	2,276	100.0	3,971	100.0	4,553	100.0	4,692	100.0	5,037	100.0
Machinery and equipment	222	9.8	607	15.3	787	17.3	960	20.5	1,102	21.9
Base metals and manu- factures	449	19.7	727	18.3	928	20.4	917	19.5	952	18.9
Ores and concentrates	164	7.2	246	6.2	271	6.0	254	5.4	273	5.4
Fuels and lubricants	302	13.3	583	14.7	738	16.2	715	15.2	735	14.6
Consumer goods	420	18.5	639	16.1	424	9.3	465	9.9	584	11.6
Grain	266	11.7	347	8.8	200	4.4	188	4.0	271	5.4
Textile raw materials and semimanufactures	244	10.7	273	6.9	322	7.1	332	7.1	290	5.8
Other and unspecified	475	20.9	896	22.5	1,084	23.8	1,050	22.4	1,100	21.8
<u>Imports</u>										
<i>Total</i>	2,192	100.0	3,590	100.0	4,673	100.0	4,462	100.0	5,092	100.0
Machinery and equipment	862	39.3	1,624	45.2	2,114	45.2	1,926	43.2	2,185	42.9
Consumer goods	441	20.1	902	25.1	1,188	25.4	1,278	28.6	1,532	30.1
Food	123	5.6	222	6.2	304	6.5	292	6.5	353	6.9
Manufactured consumer goods	319	14.6	680	18.9	884	18.9	986	22.1	1,180	23.2
Other and unspecified	888	40.5	1,064	29.6	1,371	29.3	1,258	28.2	1,375	27.0

a. For detailed data, see Tables 22 23. Because of rounding, components may not add to totals shown.

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categories were most important in the growth of Soviet imports in 1967, as they have been in nearly every year during the past decade.

21. Transport equipment normally accounts for about one-third of the machinery and equipment imported (mainly railroad rolling stock and ships). As might be expected, East Germany has been the largest supplier of machinery to the USSR for a number of years. Imports of East German machinery in 1967 were valued at nearly \$800 million, more than one-third of the value of all Soviet imports of machinery and equipment from Eastern Europe and more than the USSR bought from the entire West. Another \$500 million worth of machinery and equipment was imported from Czechoslovakia. The Czechoslovak and East German share -- regularly more than half of all Soviet machinery and equipment imports from Eastern Europe -- has declined from more than 76 percent in 1958 to about 59 percent in 1967. Bulgaria and Poland have been the principal beneficiaries of their loss, going from 2 and 10 percent, respectively, to 10 and 15 percent, respectively, during the decade.

22. Consumer goods have become increasingly important in Soviet imports from Eastern Europe, growing nearly 15 percent annually since 1958. In 1967, they totaled more than \$1.5 billion, up by about \$250 million from the preceding year. The large increase in 1967, amounting to about 20 percent, stemmed from Soviet efforts to provide additional consumer goods to the Soviet public during the fiftieth anniversary of the Soviet state. The largest and the fastest growing share of consumer goods imported during the past decade is made up of manufactured goods, going from about \$320 million in 1958 to almost \$1.2 billion in 1967. About half of the 1967 total was clothing. All six Eastern European countries have been suppliers, and in 1967 they were led by East Germany, which furnished more than one-fourth of Soviet imports of such goods from the area. Imports of food from Eastern Europe -- about \$350 million in 1967 -- originated chiefly in the less developed Eastern European countries of Bulgaria, Rumania, and Hungary, with Bulgaria alone accounting for about one-half.

23. Soviet trade with Eastern Europe was scheduled to rise about 11 percent in 1968, thus duplicating the increase in 1967. The smallest increase

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scheduled was for Soviet-Rumanian trade -- about 4 percent -- and the highest was for a 15-percent rise in Soviet trade with Bulgaria. The Soviet-Czechoslovak trade agreement called for a 9-percent growth, but the Soviet invasion may have prevented the achievement of this increase.

24. As Table 6 indicates, the share of the USSR in the trade of the Eastern European Communist countries has changed little overall during the past decade. Individually, however, the Soviet share of Rumanian trade has declined, while both Hungary and Poland conduct a considerably larger share of their trade with the USSR now than they did a decade ago.

Table 6  
Soviet Share in the Trade  
of Eastern European Communist Countries a/

Country	Percent		
	1958	1963	1967
Total	38	42	38
Bulgaria	53	54	51
Czechoslovakia	33	39	35
East Germany	43	49	42
Hungary	27	35	35
Poland	27	34	35
Rumania	48	42	28

*a. Based on statistics of the Eastern European Communist countries.*

25. The dependence of the Eastern European countries, particularly the industrialized countries, on Soviet supplies of industrial and agricultural raw materials has been an important factor in the large Soviet share of Eastern European trade. The USSR, for example, typically provides about three-fourths of Eastern European requirements for crude oil and about half of those for iron ore. For some countries, dependence is even greater. Both Czechoslovakia and East Germany receive 95 percent of

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their crude oil from the USSR; Bulgaria and East Germany obtain three-fourths of their requirements of iron ore from the USSR; and Czechoslovakia, Hungary, and Poland also receive about two-thirds of their iron ore requirements from the USSR.

Other Communist Countries

*Yugoslavia*

26. Trade between the USSR and Yugoslavia was greatly affected by the political-ideological split in 1948, falling virtually to zero until the 1955 rapprochement. Trade increased to about \$130 million in 1957, but declined once again after deterioration of political and ideological relations in the wake of the Eastern European uprisings. Since 1961, however, trade has grown at a rapid rate and seemingly has been unaffected by political differences.

27. Trade between the USSR and Yugoslavia reached a record \$513 million in 1967 (see Table 7). Soviet exports are a mixed bag, including machinery and equipment, metals, fuels, and food. Soviet imports from Yugoslavia are dominated by ships and manufactured consumer goods, which made up about 51 percent of imports in 1967. Trade is reported to have increased slightly in 1968.

Table 7

Soviet Trade Turnover  
with Other Communist Countries

Country	Million US \$				
	1958	1962	1965	1966	1967
Yugoslavia	102	118	334	407	513
Cuba	a/	601	718	766	936
Communist China	1,515	750	417	318	107
North Vietnam	18	85	105	94	169
North Korea	105	169	178	178	218
Mongolia	112	187	189	220	249

a. Before 1960, Cuba is included in the less developed countries of the Free World.

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*Cuba*

28. Before Castro's takeover in 1959, Soviet trade with Cuba -- consisting entirely of Soviet imports of sugar -- fluctuated considerably, but never exceeded \$47 million annually. Immediately thereafter, however, Soviet trade with Cuba grew substantially, reaching almost \$600 million by 1961. This growth continued at a modest rate through 1966, but in 1967 Soviet trade with Cuba spurted to an all-time high of \$936 million (see Table 7).

29. In every year since 1962 the USSR has generated a substantial surplus, owing to Cuba's inability to increase its exports of sugar and other goods to the USSR. The surplus averaged about \$200 million for 1966-67, and it rose to more than \$300 million in 1968. As a consequence, the USSR since 1962 has extended \$1.5 billion in credits for balance of payments purposes, as shown in the following tabulation:

<u>Year</u>	<u>Balance of Payments Credits (Million US \$)</u>
1962	207
1963	274
1964	141
1965	120
1966	265
1967	210
1968	300
<i>Total</i>	<i>1,517</i>

This aid is in addition to Soviet development credits provided to Cuba, drawings on which have totaled slightly more than \$200 million through 1968 and sugar subsidy payments\* have amounted to roughly \$725 million since 1961 when they began.\*\* Soviet trade policy thus has become a self-imposed aid commitment to support the Cuban economy, and no significant reduction in that aid seems probable in the near future.

\* The USSR pays \$0.06 per pound for the sugar it imports from Cuba, the subsidy representing the difference between \$0.06 and the world market price.

\*\* Exclusive of military aid, which has amounted to more than \$700 million since 1960. Since 1962, such deliveries are estimated to have averaged about \$15 million annually.

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30. The goods supplied to Cuba reflect the Soviet position as the chief supporter of the Cuban economy. Almost one-third of Soviet exports in 1967, for example, were composed of machinery and equipment (transport equipment, agricultural machinery, and complete plants). Other important goods supplied to Cuba by the USSR are petroleum, wheat, metals, and chemicals. Wheat and flour (valued at about \$50 million in 1967) for shipment to Cuba originate in Canada and represent a hard currency cost to the USSR, as does part of the sugar that the USSR imports from Cuba.

*Communist China*

31. Soviet trade with China grew rapidly in the 1950's and had featured a large surplus for the USSR each year through 1955 as the result of Soviet aid in building the Chinese economy. Trade continued to increase after 1955, reaching a peak of more than \$2 billion in 1959, but the USSR had a deficit each year as China started paying off its huge aid bill.\* The Sino-Soviet ideological split in 1960 brought a precipitate decline in trade throughout the 1960's, climaxed in 1967 when turnover was reduced to \$107 million, about one-third of the 1966 level (see Tables 7 and 8).

Table 8

Soviet Trade with Communist China

	Million US \$ a/		
<u>Year</u>	<u>Exports</u>	<u>Imports</u>	<u>Turnover</u>
1958	634	881	1,515
1959	955	1,100	2,055
1960	817	848	1,665
1961	367	551	919
1962	233	516	750
1963	187	413	600
1964	135	314	450
1965	192	226	417
1966	175	143	318
1967	50	57	107

a. Because of rounding, components may not add to totals shown.

\* Total Soviet aid -- economic and military -- is estimated at roughly \$1.8 billion, delivered over the period 1950-62. Repayments by China were completed in 1965.

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Neither the USSR nor China, however, has indicated a desire to terminate trade entirely, despite the intensity of the ideological conflict.

32. The principal Soviet exports to China have been machinery and metals, and Soviet imports have been primarily manufactured consumer goods. The value of such imports and exports has declined steadily since 1959. Although trade data for 1968 are not yet available, Sino-Soviet trade probably remained at roughly the same level as in 1967, perhaps declining slightly.

*North Vietnam*

33. Soviet trade with North Vietnam had been only nominal in the first years of North Vietnam's independence, averaging about \$9 million in the period 1955-58, although it rose to \$18 million in 1958. In 1959, Soviet assistance in North Vietnamese development brought a doubling of trade, and both trade and the Soviet surplus in that trade increased steadily during the period 1959-64, going from \$36 million in 1959 to about \$90 million in the later years.

34. As the conflict in Vietnam expanded, Soviet trade and aid became the major prop to the North Vietnam economy and war efforts during 1965-67. According to published Soviet statistics, total trade turnover in 1967 reached \$169 million (see Table 7), 80 percent more than the previous year despite a decline in Soviet imports. Soviet exports grew by \$80 million to \$148 million while imports dropped to \$21 million, generating a Soviet surplus of \$127 million. Commodities involved in Soviet-North Vietnamese trade in 1967 included exports of machinery and equipment, metals, and petroleum and imports of manufactured consumer goods.

35. Official Soviet trade figures understate the value of Soviet nonmilitary exports to North Vietnam because a considerable volume of goods is shipped to North Vietnam as grants, and such goods are not recorded in official Soviet statistics. As an example, deliveries of wheat flour to North Vietnam in 1967 were reported by the USSR as 39,000 tons, but other sources show that the actual total probably was three times that amount. The value of economic aid deliveries to North Vietnam for 1967

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is estimated at \$200 million, including credits and grants, rising to about \$240 million in 1968. Grant aid delivered in 1968 was about \$40 million higher than in 1967. The value of trade was at roughly the same level as in 1967.

36. Military aid deliveries represent the largest input into North Vietnam, amounting to \$505 million in 1967, bringing the total aid delivered to North Vietnam to \$705 million. Military aid deliveries fell in 1968 to \$209 million. Total aid deliveries -- economic and military -- are thus estimated at \$530 million in 1968.

*North Korea*

37. Soviet trade with North Korea grew moderately in the years following the armistice, rising from about \$46 million in 1954 to \$123 million in 1957. In more recent years this trade has grown only slightly, being almost unchanged from 1962 through 1966. However, Soviet trade with North Korea grew by 22 percent in 1967 (as shown in absolute terms in Table 7), a considerable growth in view of the recent levels. The large increase in 1967 is traceable at least in part to improved relations between the two countries following a definite cooling of North Korean relations with Communist China. Moscow has agreed to provide modest assistance (mainly technical assistance) for North Korea's current long-term plan ending in 1970, but North Korea's neutral stance in the Sino-Soviet conflict will prevent it from receiving substantial Soviet aid or allowing trade with the USSR to rise significantly.\*

38. Soviet exports to North Korea feature machinery and equipment, oil, cotton, and wheat. Much of the increase in Soviet exports in 1967 was due to a substantial rise in wheat exports. Steel, building materials, and rice are important Soviet imports, with steel and rice accounting for almost all of the increase in Soviet imports in 1967. The value of trade in 1968 was somewhat higher than in 1967 and may have reached about \$250 million.

\* *Exclusive of Soviet military aid to North Korea, deliveries of which are estimated at \$70 to \$75 million annually in 1966-68.*

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*Mongolia*

39. Soviet trade with Mongolia to a considerable extent has been generated by an extensive Soviet aid program, which has risen rapidly in recent years. Soviet exports typically are two or three times as much as imports. Soviet machinery and equipment -- mostly complete plants -- account for at least half of the exports, and Soviet imports from Mongolia are predictably animal products such as meat and wool.

The Free World

Soviet Hard Currency Position

40. Well over half of the USSR's trade with the Free World and more than 80 percent of its trade with the Industrial West is conducted in hard currencies. The USSR attaches special importance to this trade because of its need for Western equipment and technology and other materials which are in short supply in the USSR. Until recently the failure of the USSR to generate sufficient hard currency earnings through exports led to disequilibrium in the Soviet hard currency balance of payments, characterized by substantial annual deficits and consequent reduction in the USSR's gold reserve.

41. The Soviet gold reserve began to decline after 1955; gold sales during the period 1955-62 averaged more than \$200 million annually, well in excess of Soviet gold production. The Soviet gold reserve had been husbanded carefully during Stalin's time, but Khrushchev did not believe in "sitting on sacks of gold" and used it freely to help finance growing imports of Western equipment and technology. The Soviet payments position was further aggravated during the period 1963-66 when the poor grain harvests of 1963 and 1965 forced the USSR to import about \$1.7 billion in wheat from hard currency countries. Annual gold sales during the period 1963-65 averaged over \$500 million, and by the end of 1965 gold reserves had fallen to about \$1 billion -- one-third of the 1955 level.

42. The hard currency deficits were considerably less than might have been expected, however, averaging about \$360 million annually during 1963-66 despite wheat imports of about \$400 million annually

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(see Table 9). This result was realized by reducing imports of industrial goods, including machinery and equipment from Western Europe and Japan, and expanding exports after 1964, particularly oil, cotton, logs, and food. Short-term credit facilities were also employed extensively, especially in 1966 when the USSR sold very little gold -- the smallest amount since the early 1950's. The post-Khrushchev regime evidently believed that Soviet gold reserves had reached a critical point and that no further reductions could be tolerated.

Table 9

Soviet Hard Currency Current Account Balance,  
Imports of Wheat, and Sales of Gold a/

Million US \$			
<u>Year</u>	<u>Current Account Balance</u>	<u>Imports of Wheat <u>b/</u></u>	<u>Sales of Gold <u>c/</u></u>
1959	-77	12	303
1960	-332	0	149
1961	-297	31	310
1962	-335	0	239
1963	-364	187	523
1964	-569	570	520
1965	-229	409	490
1966	-280	495	45
1967	+104	147	10
1968 <u>d/</u>	<u>e/</u>	110	10

*a. For detailed balance-of-payments data, see Table 18.*

*b. Including wheat flour; excluding transportation costs.*

*c. Minimum estimates. For details on Soviet gold production, sales, and reserves, see Table 19.*

*d. Preliminary.*

*e. In balance, plus or minus \$50 million.*

43. The USSR achieved a hard currency surplus in 1967 for the first time in about a decade. This surplus resulted from both expansion of exports and a reduction of imports of wheat rather than industrial goods. A negligible amount of gold was sold, and by the end of 1967 the Soviet gold reserve is estimated to have risen to \$1.3 billion.

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44. The USSR also responded to the financial crisis by reducing its orders for plants and equipment from the West in 1964 and 1965. These orders had been financed in part by Western medium-term credits, but by 1963 mounting repayments had more or less offset new credits (see Table 10). Known orders from the West were reduced from about \$550 million in 1963 to roughly \$300 million in 1964. This cut occurred despite the long-term credits made available to the USSR in place of medium-term credits. Soviet failure to take fuller advantage of these easier payment terms probably was due to the unwillingness of the Soviet leadership to mortgage future earnings at a time of considerable uncertainty about Soviet crop prospects and the ability to expand exports. Orders declined even further in 1965.

Table 10  
Estimated Soviet Drawings  
and Scheduled Repayments on Western Medium-Term  
and Long-Term Credits a/

Million US \$

<u>Year</u>	<u>New Credits</u>	<u>Repayments</u>	<u>Interest</u>	<u>Net Credits</u>
1963	140	130	14	-4
1964	170	147	15	8
1965 <u>b/</u>	200	150	17	33
1966	265	149	21	95
1967	255	144	29	82
1968 <u>c/</u>	285	180	36	69

a. Based on contractual and other information. Plus or minus 10 percent.

b. The first known drawings on long-term credits took place in 1965.

c. Preliminary.

45. By 1966, however, the USSR increased its orders to an all-time high of \$900 million, including the Fiat contract worth about half the total. Apparently buoyed by good crop prospects and improvement in its hard currency trade balance, the USSR took greater advantage of the long-term credits offered by the West and has since maintained the high level of orders from the West (see Table 11).

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Table 11

Soviet Orders for Machinery and Equipment  
from the Industrial West a/

Category	Million US \$		
	1966	1967	1968
<i>Total</i>	904	563	668
Chemical and petrochemical	123	94	86
Timber and wood processing	69	6	143
Textile manufacturing	59	104	9
Automotive manufacturing facilities	462	47	74 <u>b/</u>
Ships and marine equipment	24	75	139
Oil refining and pipeline equipment	19	12	35
Metalworking and metal-lurgy	17	22	33
Food processing	52	41	30
Electronics	10	20	9
Others <u>c/</u>	68	142	110

*a. Excluding Finland. Because of rounding, components may not add to totals shown.*

*b. Including plant to manufacture rubber products valued at \$54 million. The plant could also be subsumed under the category "chemical and petrochemical."*

*c. Including a wide variety of plants and equipment with consumer orientation -- for example, production of footwear, refrigerators, ballpoint pens, and the like. Also including printing equipment, telephone equipment, medical equipment, and special trucks.*

46. In retrospect the Soviet response to what it considered a threat to its financial position seems sensible. The regime stopped a decade-long drain on gold reserves and in 1967 had managed the first hard currency surplus in a decade. The major

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cost of the retrenchment was in the imports of Western capital goods forgone and, as a consequence, perhaps some slowdown in the growth of domestic output.

47. Preliminary data for 1968 indicate that the USSR again may have avoided a deficit in its hard currency trade. Trade appears to have been more or less balanced, with imports (chiefly machinery and other manufactured goods) rising more rapidly than exports. Gold sales were only about \$10 million in 1968 -- about the same level as in 1967 -- so that gold reserves increased to about \$1.4 billion at the end of 1968.

### Industrial West

#### *Policy*

48. The USSR traditionally has regarded the Western industrial countries as an important reservoir of goods needed to stimulate industrial technology and thus to achieve economic goals more rapidly than its own efforts would permit. This need was explicitly recognized by Khrushchev in discussing the Soviet seven-year plan (1959-65). Imports of equipment and technology from the West, according to Khrushchev, were to be stepped up for "quicker fulfillment of the [seven-year plan] program ... without wasting time on creation of plans and mastering the production of new types of equipment." The significant increase in imports from the West after 1958 reflects the carrying out of this intent.

49. In trading with the West the present leadership has pursued the same objectives, but has been more conservative than was Khrushchev in the use of Soviet hard currency resources. The present regime stemmed the outflow of Soviet gold by reducing imports from the West -- swelled by large wheat purchases -- as well as by expanding exports. Only when the gold outflow had ceased and the hard currency balance of payments improved markedly did the present leadership step up imports.

50. The current regime has been able to increase exports, but this increase has been largely in the traditional commodities such as oil, cotton, timber, and food. It has recognized, however, that

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only by diversifying exports through greater substitution of manufactured goods can Soviet exports be increased over the long term. The efforts to diversify exports -- called for in the current five-year plan directives -- have largely failed thus far because Soviet manufactured goods have not been able to compete with Western goods on Western markets.

51. A number of measures to promote exports have been introduced in recent years. These include financial incentives to enterprises and their personnel for raising the quality and quantity of exports and for selling licenses in the West. Foreign trade corporations have been multiplied and increasingly specialized to promote contacts between them and Soviet producing enterprises and foreign companies. Export councils were set up in 1967 within foreign trade corporations for the same purposes. Soviet foreign trade corporations also have formed joint trading companies in the West or have contracted with Western firms to handle Soviet goods in this effort to promote Soviet exports. Such measures are likely to have only limited success, however, because they are not aimed at basically improving the competitiveness of Soviet manufactures. This improvement would require investments in enterprises with the export market in mind -- that is, the USSR not only must upgrade the quality of Soviet products but also must tailor such products to the requirements of Western buyers.

52. In its efforts to promote selective imports of Western technology, the current regime has encouraged scientific and technical agreements with Western countries and firms, the most important of these being with France and the United Kingdom. By this device the USSR hopes to gain access to desired knowhow and technology that might otherwise be difficult to obtain. Recent Soviet efforts to obtain advanced computer technology from the United Kingdom is a case in point. Soviet interest in acquiring Western technology was again confirmed in October 1968 in a Council of Ministers decree relating to the need to promote the introduction of new technology in Soviet industry. The acquisition of Western technology without purchasing equipment presumably will save foreign exchange and, at the same time, reduce R&D costs in the USSR.

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53. Western export controls have had little impact on the growth of Soviet trade with the Industrial West in the past. The major effect of the denial of sophisticated Western equipment and technology has been on the costs and effectiveness of Soviet military programs and on the quality of Soviet economic growth. Trade has been limited largely by the ability of the USSR to pay for increased imports, as evidenced recently when imports of industrial goods were cut to enable the USSR to pay for large imports of wheat. The COCOM List Review now in progress will further reduce Western controls on advanced Western equipment and technology, but there is little likelihood that the value of Soviet trade with the West will be affected thereby. As noted above, significant increases in Soviet trade will have to await the development of new Soviet products for export to the West.

*Trade*

54. Soviet trade with the Industrial West in the period 1958-67 grew at a more rapid rate -- 12.1 percent -- than with any other geographic or political area. This trade with the West is conducted largely with Western European countries, which have accounted for the major share of this trade throughout this period and in 1967 accounted for more than three-fourths of the \$3.7 billion in trade with the West. This pattern had been altered somewhat during the period 1964-66, when the USSR imported large quantities of wheat from Canada, the United States, and Australia, but by 1967 it was restored when wheat imports declined sharply. The major trading partners of the USSR include the United Kingdom, Finland, the three largest Common Market countries (France, West Germany, and Italy), and Japan (see Table 12).

55. The most important Soviet trade partners in the West traditionally have been the United Kingdom, Finland, France, and West Germany. Italy and Japan have become significant partners only in recent years. Trade with Japan grew rapidly from 1965 to 1967, and in 1967 Japan became the USSR's largest Western trading partner with a total turnover of \$519 million. Soviet trade with Italy had been relatively unchanged from 1962 through 1966, but it rose by more than 50 percent to \$387 million in 1967. Canada became a leading Western trade

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partner in the years 1963-66 because of its large grain shipments during that period, but its trade with the USSR declined by more than 50 percent in 1967.

Table 12  
Soviet Trade with Selected Western Countries

		Million US \$ a/				
		1958	1962	1965	1966	1967
United Kingdom	Exports <sup>b/</sup>	146	213	291	330	303
	Imports <sup>b/</sup>	73	117	152	169	197
	Turnover	218	330	443	499	501
Finland	Exports	117	180	212	257	244
	Imports	137	216	242	217	268
	Turnover	254	395	454	474	512
Japan	Exports	20	113	185	239	353
	Imports	18	146	177	224	166
	Turnover	38	259	362	463	519
West Germany	Exports	66	136	146	189	195
	Imports	72	204	136	144	176
	Turnover	138	339	282	333	372
France	Exports	87	85	111	130	144
	Imports	81	154	114	160	188
	Turnover	168	240	225	290	333
Italy	Exports	39	131	148	155	232
	Imports	35	99	102	95	154
	Turnover	74	230	251	250	387
Canada	Exports	2	3	14	15	23
	Imports	25	3	253	346	141
	Turnover	28	5	267	361	163
United States	Exports	26	17	34	47	39
	Imports	5	27	65	63	63
	Turnover	31	44	99	110	102

a. Because of rounding, components may not add to totals shown.

b. Soviet exports to and imports from the indicated trading partner.

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56. The growth of Soviet trade with France, Italy, and Japan is related at least in part to the willingness of these countries to accept increasing quantities of Soviet goods. Most recently these countries have been awarded large contracts to supply plants and equipment to the USSR. West Germany has not been so favored in recent years and is not as important a trade partner as it was in the earlier 1960's, but this result probably is due more to Soviet politics than to economics.

57. Soviet trade with the United States more than tripled in the period 1958-67 rising to \$102 million, but it still accounts for less than 3 percent of Soviet trade with the Industrial West.\* Only in 1964, when the United States sold almost 2 million tons of wheat to the USSR, did the United States have a larger share of this trade. This low level of trade relative to that of other Western countries results in part from US restrictions -- for example, more stringent export controls than in Western Europe or Japan, restrictions on the length of credits for sales to Communist countries, and denial of most-favored-nation treatment to Soviet products.

58. Soviet trade with the Industrial West traditionally has featured the exchange of Soviet fuels, raw materials, and semimanufactures for Western machinery and other manufactures (see Table 13). Soviet exports have continued to feature oil, coal, timber, cotton, pig iron, aluminum, and food despite Soviet efforts to diversify the range of products and increase the sale of manufactured goods. Thus the most notable successes in expanding exports in recent years have still been among the old Soviet standbys -- oil, sawn logs, vegetable oils, cotton, diamonds, and other goods of the raw or semiprocessed variety. Oil alone now represents nearly one-fourth of all Soviet exports to the West, totaling \$445 million in 1967, and it accounted for almost half of the increase in exports to the West in 1967.

\* *The published figures do not take into account the trade of US subsidiaries and licensees in Europe and Japan. No reasonable estimate has yet been made of the annual value of this trade.*

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Table 13  
Selected Soviet Commodities Traded with the Industrial West a/

Commodity	Value in Million US \$											
	1958		1962		1965		1966		1967		1967	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent
<u>Exports</u>												
<i>Total</i>	682	100.0	1,107	100.0	1,438	100.0	1,711	100.0	1,885	100.0		
Petroleum and petroleum products	98	14.4	243	22.0	291	20.2	366	21.4	445	23.6		
Coal and coke	53	7.8	78	7.0	100	7.0	100	5.8	104	5.5		
Wood and wood products	125	18.3	201	18.2	297	20.7	298	17.4	322	17.1		
Cotton fiber	22	3.2	32	2.9	59	4.1	80	4.7	108	5.7		
Base metals and manufactures	96	14.1	120	10.8	203	14.1	246	14.4	204	10.8		
Food	85	12.5	134	12.1	91	6.3	115	6.7	144	7.6		
Furs and pelts	34	5.0	46	4.2	54	3.8	63	3.7	55	2.9		
Other and unspecified	169	24.8	253	22.9	343	23.9	443	26.1	503	26.7		
<u>Imports</u>												
<i>Total</i>	633	100.0	1,271	100.0	1,601	100.0	1,742	100.0	1,782	100.0		
Machinery and equipment	194	30.6	602	47.4	510	31.9	560	32.1	670	37.6		
Base metals and manufactures	162	25.6	295	23.2	116	7.2	91	5.2	130	7.3		
Chemicals	22	3.5	57	4.5	140	8.7	142	8.2	166	9.3		
Wheat and wheat flour	17	2.7	--	--	366	22.9	413	23.7	147	8.2		
Manufactured consumer goods	53	8.4	61	4.8	69	4.3	119	6.8	222	12.5		
Other and unspecified	185	29.2	256	20.1	400	25.0	417	24.0	447	25.1		

a. For detailed data, see Tables 24 and 25.

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59. Machinery and equipment have made up a large part of Soviet imports from the West, typically accounting for roughly one-third to one-half of the total. The substantial imports of wheat in 1964-66 brought a sharp decline in imports of machinery,\* but when wheat imports declined in 1967, machinery again assumed great importance. Metals\*\* also had been a leading Soviet import from the West, and they also declined during the period of large wheat imports, but they have not regained their former importance. The wheat imports in this period, which had risen from nothing in 1962 to almost one-fourth of total Soviet imports from the West in 1966, declined in 1967 to slightly more than 8 percent of these imports, a decline of more than \$250 million.

60. Meanwhile, a new element in Soviet imports from the West has appeared in the form of manufactured consumer goods, mostly clothing and footwear. As a result, the pattern of imports from the West now strongly resembles that of Soviet imports from Eastern Europe. The increased attention to consumer welfare in the USSR, reflected in the expanded imports of consumer goods in the last year or two, is also shown in the increased imports from the West of consumer-oriented plants and machinery such as textile- and shoe-manufacturing equipment. This pattern may continue because the USSR is continuing to place orders in the West for substantial quantities of clothing and footwear.

61. Preliminary data for 1968 indicate that Soviet trade with the Industrial West increased 15-20 percent, making the value of this trade well over \$4 billion. These data also indicate that imports increased somewhat more than exports. Imports of machinery and equipment probably rose by about \$100 million and amounted to perhaps \$800 million. Exports may have increased by as much as \$100 million, but the products involved are not known. Exports of oil, the USSR's chief foreign exchange earners, increased by less than a half-million tons to about 37.6 million tons. The estimated value of \$450 million in 1968 is only \$5 million higher than in 1967. In 1966-67, such exports grew at an average of \$77 million annually.

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\* Imports of machinery averaged about \$600 million in 1962-64, falling to \$510 million in 1965, but by 1967 they had reached a new high of \$670 million.

\*\* Imports of metals fell from about \$300 million in 1962 to less than \$100 million in 1964; they were valued at \$130 million in 1967.

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Less Developed Countries

*Policy*

62. Since the beginning of the so-called Soviet economic offensive in the less developed countries in 1954, the USSR has extended \$6 billion in economic credits and grants to these countries, and Soviet trade with the less developed countries has increased sevenfold. This trade has been stimulated both indirectly by the existence of Soviet aid and directly by Soviet offers to buy and actual purchases of the major exports of many of these countries.

63. Since 1965, however, the general level of Soviet foreign trade and aid activity with the less developed countries has changed little. Annual drawings of economic aid have declined, in large part because of lagging progress on a number of major investment projects. Partly as a result of the Soviet goal of assuring more effective use of this aid, Soviet aid authorities have been exercising a greater selectivity in the types and placement of projects and a more sophisticated concern with the absorptive capacity and repayment problems of the less developed countries. Soviet trade policy also has reflected an enhanced sensitivity to the particular problems of individual countries and to the long-run prospects for Soviet relations with the less developed areas.

64. It had been Khrushchev's style to extend large lines of credit while deriving as much propaganda benefit as possible from the extension. The present regime, however, has become more discriminating in its commitments for economic aid projects, undoubtedly reflecting its experience with projects in backward economies which could not absorb capital aid deliveries on schedule or where unsuitable projects were undertaken. Soviet specialists now make detailed feasibility surveys before a commitment is made. Moreover, the USSR now extends relatively few comprehensive lines of credit covering multiple undesignated development projects, preferring instead to allocate aid for specific purposes. As a result, Soviet credits now tend to be smaller on the average.

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65. The USSR also has taken a number of steps to raise the level of commercial trade with the less developed countries. Consonant with the Soviet propaganda line that only trade can be the basis for permanent and growing economic ties, the USSR in 1967 and 1968 concluded several special short-term commodity agreements covering purchases of tropical products such as Colombian coffee and Ecuadoran cocoa, coffee, and bananas. The USSR also has made several agreements to purchase some of the manufactures produced by industrial enterprises built with Soviet aid -- for example, Indian steel rails. The shift toward a greater role for commercial relations between the USSR and the less developed countries is further indicated by the growing number of Soviet credits since 1965 which have been extended on something like commercial terms, including higher interest rates and shorter repayment periods.

*Trade*

66. Soviet trade with the less developed countries over the decade 1958-67 has increased at an annual average of about 8-1/2 percent -- about the same rate as total Soviet trade. Thus, after 10 years and \$2.7 billion in economic aid deliveries, the share of the less developed countries in Soviet foreign trade remains at roughly 10 percent (see Table 14).

Table 14

Soviet Trade with the Less Developed Countries

Million US \$				
<u>Year</u>	<u>Exports</u>	<u>Imports</u>	<u>Turnover a/</u>	<u>Percent of Total Soviet Trade</u>
1958	379	473	852	9.8
1962	560	604	1,164	8.6
1965	911	845	1,756	10.8
1966	886	904	1,790	10.7
1967	960	805	1,765	9.7

*a. Value of identified trade with less developed countries. Unspecified trade, virtually all of which consists of Soviet exports to the less developed countries, is believed to represent largely military-related items. Inclusion of this residual in Soviet trade with the less developed countries would increase their share in the total.*

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67. The major recipients of Soviet economic aid, the United Arab Republic and India, are also the USSR's leading trade partners in the less developed areas (see Table 15). Together they account for almost half of Soviet trade with this area. Malaysia is also among the more important trading partners of the USSR, but the volume of this trade derives from the more than \$100 million that the USSR usually spends annually in hard currency for natural rubber.

Table 15  
Soviet Trade with Selected Less Developed Countries

		Million US \$ <i>a/</i>				
		1958	1962	1965	1966	1967
United Arab Republic	Exports <i>b/</i>	88	103	209	199	281
	Imports <i>b/</i>	107	73	163	150	145
	Turnover	195	176	372	349	426
India	Exports	130	125	215	193	162
	Imports	51	72	188	191	181
	Turnover	181	196	403	384	343
Malaysia	Exports	0	2	0	0	Negl.
	Imports	118	161	113	126	97
	Turnover	118	163	113	126	97
Afghanistan	Exports	23	39	52	73	57
	Imports	13	25	20	19	21
	Turnover	36	65	72	92	78
Argentina	Exports	17	8	20	7	5
	Imports	16	10	72	107	23
	Turnover	33	18	92	115	28
Iran	Exports	27	16	15	31	63
	Imports	26	16	18	19	31
	Turnover	54	33	33	50	94

*a.* Because of rounding, components may not add to totals shown.

*b.* Soviet exports to and imports from the indicated trading partner.

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68. Soviet trade with the less developed countries has remained at about the same level since 1965. This failure to grow is attributable at least in part to the level of economic aid deliveries, which have been about \$300 million annually since 1965. The decline in 1967 in imports of wheat from Argentina and of rubber from Malaysia also helps to explain the failure of this Soviet trade to grow.

69. The commodity composition of Soviet trade with the less developed countries has not undergone any fundamental changes in the last few years (see Table 16). The dominant element of developmental aid is reflected in exports of machinery and equipment which account for roughly one-half of all Soviet exports to the area, and more than one-half of that category is composed of complete plants. Soviet petroleum exports have become less important as exports to India and Brazil have declined, particularly in 1967. Exports of food, normally an unimportant element in Soviet exports, rose sharply in 1967, largely as a result of large wheat sales to the United Arab Republic.

70. Textile fibers -- especially cotton -- natural rubber, and food make up the bulk of Soviet imports from the less developed countries. Imports of cotton, however, have been declining since 1965, particularly from the United Arab Republic. Natural rubber imports fell in 1967, as indicated above, and the decline in food imports in 1967 reflected the completion of Argentine wheat deliveries in 1966.

71. Preliminary data for 1968 indicate that Soviet trade with the less developed countries failed to increase and, in fact, may have declined. How much of this decline resulted from continued stagnation in economic aid deliveries is unclear; drawings in 1968 were about the same as in 1967, as indicated in Table 17.

72. Soviet officials, although clearly not satisfied with this lack of growth, would prefer to see trade with the less developed areas develop in a manner based more on mutual economic interest. In this connection, the recent Soviet commodity exchange agreements are designed to help the less

Table 16  
Major Commodities in Soviet Trade with the Less Developed Countries a/

	Value in Million US \$									
	1958		1962		1965		1966		1967	
<u>Exports</u>	<u>Value</u>	<u>Per-cent</u>	<u>Value</u>	<u>Per-cent</u>	<u>Value</u>	<u>Per-cent</u>	<u>Value</u>	<u>Per-cent</u>	<u>Value</u>	<u>Per-cent</u>
<i>Total</i>	379	100.0	560	100.0	911	100.0	886	100.0	960	100.0
Machinery and equipment	161	42.5	286	51.1	472	51.8	426	48.1	448	46.7
Of which:										
Complete plants	112	29.6	182	32.5	284	31.2	245	27.7	274	28.5
Petroleum and petroleum products	70	18.5	56	10.0	132	14.5	121	13.7	93	9.7
Wood and wood products	29	7.7	34	6.1	54	5.9	62	7.0	49	5.1
Food	46	12.1	69	12.3	65	7.1	74	8.4	185	19.3
Other and un-specified	73	19.3	116	20.7	188	20.6	205	23.1	185	19.3

Table 16  
 Major Commodities in Soviet Trade with the Less Developed Countries a/  
 (Continued)

	Value in Million US \$ b/									
	1958		1962		1965		1966		1967	
	<u>Value</u>	<u>Per- cent</u>	<u>Value</u>	<u>Per- cent</u>	<u>Value</u>	<u>Per- cent</u>	<u>Value</u>	<u>Per- cent</u>	<u>Value</u>	<u>Per- cent</u>
<u>Imports</u>										
Total	473	100.0	604	100.0	845	100.0	904	100.0	805	100.0
Cotton fiber	135	28.5	112	18.5	162	19.2	140	15.5	113	14.0
Natural rubber	131	27.7	206	34.1	137	16.2	152	16.8	119	14.8
Food	83	17.5	131	21.7	287	34.0	305	33.8	264	32.8
Other and un- specified	124	26.2	155	25.7	259	30.6	306	33.9	309	38.4

a. For detailed data, see Tables 26 and 27, Appendix B.  
 b. Rounded to nearest million dollars.

developed countries repay Soviet credits used in building plants and installations and to minimize the buildup of clearing account balances in favor of the less developed countries. These balances had been growing because these countries had failed to buy from the USSR as much as they sell to it.

Table 17

Extensions and Drawings of Soviet Economic Aid to the Less Developed Countries

<u>Year</u>	<u>Million US \$</u>	
	<u>Extensions</u>	<u>Drawings</u>
1965	447	355
1966	1,277	327
1967	290	283
1968	316	291

Prospects

73. Conservative is, perhaps, the best adjective to describe the style in which the USSR has conducted foreign economic policy since the current leadership assumed power. The conservatism has been reflected in Soviet relations with both the Communist and non-Communist worlds. The USSR has reaffirmed the importance of Eastern European economic dependence on the USSR to buttress its political hegemony. In the Industrial West it has continued Khrushchev's policy of acquiring Western equipment and technology, but has taken steps to insure that it can pay its way rather than run down its precious gold reserve. In the less developed countries, it has dispensed aid with considerably more care and has sought to develop a greater role for commercial relations, which presumably would benefit both sides and provide a basis for permanent economic ties.

74. For the foreseeable future the Eastern European countries will not be able to diminish significantly their economic dependence on the USSR for raw materials, because of a continued dependence on the USSR as a market for their manufactures. The manufactures of Eastern European countries, like those of the USSR,

generally are not competitive in the West. In the future, moreover, the outlook is dim for maintaining current export levels of agricultural products and raw materials to the West on which Eastern Europe now depends to earn foreign exchange because of higher tariff barriers and quota restrictions in the Common Market countries.

75. Given political and economic realities, a continued expansion of Soviet trade with Eastern Europe is likely. After a brief period of slow growth, trade increased by about 11 percent in 1968 and is scheduled to grow at about the same rate in 1969 to a level of about \$12.4 billion. Because the planned growth of trade with Eastern Europe is significantly greater than the scheduled 6-percent growth of total Soviet trade, Eastern Europe's share in Soviet trade will be the highest in 15 years -- about 60 percent.

76. Soviet policy toward CEMA and that organization's future role in Soviet economic relations with Eastern Europe are unclear. Soviet officials have called for economic integration without really defining the term. Bilateral relations have served Moscow's needs in the past, and the USSR may prefer bilateralism as the principal means of conducting economic relations with CEMA members in the future. There has been an increasing clamor among most CEMA members for some form of economic integration within the framework of CEMA to help modernize their economies. The USSR, however, clearly will not accept any formula which effectively diminishes its economic and political control over Eastern Europe or significantly increases the costs of maintaining such control.

77. Trade with China has about reached its nadir, and, barring unforeseen developments, any upward movement in this trade is unlikely in the near future. Trade with North Korea has increased recently concomitant with the cooling off of North Korean-Chinese relations. For the near term, at least, this trade is likely to increase, the USSR having promised to provide some assistance in carrying out North Korea's long-term plan which ends in 1970. Soviet trade with North Vietnam and Mongolia will also increase, the volume of trade reflecting the substantial economic assistance being provided by the USSR. The volume

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of trade with Cuba is a function of Soviet assistance and Cuban sugar crops. Over the long term, this trade presumably will grow, but in 1969 it may decline. Trade with Yugoslavia has risen rapidly in recent years, but some leveling off is probable for the next year or two.

78. Reaffirmation of the primacy of Soviet trade with Eastern Europe and the more conservative approach to trade with the Industrial West seem to indicate a somewhat slower growth in trade with the latter. The USSR probably will continue to conserve and rebuild its gold reserves and, consequently, to limit its imports from the West largely to what can be paid for by export earnings. Unless formulas not yet apparent can be found to increase exports more rapidly, such a policy will exercise limitations on the growth of trade. The regime is unlikely to make extensive use of Western credits and may even make special efforts to reduce existing indebtedness. In any event, the evident financial conservatism of the current leadership seems to indicate that Western credit facilities will be used sparingly.

79. Soviet efforts to increase imports of Western technical data are another indicator of a slower growth of Soviet imports from the West. In this connection, the USSR has concluded a number of scientific and technical exchange agreements with Western countries and firms, the most important of which have been the agreements with France and the United Kingdom. Substantial amounts of US technical data have been imported. The acquisition of Western technical data without the purchase of equipment is designed to save the USSR foreign exchange that otherwise would be spent for imports of equipment.

80. The USSR has shown greater tendency to emphasize imports from countries willing to accept increasing quantities of Soviet goods. Thus, trade with such countries as France, Italy, Japan, and the United Kingdom probably will increase relative to other countries.

81. The future of Soviet trade with the United States will depend to some extent on what the United States chooses to do about the current restrictions on trade with the USSR. If the United States grants

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most-favored-nation treatment to the USSR, there may be a rise in Soviet exports to the United States, but Soviet goods would not necessarily be assured a market significantly greater than at present.\* The goods on which the USSR depends to earn foreign exchange in the West are goods for which no significant demand exists in the United States or for which buyer-seller relations are well established -- oil, coal, cotton, lumber, and vegetable oil, for example.

82. The net effect of a relaxation of US credit restrictions and export controls restrictions is also problematical. Soviet purchases probably would be confined largely to products of superior US technology when such products cannot be obtained from US subsidiaries and licensees. These purchases would probably have a qualitative effect on the Soviet economy greater than the volume would indicate. US restrictions also are a major psychological issue for the USSR -- a symbol in the commercial field of US unwillingness to grant it full equality -- and removal of these restrictions could generate a volume of trade greater than otherwise could be expected. If the USSR continues to insist on bilateral balancing of trade, however, expansion in US-Soviet trade will depend on Soviet ability to produce goods that US firms and consumers will buy.

83. The stagnation in trade with the less developed countries in the last three years seems to indicate that such trade has reached at least a temporary plateau after a decade of growth. For the near term, however, there may be some growth in trade, in part a result of rising drawings and repayments of foreign aid. Drawings, which have not increased in recent years, are now expected to grow as a result of implementation of a number of projects in such countries as Iran, Turkey, Pakistan, India, and the United Arab Republic. Scheduled repayments on past credits should continue to rise. In addition, implementation of several short-term commodity agreements may result in increased Soviet trade with some of the less developed areas.

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\* Most current Soviet exports to the United States are penalized slightly or not at all because of denial of most-favored-nation treatment.

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84. Growth in trade for the longer term is far more uncertain. Growing ties with Latin America may provide some impetus to growth, for example, but these countries are heavily oriented toward Western countries. Opportunities for trade with other countries may appear as well, but to foster growth in trade may require substantial Soviet economic assistance, and this is not being dispensed on the scale of the 1950's and early 1960's.

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APPENDIX

Statistical Tables

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Table 18  
Estimated Soviet Balance of Payments with the Free World in Hard Currency

	Million US \$											
	1963		1964		1965		1966		1967		1968 a/	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
Goods and services		<u>364</u>		<u>569</u>		<u>229</u>		<u>280</u>		<u>104</u>		
Merchandise b/	961	1,277	1,011	1,545	1,326	1,544	1,482	1,746	1,691	1,600	1,850	c/ 1,850
Transportation, net d/	--	60	--	60	--	45	--	50	--	20	--	15
Travel e/	24	--	38	N.A.	48	N.A.	52	N.A.	57	N.A.	45	N.A.
Interest payments	--	14	--	15	--	17	--	21	--	29	--	36
on credits received f/	2	--	2	--	3	--	3	--	5	--	6	--
Dividends received g/	--	--	--	--	--	--	--	--	--	--	--	--
Other services												
Professional services, net h/	--	N.A.	--	N.A.	--	N.A.	--	N.A.	--	N.A.	--	N.A.
Miscellaneous, net i/	--	N.A.	--	N.A.	--	N.A.	--	N.A.	--	N.A.	--	N.A.
Transfer payments		<u>13</u>		<u>13</u>		<u>14</u>		<u>17</u>		<u>17</u>		<u>18</u>
Contributions to international organizations j/	--	13	--	13	--	14	--	17	--	17	--	18
Personal remittances k/	N.A.	--	N.A.	--	N.A.	--	N.A.	--	N.A.	--	N.A.	--
Student grants l/	--	N.A.	--	N.A.	--	N.A.	--	N.A.	--	N.A.	--	N.A.
Capital and monetary gold	<u>556</u>		<u>565</u>		<u>546</u>		<u>148</u>		<u>108</u>		<u>165</u>	
Medium-term and long-term credits												
Supplier credits and tied loans m/	140	130	170	147	200	150	265	149	255	144	285	180
Other loans n/	--	--	--	--	--	17	--	29	--	20	--	--

Table 18  
Estimated Soviet Balance of Payments with the Free World in Hard Currency  
(Continued)

	1963		1964		1965		1966		1967		1968	
	Credit	Debit										
Compensation pay- ments o/ Repayments on military Credits P/ Monetary gold q/ Net errors and omissions r/	--	19	--	13	--	13	--	13	--	13	--	10
	42	--	35	--	36	--	29	--	20	--	60	--
	523	--	520	--	490	--	45	--	10	--	10	--
		179	17		303		149		195		147	

- a. All data for 1968 are preliminary.  
b. Official Soviet statistics adjusted to exclude estimated Soviet deliveries of goods and services under economic aid agreements as well as goods received by the USSR as repayment and interest.  
c. Including a range of error of plus or minus \$50 million.  
d. Estimates for net transportation are for ocean transportation only. Soviet expenditures for the receipts from transportation of foreign trade freight by land are believed to be more or less offsetting. 1963, 319,000; 1964, 510,000; 1965, 639,000; 1966, 697,000. Estimates of Free World visitors are from UN sources: 1963, 319,000; 1964, 510,000; 1965, 639,000; 1966, 697,000. Estimate of the average cost per stay per Free World visitor might be about \$75. Expenditures of Soviet tourists in Free World countries have not been estimated and in any case are believed to be insignificant.  
f. Interest payments are those made on medium-term and long-term credits obtained from Western countries to finance machinery and equipment imports.  
g. Dividends received include profits of Soviet-owned banks, insurance companies, and other enterprises in the West.  
h. Professional services refer principally to the cost of technical services received in connection with the installation of facilities imported from the West.  
i. This category includes receipts and payments for political and economic representation. Expenditures for Soviet representation abroad are in excess of receipts from foreign representatives in the USSR, but no reasonable estimate can be made.

Table 18  
Estimated Soviet Balance of Payments with the Free World in Hard Currency  
(Continued)

- j. Refers to payments made in hard currency to the UN and UN-affiliated organizations.
- k. Personal remittances include gift packages and cash sent to Soviet citizens by persons abroad.
- l. No data are available on the value of Soviet government grants to foreign students (chiefly from less developed countries of the Free World) in the USSR. Hard currency expenditures are largely for the transport of the students to and from the USSR in those instances where Soviet carriers are not used.
- m. Estimates of drawings and repayments on medium-term and long-term supplier credits and on lines of credit tied to Soviet purchases in the countries extending the credit are based on the details of contracts concluded between Soviet foreign trade organizations and Western suppliers and banks and on other information.
- n. Payments of principal and interest on the 1946 loan from Sweden were made in hard currency since 1965. The final payment was made in December 1967.
- o. Compensation payments are Soviet payments of principal and interest in accordance with the US lend-lease "pipeline" agreement and the UK Civil Supplies Agreement. The final payment to the United Kingdom is believed to have been made in 1967.
- p. Military credit agreements between the USSR and some less developed countries such as Iraq, Syria, Indonesia, and Uganda. This provision is not always honored, and estimates of what is actually paid are highly tentative.
- q. These are minimum estimates of Soviet gold sales based on the date that the Soviet gold is delivered to the buyer, rather than the date of the sale agreement. Sales of gold for industrial purposes are included.
- r. Including changes in hard currency holdings and short-term capital movements.

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Table 19

Soviet Gold Production, Sales, and Reserves

Million US \$

<u>Year</u>	<u>Production</u>	<u>Net Consumption a/</u>	<u>Sales b/</u>	<u>Other Additions and Withdrawals</u>	<u>Reserves Balance c/</u>
1955	101	18	70	+11 d/	3,040
1956	104	20	154	+Negl. e/	2,970
1957	104	21	275	+21 d/	2,800
1958	109	22	182	+14 f/	2,720
1959	116	24	303	+18 f/	2,530
1960	124	27	149	N.A.	2,480
1961	133	28	310	N.A.	2,270
1962	143	30	239	N.A.	2,140
1963	153	30	523	N.A.	1,740
1964	164	32	520	N.A.	1,360
1965	176	34	490 g/	N.A.	1,010
1966	188	36	45	N.A.	1,120
1967	198	38	10 h/	-10 i/	1,260
1968 j/	211	40	10	N.A.	1,420

a. Net consumption is the gold issued to the domestic economy for use by industry and the arts in excess of that returned by the domestic economy for refining and eventual reissue.

b. Minimum estimates.

c. At the end of the year, rounded to the nearest \$10 million. Range of error is 20 percent.

d. Total output of North Korea and Communist China.

e. Total output of North Korea and Communist China less a loan to Poland of \$12.5 million.

f. Total output of North Korea.

g. Including a reported \$180 million in Soviet and Eastern European gold sold to Italian banks for debt service.

h. Soviet sales of industrial gold to West Germany.

i. Loan to Hungary.

j. Preliminary.

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Table 20  
Commodity Composition of Soviet Exports a/

Commodity	Value in Million US \$					
	1965		1966		1967	
	Value	Percent	Value	Percent	Value	Percent
Total exports	8,174	100.0	8,841	100.0	9,649	100.0
Machinery and equipment	<u>1,636</u>	<u>20.0</u>	<u>1,838</u>	<u>20.8</u>	<u>2,039</u>	<u>21.1</u>
Complete plants	614	7.5	641	7.3	721	7.5
Fuels, lubricants, and related materials	<u>1,386</u>	<u>17.0</u>	<u>1,429</u>	<u>16.2</u>	<u>1,523</u>	<u>15.8</u>
Coal and coke	384	4.7	359	4.1	351	3.6
Petroleum and petroleum products	999	12.2	1,064	12.0	1,152	11.9
Ores and concentrates	<u>310</u>	<u>3.8</u>	<u>302</u>	<u>3.4</u>	<u>326</u>	<u>3.4</u>
Iron ore	251	3.1	242	2.7	262	2.7
Base metals and manufactures	<u>1,329</u>	<u>16.3</u>	<u>1,346</u>	<u>15.2</u>	<u>1,339</u>	<u>13.9</u>
Ferrous metals	998	12.2	965	10.9	975	10.1
Rolled ferrous metals	659	8.1	633	7.2	644	6.7
Nonferrous metals	332	4.1	380	4.3	365	3.8
Aluminum	111	1.4	119	1.3	121	1.3
Chemicals	<u>229</u>	<u>2.8</u>	<u>271</u>	<u>3.1</u>	<u>325</u>	<u>3.4</u>
Wood and wood products	<u>594</u>	<u>7.3</u>	<u>622</u>	<u>7.0</u>	<u>626</u>	<u>6.5</u>
Lumber	312	3.8	308	3.5	283	2.9
Textile raw materials and semimanufactures	<u>421</u>	<u>5.1</u>	<u>460</u>	<u>5.2</u>	<u>451</u>	<u>4.7</u>
Cotton fiber	335	4.1	368	4.2	373	3.9
Consumer goods	<u>896</u>	<u>11.0</u>	<u>1,034</u>	<u>11.7</u>	<u>1,356</u>	<u>14.1</u>
Food	659	8.1	781	8.8	1,081	11.2
Grain	270	3.3	232	2.6	450	4.7
Other consumer goods	236	2.9	253	2.9	275	2.8
Other merchandise	<u>239</u>	<u>2.9</u>	<u>309</u>	<u>3.5</u>	<u>366</u>	<u>3.8</u>
Unspecified	<u>1,135</u>	<u>13.9</u>	<u>1,229</u>	<u>13.9</u>	<u>1,298</u>	<u>13.5</u>

a. Because of rounding, components may not add to the totals shown.

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Table 21

Commodity Composition of Soviet Imports a/

Commodity	Value in Million US \$					
	1965		1966		1967	
	Value	Percent	Value	Percent	Value	Percent
<i>Total imports</i>	<i>8,058</i>	<i>100.0</i>	<i>7,913</i>	<i>100.0</i>	<i>8,536</i>	<i>100.0</i>
Machinery and equipment	<u>2,692</u>	<u>33.4</u>	<u>2,565</u>	<u>32.4</u>	<u>2,917</u>	<u>34.2</u>
Transportation equip- ment	990	12.3	941	11.9	927	10.9
Fuels, lubricants, and related materials	<u>198</u>	<u>2.5</u>	<u>184</u>	<u>2.3</u>	<u>187</u>	<u>2.2</u>
Coal and coke	123	1.5	127	1.6	135	1.6
Petroleum and petro- leum products	75	0.9	57	0.7	51	0.6
Ores and concentrates	<u>316</u>	<u>3.9</u>	<u>300</u>	<u>3.8</u>	<u>314</u>	<u>3.7</u>
Base metals and manufac- tures	<u>389</u>	<u>4.8</u>	<u>308</u>	<u>3.9</u>	<u>355</u>	<u>4.2</u>
Ferrous metals	314	3.9	249	3.1	295	3.5
Rolled ferrous metals	132	1.6	99	1.3	145	1.7
Pipe	155	1.9	125	1.6	118	1.4
Nonferrous metals	75	0.9	58	0.7	60	0.7
Copper	Negl.	Negl.	8	0.1	1	Negl.
Tin	21	0.3	16	0.2	18	0.2
Chemicals	<u>375</u>	<u>4.7</u>	<u>398</u>	<u>5.0</u>	<u>467</u>	<u>5.5</u>
Rubber and rubber products	<u>199</u>	<u>2.5</u>	<u>207</u>	<u>2.6</u>	<u>183</u>	<u>2.1</u>
Wood and wood products	<u>150</u>	<u>1.9</u>	<u>152</u>	<u>1.9</u>	<u>187</u>	<u>2.2</u>
Textile raw materials and semimanufactures	<u>358</u>	<u>4.4</u>	<u>375</u>	<u>4.7</u>	<u>343</u>	<u>4.0</u>
Cotton fiber	162	2.0	140	1.8	113	1.3
Wool fiber	100	1.2	118	1.5	89	1.0
Consumer goods	<u>2,654</u>	<u>32.9</u>	<u>2,721</u>	<u>34.4</u>	<u>2,858</u>	<u>33.5</u>
Food	1,510	18.7	1,442	18.2	1,238	14.5
Wheat and wheat flour	425	5.3	515	6.5	151	1.8
Other consumer goods	1,144	14.2	1,279	16.2	1,620	19.0
Other merchandise	<u>471</u>	<u>5.8</u>	<u>470</u>	<u>5.9</u>	<u>480</u>	<u>5.6</u>
Unspecified	<u>255</u>	<u>3.2</u>	<u>233</u>	<u>2.9</u>	<u>244</u>	<u>2.9</u>

a. Because of rounding, components may not add to the totals shown.

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Table 22

Commodity Composition of Soviet Exports  
to Eastern European Communist Countries <sup>a/</sup>

Commodity	Value in Million US \$					
	1965		1966		1967	
	Value	Percent	Value	Percent	Value	Percent
Total exports	4,553	100.0	4,692	100.0	5,037	100.0
Machinery and equipment	787	17.3	960	20.5	1,102	21.9
Complete plants	213	4.7	246	5.2	276	5.5
Fuels, lubricants, and related materials	738	16.2	715	15.2	735	14.6
Coal and coke	265	5.8	243	5.2	226	4.5
Petroleum and petro- leum products	470	10.3	466	9.9	489	9.7
Ores and concentrates	271	6.0	254	5.4	273	5.4
Iron ore	243	5.3	231	4.9	248	4.9
Base metals and manufac- tures	928	20.4	917	19.5	952	18.9
Ferrous metals	718	15.8	700	14.9	723	14.4
Rolled ferrous metals	524	11.5	512	10.9	525	10.4
Nonferrous metals	210	4.6	217	4.6	229	4.5
Aluminum	72	1.6	66	1.4	75	1.5
Chemicals	123	2.7	132	2.8	144	2.9
Wood and wood products	186	4.1	200	4.3	220	4.4
Lumber	100	2.2	100	2.1	102	2.0
Textile raw materials and semimanufactures	322	7.1	332	7.1	290	5.8
Cotton fiber	255	5.6	266	5.7	235	4.7
Consumer goods	424	9.3	465	9.9	584	11.6
Food	353	7.8	390	8.3	500	9.9
Grain	200	4.4	188	4.0	271	5.4
Other consumer goods	71	1.6	75	1.6	84	1.7
Other merchandise	128	2.8	152	3.2	173	3.4
Unspecified	645	14.2	564	12.0	563	11.2

a. Because of rounding, components may not add to the totals shown.

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Table 23

Commodity Composition of Soviet Imports  
from Eastern European Communist Countries a/

Commodity	Value in Million US \$					
	1965		1966		1967	
	Value	Percent	Value	Percent	Value	Percent
<i>Total imports</i>	<i>4,673</i>	<i>100.0</i>	<i>4,462</i>	<i>100.0</i>	<i>5,092</i>	<i>100.0</i>
Machinery and equipment	<u>2,114</u>	<u>45.2</u>	<u>1,926</u>	<u>43.2</u>	<u>2,185</u>	<u>42.9</u>
Transportation equip- ment	729	15.6	678	15.2	755	14.8
Fuels, lubricants, and related materials	<u>190</u>	<u>4.1</u>	<u>175</u>	<u>3.9</u>	<u>176</u>	<u>3.5</u>
Coal and coke	120	2.6	127	2.8	134	2.6
Petroleum and petro- leum products	70	1.5	48	1.1	42	0.8
Ores, concentrates, base metals, and manufactures	<u>274</u>	<u>5.9</u>	<u>218</u>	<u>4.9</u>	<u>212</u>	<u>4.2</u>
Ores and concentrates <u>b/</u>	14	0.3	14	0.3	8	0.2
Base metals and manu- factures <u>b/</u>	129	2.8	97	2.2	98	1.9
Ferrous metals <u>b/</u>	107	2.3	90	2.0	90	1.8
Rolled ferrous metals	47	1.0	31	0.7	27	0.5
Nonferrous metals <u>b/</u>	22	0.5	7	0.2	8	0.2
Chemicals	<u>198</u>	<u>4.2</u>	<u>213</u>	<u>4.8</u>	<u>256</u>	<u>5.0</u>
Rubber and rubber products	<u>28</u>	<u>0.6</u>	<u>31</u>	<u>0.7</u>	<u>40</u>	<u>0.8</u>
Wood and wood products	<u>39</u>	<u>0.8</u>	<u>38</u>	<u>0.9</u>	<u>42</u>	<u>0.8</u>
Consumer goods	<u>1,188</u>	<u>25.4</u>	<u>1,278</u>	<u>28.6</u>	<u>1,532</u>	<u>30.1</u>
Food	304	6.5	292	6.5	353	6.9
Other consumer goods	884	18.9	986	22.1	1,180	23.2
Other merchandise	<u>171</u>	<u>3.7</u>	<u>162</u>	<u>3.6</u>	<u>181</u>	<u>3.6</u>
Unspecified	<u>472</u>	<u>10.1</u>	<u>422</u>	<u>9.5</u>	<u>468</u>	<u>9.2</u>

a. Because of rounding, components may not add to the totals shown.

b. Excluding Soviet imports of ores and metals from Czechoslovakia which amounted to \$130.9 million, \$106.7 million, and \$105.2 million in 1965, 1966, and 1967, respectively.

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Table 24  
Commodity Composition of Soviet Exports  
to the Industrial West a/

Commodity	Value in Million US \$					
	1965		1966		1967	
	Value	Percent	Value	Percent	Value	Percent
Total exports	1,438	100.0	1,711	100.0	1,885	100.0
Fuels, lubricants, and related materials	<u>391</u>	<u>27.2</u>	<u>466</u>	<u>27.2</u>	<u>549</u>	<u>29.1</u>
Coal and coke	100	7.0	100	5.8	104	5.5
Petroleum and petroleum products	291	20.2	366	21.4	445	23.6
Ores and concentrates	<u>37</u>	<u>2.6</u>	<u>47</u>	<u>2.7</u>	<u>49</u>	<u>2.6</u>
Manganese ore	8	0.6	10	0.6	8	0.4
Base metals and manufactures	<u>203</u>	<u>14.1</u>	<u>246</u>	<u>14.4</u>	<u>204</u>	<u>10.8</u>
Ferrous metals	120	8.3	124	7.3	110	5.8
Pig iron	51	3.5	61	3.6	55	2.9
Rolled ferrous metals	28	1.9	25	1.5	22	1.2
Nonferrous metals	83	5.8	122	7.1	94	5.0
Aluminum	30	2.1	40	2.3	34	1.8
Wood and wood products	<u>297</u>	<u>20.7</u>	<u>298</u>	<u>17.4</u>	<u>322</u>	<u>17.1</u>
Lumber	165	11.5	155	9.1	141	7.5
Textile raw materials and semimanufactures	<u>75</u>	<u>5.2</u>	<u>102</u>	<u>6.0</u>	<u>126</u>	<u>6.7</u>
Cotton fiber	59	4.1	80	4.7	108	5.7
Consumer goods	<u>169</u>	<u>11.8</u>	<u>204</u>	<u>11.9</u>	<u>237</u>	<u>12.6</u>
Food	91	6.3	115	6.7	144	7.6
Grain	20	1.4	3	0.2	31	1.6
Other consumer goods	78	5.4	88	5.1	93	4.9
Furs and pelts	54	3.8	63	3.7	55	2.9
Other merchandise	<u>121</u>	<u>8.4</u>	<u>166</u>	<u>9.7</u>	<u>195</u>	<u>10.3</u>
Unspecified	<u>144</u>	<u>10.0</u>	<u>183</u>	<u>10.7</u>	<u>203</u>	<u>10.8</u>

a. Because of rounding, components may not add to the totals shown.

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Table 25  
Commodity Composition of Soviet Imports  
from the Industrial West <sup>a/</sup>

Commodity	Value in Million US \$					
	1965		1966		1967	
	Value	Percent	Value	Percent	Value	Percent
<i>Total imports</i>	<u>1,601</u>	<u>100.0</u>	<u>1,742</u>	<u>100.0</u>	<u>1,782</u>	<u>100.0</u>
Machinery and equipment	<u>510</u>	<u>31.9</u>	<u>560</u>	<u>32.1</u>	<u>670</u>	<u>37.6</u>
Chemical equipment	110	6.9	147	8.4	177	9.9
Transportation equip- ment	196	12.2	194	11.1	130	7.3
Base metals and manufac- tures	<u>116</u>	<u>7.2</u>	<u>91</u>	<u>5.2</u>	<u>130</u>	<u>7.3</u>
Ferrous metals	105	6.6	81	4.6	112	6.3
Rolled ferrous metals	26	1.6	21	1.2	63	3.5
Pipes	71	4.4	50	2.9	37	2.1
Nonferrous metals	10	0.6	10	0.6	18	1.0
Wood and wood products	<u>100</u>	<u>6.2</u>	<u>104</u>	<u>6.0</u>	<u>133</u>	<u>7.5</u>
Chemicals	<u>140</u>	<u>8.7</u>	<u>142</u>	<u>8.2</u>	<u>166</u>	<u>9.3</u>
Textile raw materials and semimanufactures	<u>89</u>	<u>5.6</u>	<u>103</u>	<u>5.9</u>	<u>125</u>	<u>7.0</u>
Wool fiber	38	2.4	47	2.7	34	1.9
Staple fiber, artificial and synthetic	30	1.9	24	1.4	28	1.6
Consumer goods	<u>488</u>	<u>30.5</u>	<u>571</u>	<u>32.8</u>	<u>400</u>	<u>22.4</u>
Wheat and wheat flour	366	22.9	413	23.7	147	8.2
Other merchandise	<u>125</u>	<u>7.8</u>	<u>126</u>	<u>7.2</u>	<u>110</u>	<u>6.2</u>
Unspecified	<u>33</u>	<u>2.1</u>	<u>43</u>	<u>2.5</u>	<u>46</u>	<u>2.6</u>

a. Because of rounding, components may not add to the totals shown.

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Table 26  
Commodity Composition of Soviet Exports  
to the Less Developed Countries a/

Commodity	Value in Million US \$					
	1965		1966		1967	
	Value	Percent	Value	Percent	Value	Percent
<i>Total exports</i>	911	100.0	886	100.0	960	100.0
Machinery and equipment	472	51.8	426	48.1	448	46.7
Complete plants	284	31.2	245	27.7	274	28.5
Transportation equip- ment	97	10.6	100	11.3	104	10.8
Petroleum and petroleum products	132	14.5	121	13.7	93	9.7
Rolled ferrous metals	40	4.4	43	4.9	39	4.1
Wood and wood products	54	5.9	62	7.0	49	5.1
Food	65	7.1	74	8.4	185	19.3
Other merchandise	94	10.3	97	10.9	102	10.6
Unspecified	54	5.9	63	7.1	43	4.5

a. Because of rounding, components may not add to the totals shown.

Table 27  
Commodity Composition of Soviet Imports  
from the Less Developed Countries a/

Commodity	Value in Million US \$					
	1965		1966		1967	
	Value	Percent	Value	Percent	Value	Percent
<i>Total imports</i>	845	100.0	904	100.0	805	100.0
Cotton fiber	162	19.2	140	15.5	113	14.0
Natural rubber	137	16.2	152	16.8	119	14.8
Food	287	34.0	305	33.7	264	32.8
Nonferrous metals	12	1.4	15	1.7	6	0.7
Other merchandise	243	28.8	287	31.7	280	34.8
Unspecified	4	0.5	5	0.6	23	2.9

a. Because of rounding, components may not add to the totals shown.

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