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CIA HISTORICAL REVIEW PROGRAM  
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23 March 1971

The Honorable Robert L. McLellan  
Assistant Secretary for Domestic  
and International Business  
Department of Commerce

Dear Bob:

The attached brief memorandum covers the recent developments with respect to the Soviet Kama River Truck Plant. It now seems clear that the Soviets will build the plant themselves and that the amount of western participation will depend on the outcome of tougher negotiation sessions.

Sincerely,

Director  
Economic Research

Attachment:  
Memorandum re: Status of  
the USSR's Kama River Truck Plant

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MEMORANDUM

Status of the USSR's Kama River Truck Plant

1. Moscow's plans for a large truck manufacturing complex to be built with western assistance have been delayed beyond the Soviets' original projection, which called for a plant producing 150,000 trucks annually by the end of 1974. This delay can be primarily ascribed to Moscow's faulty assessment of the attractiveness that this deal could be expected to hold for Western manufacturers. Also, there were differing priorities within the Soviet economic hierarchy, particularly over spending foreign exchange. In addition, the Soviets probably failed to appreciate the lessons Western firms would learn from Fiat's trying experience in building the VAE automobile plant at Togliatti.

2. Following a rebuff from the Ford Motor Company last year, the USSR approach has centered on Daimler-Benz of West Germany. Like Ford, Daimler-Benz has now declined to assume major responsibility for the complex. Other Western firms including Fiat and Renault eliminated themselves from consideration before the Soviets indicated they would offer these companies a chance at major participation.

3. It is clear that the Soviets now plan to build the plant themselves, although they are counting on substantial inputs from the West in terms of equipment and components. Discussions to this end are continuing.

4. Recent negotiations with Daimler-Benz have centered on licenses for five types of truck motors, but these talks have now reached an impasse because of basic differences over fees and the question of Soviet sales of vehicles in third country markets. Moscow has offered only one-third of the \$165 million fee requested by Daimler-Benz. A statement at a press conference by the Soviet minister of the motor vehicle industry that Moscow considers Daimler-Benz' price to be "too high"



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suggests there is little give in the Soviet position. Similarly, the USSR refuses to agree not to sell Kama River trucks in Daimler-Benz' traditional markets abroad, a stipulation Daimler-Benz insists upon. Daimler-Benz, it should be noted, is not greatly concerned about eventual Soviet competition in third countries because of the long-term domestic demand in the USSR, the quality reputation of Daimler-Benz trucks abroad, and the probable obsolescence of Kama River truck if and when they are ever offered in the free world.

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