

~~CONFIDENTIAL~~

8001

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED
1998

CENTRAL INTELLIGENCE AGENCY
Office of Economic Research

USSR: Trends in Trade
with the Middle East and South Asia

Classified by 015319
Exempt from general
declassification schedule of E.O. 11652
exemption category 58(1),(2),(3)
Automatically declassified on
Date impossible to Determine

April 1973

Copy No.

49

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

USSR: Trends in Trade
with the Middle East and South Asia

Summary

1. Soviet trade with the countries of the Middle East and South Asia (MESA) has grown fifteen-fold since 1955 to more than US \$2 billion annually. Most of this growth has stemmed (a) directly from the flow of goods under Moscow's aid program, and (b) indirectly from the secondary economic relationships generated by the aid program. Almost \$5 billion, or about 30% of Soviet-MESA trade since 1955, have been directly connected to an estimated \$3 billion of Soviet exports of aid goods and nearly \$2 billion of repayments for Soviet aid.

2. The leading partners in this trade are, in order of rank: Egypt, India, Iran, Iraq, and Turkey. The commodity composition of the trade features the exchange of Soviet machinery, ferrous metals, fuels, and grain for MESA agricultural raw materials and foodstuffs. In recent years, Soviet aid deliveries have increased more slowly than total Soviet

Note: Comments and queries regarding this paper are welcomed. They may be directed to the Office of Economic Research,

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

exports to MESA. Nonetheless, exports of machinery and equipment, the category which includes most Soviet aid deliveries, have remained high, indicating a growing acceptance of Soviet non-aid goods in aid-receiving countries.

3. As for Soviet imports, the share of agricultural raw materials and foodstuffs has declined from about 80% in 1964 to about 60%, whereas the share of manufactured goods and energy fuels has climbed to 40%. Moscow is importing growing quantities of MESA industrial and consumer goods to meet some of its domestic requirements and to help aid recipients use the excess capacity of Soviet-aided plants.

4. The economic growth of MESA countries, their geographic proximity to the USSR, the commercial ties the Soviet aid program has helped establish, and the expansion called for in new trade agreements all point toward continued growth of Soviet trade with MESA countries. Moscow's extension of more than \$1 billion in new economic aid to this area over the last two years also will contribute to the growth of Soviet exports and keep the machinery and equipment category at least at the present level. Soviet imports will grow as the level of repayments

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

rises. An increasing share will be in the form of gas and oil from Afghanistan, Iran, Iraq, and Syria.

Discussion

Introduction

5. Much of Soviet trade with the less developed countries (LDCs) during the past 18 years has been generated by Moscow's aid program. The major trading partners also are the major aid recipients. During most of these years, the aid program frequently determined the composition of trade of the larger aid-receiving countries. Since the mid-1960s, however, there have been noticeable changes in the character of that trade. Soviet machinery and equipment, initially aid generated, have become increasingly accepted for their own sake in LDC markets. Soviet purchases of LDC exports have been shifting toward raw materials and goods produced in newly created plants. These latter goods are generally not marketable in the West. This paper examines the growth and changes in Soviet trade with countries of the Middle East and South Asia (MESA), the area that accounts for most Soviet-LDC economic relations. Text and appendix tables provide detailed statistical data on Soviet-MESA trade.

~~CONFIDENTIAL~~

Overview of Soviet Trade and Aid

6. Soviet trade with the LDCs grew rapidly after Moscow launched its aid program in the mid-1950s. During 1955-60, trade more than tripled. By 1971, it had tripled again, reaching about \$2.8 billion. MESA trade grew even faster, quadrupling in both periods and totaling more than \$2 billion in 1971 (see Table 1 and Tables A-1 and A-2).

Table 1

USSR: Trade with Middle Eastern and South Asian Countries

	Million US \$				MESA Trade as a Percent of Soviet-LDC Trade
	Total Soviet-LDC Trade ¹	Soviet-MESA Trade			
		Total	Soviet Imports	Soviet Exports	
1955	294	127	58	68	43
1956	448	255	118	137	57
1960	901	525	280	245	58
1965	1,756	1,142	489	653	65
1970	2,591	1,870	829	1,040	72
1971	2,793	2,028	926	1,102	73

¹ Value of identified trade. Unspecified trade, virtually all of which consists of Soviet exports to the LDCs, is believed to represent largely military-related deliveries. Because of rounding, components may not add to the totals shown.

MESA trade rose from about 45% of Soviet-LDC trade in 1955 to nearly 75% in 1971.

7. The dominance of MESA countries in Soviet-LDC trade is reflected in the Soviet aid program as well. Nearly 80% of about \$17 billion of Soviet

economic and military aid obligated since 1954 has been extended to MESA countries. About \$6.4 billion of economic aid has been committed to these areas -- more than 55% to Afghanistan, Egypt, and India -- and \$6.8 billion of military aid -- more than 70% to Egypt, India, and Iraq (see Table 2).

Table 2

USSR: Economic and Military Aid Extended to Middle Eastern and South Asian Countries¹
1954-72

	Economic Aid			Military Aid		
	Million US \$	Percent of Total LDCs	Percent of Total MESA	Million US \$	Percent of Total LDCs	Percent of Total MESA
Total LDCs	8,320	100	....	8,475	100	....
Total MESA	6,370	77	100	6,765	80	100
Afghanistan	825	10	13	455	5	7
Egypt	1,195	14	19	2,685	32	40
India	1,610	19	25	1,230	15	18
Iran	600	7	9	480	6	7
Iraq	555	7	9	1,000	12	15
Pakistan	390	5	6	65	1	1
Syria	320	4	5	715	8	11
Turkey	530	6	8	....	....	....
Other	345	4	5	135	2	2

¹ Because of rounding, components may not add to the totals shown.

8. Economic aid enters the trade stream as Soviet exports of investment goods for its projects and as repayments of Soviet credits by LDC exports.¹ The rate of flow depends on the pace of project implementation, the terms of credit repayment, and

1. Military aid deliveries are not considered here, because they are not part of the economic resource flow to the LDCs and are not reflected in trade data.

~~CONFIDENTIAL~~

the recipient's ability to meet those terms. The Soviet economic aid generally is repaid over 8-12 years at 2.5%-3% interest; the military debt in 8-10 years at 2%-2.5% interest. Thus, Soviet aid has directly increased trade with MESA countries by (a) the amount of economic aid delivered under credit, and (b) the amount of goods imported by the USSR as repayment for both military and economic aid.² About 30% (almost \$5 billion) of Moscow's total trade with MESA countries since 1955 has been aid generated.

Economic Aid Disbursements Generate Exports

9. Aid disbursements accounted for an estimated \$3 billion of Soviet exports to MESA countries during 1956-71 and contributed substantially to the export growth in the early years.³ They totaled \$10 million in 1956, increased to \$90 million by 1959, and averaged about \$220 million annually during 1961-65 (see Table 3). By 1964, Soviet economic aid deliveries accounted for one-half of Soviet

2. It is assumed that the two-way flow of goods is in addition to the commercial flows and would not have occurred if the aid program did not exist.

3. Disbursements cover only credit deliveries, as Soviet trade data do not include grants. However, the magnitude of Soviet grants is small, and only Afghanistan has received a sizable share of such Soviet aid -- \$145 million.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Table 3

USSR: Exports and Aid Deliveries to Middle
Eastern and South Asian Countries

	Million US \$		
	Total Soviet Exports to MESA Countries	Soviet Aid Deliveries to MESA Countries	Aid Deliveries as a Percent of Soviet Exports
Total	9,067	3,050	34
1956	137	10	7
1957	254	35	14
1958	312	85	27
1959	238	90	38
1960	245	60	24
1961	356	110	31
1962	396	180	45
1963	554	260	47
1964	589	295	50
1965	653	260	40
1966	720	285	40
1967	792	245	31
1968	754	265	35
1969	925	275	30
1970	1,040	295	28
1971	1,102	300	27

exports to MESA countries. Although the rate of increase slackened thereafter, aid deliveries in the last half of the 1960s still averaged about \$270 million annually and reached almost \$300 million annually during 1970-71. Because total exports rose much more rapidly, aid-generated deliveries had declined to 27% of total exports by 1971.

Repayments Increase Soviet Imports

10. Nearly \$1.7 billion -- 30% -- of Soviet imports from MESA countries during 1960-71 were generated by aid repayments. Although not significant until the early 1960s, aid repayments totaled \$125

~~CONFIDENTIAL~~

million in 1964, jumped to \$170 million in 1968, and rocketed to \$325 million in 1971 (see Table 4).

Table 4
USSR: Imports and Aid Repayments by Middle Eastern and South Asian Countries

	Million US \$				
	Total Soviet Imports from MESA Countries	Estimated MESA Repayments			Repayments as a Percent of Imports
		Total	Economic	Military	
Total	5,999	1,695	935	760	28
1960	280	45	20	25	16
1961	252	45	20	25	18
1962	241	80	25	55	33
1963	326	90	25	65	28
1964	410	125	45	80	30
1965	489	110	50	60	22
1966	510	140	70	70	27
1967	506	135	85	50	27
1968	542	170	115	55	31
1969	688	180	115	65	26
1970	829	250	175	75	30
1971	926	325	190	135	35

In 1971 they were about seven times the 1960 level, and since 1967 have accounted for about one-third of total Soviet imports from MESA countries.

Composition of Trade

11. Machinery and equipment, a category that includes most Soviet aid deliveries, comprised more than one-half of Soviet exports to MESA countries during 1955-71. In 1971, it totaled more than \$600 million and accounted for 55% of Soviet exports (see Table A-3). Metals, wood products, and fuels represented another 20%. Soviet grain exports have

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

been significant in some years, their size depending on the Soviet crop. During 1967-71, grain shipments varied between practically zero and nearly 10% of total Soviet exports to MESA countries.

12. The machinery and equipment category is particularly important for Moscow's major aid recipients. In 1964, for example, it represented about 75% and 70%, respectively, of Soviet exports to India and Egypt. Even though these shares have declined in recent years upon completion of large aid projects, they remain sizable for both countries as well as for the LDCs as a whole.

13. Whereas aid deliveries to MESA countries have remained almost constant, commercial sales of capital goods have increased rapidly. Machinery and equipment previously sold on deferred payment have created repeat sales of spares and replacements, have dispelled many inhibitions against Soviet products, and have increased demand for non-aid Soviet goods. Moreover, the purchase of Soviet equipment represents a low opportunity cost to MESA countries because the goods used in repayment generally are not marketable in the West. Soviet commercial sales almost tripled during 1964-71. By

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

1971, they comprised nearly three-fourths of total Soviet exports, compared with one-half in 1964.

14. Soviet imports from MESA countries have been dominated by cotton and other agricultural raw materials and by foodstuffs (see Table A-4). In some years these categories accounted for 80%-85% of Soviet imports. Recently, however, a rapid increase has occurred in the share of manufactured and semi-manufactured goods and energy fuels. Imports of MESA manufactures totaled \$285 million in 1971, four times the 1964 volume, and more than 30% of total Soviet imports from MESA countries. Imports of fuel totaled about \$70 million, compared with almost nothing in 1964. MESA countries now supply the USSR with all of its LDC imports of machinery and equipment, tires, jute products, cotton fabrics, clothing, furniture, and natural gas.

15. These new products, as well as the traditional exports, not only help repay aid debts to the USSR but also represent growing supplementary sources to meet Soviet domestic requirements. One Soviet author, for example, states:

The resources received in redemption of the credits and in payment of interest are utilized by Soviet foreign trade organizations for the purchase in

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

India of tea, wool, jute, coffee, tobacco, as well as rolled ferrous metal, products of engineering plants and manufactured consumer goods. The Arab Republic of Egypt redeems Soviet credits with such traditional Egyptian exports as cotton, yarn, fabrics, and rice as well as the products of enterprises built with Soviet assistance -- ferrous metals, stampings, parts of automobiles and tractors, and other goods. (D. Chertkov, "The USSR and Developing Countries: Economic Relations," International Affairs, August 1972, p. 59)

Along the same lines, another author points out:

Soviet purchases of their traditional exports and of products of their young national industries are of great importance for this group of countries. Our economic ties with these countries have also begun to play a greater role in solving the Soviet Union's national economic tasks. Our increased purchases in these countries and the delivery of their products in repayment of Soviet credits enable the USSR to organize a better supply of many types of raw materials for its industry and to satisfy the needs of its population for food-stuffs and consumer goods more fully. (V. Smirnov, "To Our Mutual Advantage and in the Interest of the Economic Independence of the Developing Countries," USSR Foreign Trade, December 1972, p. 27)

Major Trading Partners

16. Since the mid-1950s, Egypt and India have been Moscow's largest Third World trading partners. Together they have received 40% of Moscow's economic and military aid commitments. More recently, Soviet aid to Iran has risen substantially, with trade

~~CONFIDENTIAL~~

following. In 1971 these three countries accounted for one-half (\$1.4 billion) of Soviet-LDC trade and about 70% of Soviet-MESA trade.

Egypt

17. Soviet-Egyptian trade increased more than sixfold between 1955 and 1957 and reached \$193 million even before sizable economic aid was extended (see Table 5). Soviet imports led the

Table 5
USSR: Trade with and Aid to Egypt ¹

	Million US \$			Estimated Aid Deliveries		Estimated Aid Repayments			Total As a Percent of Soviet Imports
	Total Soviet-Egyptian Trade	Soviet Exports	Soviet Imports	Million US \$	Percent of Soviet Exports	Million US \$			
						Total	Economic	Military	
1955	26	11	15	....	....	....	....	....	....
1956	89	38	50	....	....	....	....	....	....
1957	193	82	111	....	....	....	....	....	....
1958	195	88	107	Negl.	Negl.	Negl.	....	Negl.	Negl.
1959	181	88	93	15	17	20	Negl.	20	22
1960	191	70	121	15	21	20	Negl.	20	17
1961	205	109	96	30	28	20	Negl.	20	21
1962	176	103	73	55	53	50	5	45	68
1963	259	135	124	85	63	50	5	45	40
1964	278	155	124	60	39	60	15	45	48
1965	372	209	163	55	26	40	20	20	25
1966	349	199	150	80	40	40	20	20	27
1967	426	281	145	90	32	20	20	....	14
1968	369	198	171	80	40	30	30	....	18
1969	466	238	228	45	19	40	40	....	18
1970	674	363	311	45	12	65	65	Negl.	21
1971	715	381	334	70	18	100	65	35	30

¹ Because of rounding, components may not add to the totals shown.

growth, as Moscow quickly purchased a large part of Egypt's surplus cotton. By 1971, Soviet-Egyptian trade of \$715 million was 35% of Soviet-MESA trade and 45% of Egypt's total trade.

~~CONFIDENTIAL~~

18. Although Soviet exports to Egypt rose seven-fold between 1955 and 1959, they did not begin to show the impact of Soviet aid until after 1960. In 1958 and 1960 the USSR committed \$500 million for various industrial facilities and the Aswan High Dam. As deliveries for these projects accelerated, exports jumped from \$70 million in 1960 to \$209 million in 1965. During 1962-68, years of the most extensive Soviet project construction, aid deliveries comprised about 40% of Soviet exports to Egypt.

19. Since the end of 1967, aid drawings have declined, but Soviet exports have generally risen rapidly. Deliveries of machinery and equipment also have increased, indicating the growth of a non-aid Egyptian market for these goods. In relative terms, however, they have declined from about 70% of Soviet exports to Egypt in 1964 to 45% in 1971. Soviet oil exports have expanded under an arrangement caused by the closure of the Suez Canal. Oil is delivered to Alexandria in exchange for Egyptian oil from the El Morgan fields. Egypt also has taken increased amounts of such Soviet food products as fish, sugar, and vegetable oils. The balance of Soviet exports has been mostly ferrous and non-ferrous metals and wood (see Table A-5).

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

20. Except for the mid-1950s, when the present Soviet-Egyptian economic relationship developed, Soviet imports remained stagnant. Only aid repayments kept them at the existing levels. During 1962-66, they represented about 40% of Soviet imports from Egypt. In 1969, however, imports jumped sharply from \$171 million to \$228 million and reached a peak of \$334 million in 1971. Aid repayments did not play an important role in this growth, particularly during 1967-70, when Moscow granted Egypt a moratorium on military repayments. The share has begun to rise again, as the moratorium has ended and economic aid repayments are increasing. In 1971, repayments totaled \$100 million.

21. Although traditional goods such as cotton, rice, and other agricultural products still account for the larger part of Soviet imports from Egypt, their share has been declining. During 1957-62, cotton accounted for about 95% of these imports and almost all of the aid repayments. By 1964, manufactured and semi-manufactured products -- almost all of it cotton yarn -- accounted for 22% of the total. In 1971, manufactures, largely from Soviet-built plants, accounted for 32% of total imports

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

(see Table A-6). Less than one-half was cotton yarn. Other products included aluminum products, rolled steel, wire, automobile stampings, clothing, fabrics, and footwear, not imported at all in 1964.

22. Recent protocols indicate that such imports will continue to grow and diversify. Soviet imports of such consumer goods as furniture, leather goods, liquor, and rugs alone are scheduled to rise from \$45 million in 1973 to \$115 million in 1975. In addition, industrial products such as tractors, steel, and heavy cargo ships also will increase. Their value to the USSR is pointed out in a Soviet publication:

Practical experience has shown that assistance in creating and developing Egypt's export economic branches and, in particular, the branches which turn out goods of interest to our national economy, is a most effective form of co-operation between our countries. At present, the Soviet Union is providing Egypt with technical aid in expanding the Helwan Iron and Steel Mill and in building an aluminum works (Nag Hammadi), a ferro-silicon alloys plant, and a phosphorus factory. The Helwan Mill not only meets already Egypt's needs in many kinds of rolled metal, but also supplies essential amounts of it to the USSR. The shipyard in Alexandria built with Soviet aid now fulfills orders of Soviet foreign trade organizations.

Soviet economic and technical aid in electrifying the Egyptian countryside, developing desert lands, and supplying

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

it with agricultural machinery, fertilizer, and chemicals will make it possible for Egypt to boost considerably agricultural production and exports, including deliveries to our country. (R. Klekovsky and V. Lutskevich, "Soviet-Egyptian Trade on the Upgrade," USSR Foreign Trade, June, 1972, p. 19).

India

23. The USSR accounts for 10% of India's foreign trade and is New Delhi's second largest trading partner, far behind the United States. Soviet-Indian trade totaled a record \$413 million in 1971 and continued to rise in 1972. Trade accelerated almost immediately after 1955, when Moscow agreed to build the Bhilai steel mill. Soviet exports to India rose from \$40 million in 1956 to \$130 million in 1958. Exports to India continued to mount as other aid projects were built, reaching a peak of \$235 million in 1964. Soviet aid deliveries rose from \$5 million in 1956 to \$125 million in 1964 (see Table 6).

24. Soviet exports to India began to decline in 1965, when aid deliveries dropped. Severe droughts in 1965-66 triggered an economic recession that caused New Delhi to slash public capital expenditures. The cutback particularly affected large investment in heavy industrial undertakings

~~CONFIDENTIAL~~

Table 6

USSR: Trade with and Aid to India ¹

	Million US \$			Estimated Aid Deliveries		Estimated Aid Repayments			Total As a Percent of Soviet Imports
	Total Soviet-Indian Trade	Soviet Exports	Soviet Imports	Million US \$	Percent of Soviet Exports	Million US \$			
						Total	Economic	Military	
1955	12	7	4	....	....	....	....	....	....
1956	59	40	18	5	12	....	....	....	....
1957	127	85	42	30	35	Negl.	Negl.	....	Negl.
1958	181	130	51	65	50	5	5	....	10
1959	129	68	61	40	59	10	10	....	16
1960	116	47	68	15	32	15	15	....	22
1961	162	95	67	35	37	15	15	....	22
1962	196	125	72	45	36	20	15	5	28
1963	317	222	95	100	45	25	15	10	26
1964	391	235	156	125	53	50	25	25	32
1965	403	215	188	115	53	55	30	25	29
1966	384	193	191	80	41	80	45	35	42
1967	343	162	181	45	28	95	55	40	52
1968	366	183	183	75	41	100	55	45	55
1969	393	171	221	70	41	100	50	50	45
1970	406	136	270	60	44	130	75	55	48
1971	413	129	284	45	35	145	75	70	51

¹ Because of rounding, components may not add to the totals shown.

-- projects comprising the largest part of Moscow's aid program in India. The Indian economy recovered in 1968, but Soviet exports remained below their pre-recession expansion. By 1971, Soviet exports to India had fallen to \$129 million. Exports of machinery and equipment fell from \$182 million in 1964 to \$68 million in 1971 (see Table A-7). Drawings on Soviet aid declined from \$115 million in 1965 to \$54 million in 1971.

~~CONFIDENTIAL~~

25. Soviet imports from India rose gradually in the early years, then began to accelerate. In 1964, they jumped from \$95 million to \$156 million, jumped again in 1965 to \$188 million, leveled off during the next few years, and then climbed again after 1968 to a peak of nearly \$285 million in 1971. Soviet imports from India began to exceed exports to India in 1967 and thereafter constituted the growth factor in Soviet-Indian trade.

26. Much of this growth in Soviet imports was generated by Indian repayments on the military and economic aid debt. New Delhi generally makes these repayments into blocked rupee accounts with the Bank of India which are drawn down as Moscow purchases Indian goods. Thus, Moscow must run a deficit in its trade to enable India to repay its aid debts. Indian repayments began to rise rapidly after 1963 and reached a peak of \$145 million in 1971, when they were about equal to the Soviet deficit. Indian debt repayments represented about 25% of Soviet imports from India during 1960-65; since then the share has been close to 50%.

27. To help ease the transfer problem, Moscow has accepted increasing amounts of Indian nontra-

~~CONFIDENTIAL~~

CONFIDENTIAL

ditional manufactures. During 1964-71, Moscow's imports of Indian finished and semi-finished goods more than doubled. These goods accounted for 42% of India's exports to the USSR in 1971, compared with 34% in 1964 (see Table A-8). One-third of the increase was in machinery and equipment and rolled ferrous metals, goods not exported anywhere by India prior to 1966. Imports of fabrics and clothing rose eightfold and accounted for about one-half of the \$66 million increase in manufactures. The recent Soviet-Indian five-year trade agreement calls for increases in Soviet imports of 15% annually, with manufactured goods to comprise about 60% of total imports by 1976. One innovation under the agreement is the export of Soviet cotton to India for processing and its return to the USSR as cotton textiles.

Iran

28. Soviet-Iranian trade did not reach sizable proportions until the onset of Moscow's aid program in the mid-1960s. Trade nearly tripled during 1962-67 and by 1971 had nearly tripled again to \$226 million, making Iran the USSR's third largest LDC trading partner.

CONFIDENTIAL

29. With the speed-up of Soviet aid in 1966, Soviet exports began to rise rapidly, doubling in 1967 to \$63 million and tripling to \$188 million in 1970 during the height of construction on the Isfahan steel mill. Aid deliveries rose from \$5 million in 1966 to \$40 million in 1968 and reached a peak of \$95 million in 1970 (see Table 7). When aid de-

Table 7

USSR: Trade with and Aid to Iran

	Million US \$			Estimated Aid Deliveries		Estimated Aid Repayments			Total As a Percent of Soviet Imports
	Total Soviet-Iranian Trade	Soviet Exports	Soviet Imports	Million US \$	Percent of Soviet Exports	Million US \$			
						Total	Economic	Military	
1960	37	18	19	....	....	....	....	....	....
1961	36	18	18	....	....	....	....	....	....
1962	32	16	16	....	....	....	....	....	....
1963	42	24	18	....	....	....	....	....	....
1964	43	22	21	Negl.	Negl.	Negl.	Negl.	....	Negl.
1965	33	15	18	Negl.	Negl.	Negl.	Negl.	....	Negl.
1966	50	31	19	5	16	Negl.	Negl.	....	Negl.
1967	94	63	31	15	24	Negl.	Negl.	....	Negl.
1968	128	88	40	40	45	5	5	Negl.	12
1969	218	162	56	75	46	15	5	10	27
1970	257	188	69	95	51	30	15	15	43
1971	266	155	111	75	48	50	25	25	45

liveries declined in 1971, so did Soviet exports to Iran.

30. In recent years, as repayments have begun to reach sizable levels, Iranian exports to the USSR have climbed -- from \$31 million in 1967 to

\$111 million in 1971. Aid repayments now represent almost one-half of Iranian exports to the USSR.

31. The aid program has altered the composition of trade between the two countries. Machinery and equipment, which represented only about 10% of Soviet exports in 1964 (see Table A-9), now accounts for three-fourths. The balance of exports consists mainly of cement, sugar, paper, timber, vegetable oil, and transportation equipment. Whereas Soviet imports from Iran in 1964 consisted largely of cotton, leather products, and dried fruit, by 1971, natural gas and manufactured goods accounted for 60% of the total (see Table A-10).

32. In 1971, the first full year of operation of the Soviet-built natural gas pipeline, almost 6 billion cubic meters of Iranian natural gas, worth \$39 million, flowed to the USSR. This represented some 80% of Iran's debt payments to the USSR and accounted for 35% of Soviet imports from Iran. The share will continue to grow as gas deliveries reach a peak of 10 billion cubic meters in 1974, about the time debt repayments also approach their highest level.

33. Manufactured products, negligible in 1964, represented one-fourth of Soviet imports from Iran

~~CONFIDENTIAL~~

in 1971. Under a five-year trade agreement for 1971-75, Moscow will increase its imports of footwear, fabrics, and other manufactures and import a number of new products, including aluminum. Manufactures are expected to represent about one-third of Iran's exports to the USSR by 1975.

A Look at Developments in 1972

34. Although official Soviet trade data for 1972 are not available, all indications point to a growth of Soviet-MESA trade at least equal to the 8% registered in 1971.⁴ Aid deliveries and repayments will remain high. Large annual increases in trade are called for in trade agreements with Egypt, India, and Iran as well as with other major MESA trading partners. Iranian gas exports increased substantially, and Iraq projects a doubling of trade with the USSR. In April 1972, Baghdad agreed to provide 1 million metric tons of oil, gradually rising to 2 million tons by 1975. Afghanistan, Cyprus,

4. The Soviet Ministry of Trade publication, *Vneshnyaya trgovlya SSSR* (Soviet Foreign Trade) is the primary and most reliable source of Soviet trade data used in this paper. The last issue appeared in mid-1972 and covered trade for 1971. The conclusions of this section are based largely on US Embassy reports, published trade agreements, official LDC publications, and Soviet and LDC periodicals.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Greece, and Syria expected sizable jumps in Soviet trade. The first trade agreements between Bangladesh and the USSR called for turnover of more than \$20 million in 1972.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

APPENDIX

Table A-1

USSR: Exports to the Middle East and South Asia

Million US \$

	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Total	68.4	137.1	253.9	311.7	237.5	245.2	356.1	395.6	553.9	589.4	653.1	719.8	792.2	751.1	925.1	1,010.4	1,102.0
Afghanistan	13.6	18.2	18.1	23.1	15.6	32.0	39.4	39.4	44.9	47.4	51.6	73.3	56.7	39.7	47.8	46.6	59.3
Cyprus	0.3	0.2	.....	.....	.....	0.6	1.4	1.1	1.8	1.3	3.4	3.3	2.9	3.4	5.1	4.6	8.1
Egypt	11.0	38.4	82.2	87.7	88.0	69.8	108.7	103.3	135.2	154.8	208.7	188.7	281.3	198.0	238.2	363.2	381.3
Greece	4.2	7.2	12.2	14.0	12.2	25.8	21.1	27.0	26.7	25.9	36.7	38.4	31.2	24.7	28.8	35.2	33.0
India	7.3	40.4	84.7	130.0	68.0	47.1	95.4	124.8	221.9	231.8	215.0	193.3	162.3	182.3	171.3	135.9	129.2
Iran	22.4	17.2	31.7	27.4	18.8	18.0	18.1	16.1	23.8	21.8	15.3	31.0	63.0	88.1	161.6	187.8	151.8
Iraq	.....	.....	.....	.....	2.3	20.2	37.3	52.0	43.4	31.0	29.6	35.9	36.7	50.8	67.7	66.0	110.1
Israel	0.3	5.9	6.8	.....	.....	.....	.....	.....	.....	.....	.....	1.1	0.6	.....	0.3	0.6	.....
Jordan	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.7	2.9	3.7	3.1	3.4	4.3	7.1	6.6
Kuwait	.....	.....	.....	.....	.....	0.8	.....	.....	.....	2.1	6.7	7.8	10.8	15.0	15.3	10.8	19.3
Lebanon	1.3	1.7	2.0	1.1	3.3	4.3	4.7	4.3	4.6	6.0	5.6	5.6	9.0	13.6	11.6	15.2	20.4
Malta	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	0.2	0.5	.....	0.6	1.2	.....
Nepal	.....	.....	.....	.....	.....	.....	0.3	0.8	1.1	1.2	2.1	1.2	0.9	0.9	0.9	0.8	0.7
Pakistan	0.3	0.1	1.7	2.0	1.0	2.4	3.0	5.1	6.2	11.0	13.2	39.0	39.4	36.8	39.4	35.7	28.7
Saudi Arabia	.....	.....	.....	.....	.....	0.4	.....	.....	.....	0.7	3.6	2.9	.....	3.9	4.6	6.0	6.0
Sri Lanka	.....	.....	.....	0.6	4.7	1.0	1.8	10.1	19.2	24.4	21.3	21.3	20.2	11.8	8.3	5.6	9.4
Syria	0.3	1.6	4.3	15.2	15.1	11.0	17.0	5.2	13.1	12.2	12.7	23.7	34.2	42.1	47.8	46.4	57.7
Turkey	7.4	6.0	9.0	9.4	5.6	8.2	5.8	4.3	8.7	9.9	16.7	27.4	28.1	30.8	57.9	62.4	76.0
Yemen (Aden)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.2	1.2	1.4	6.9	4.8	2.4
Yemen (San'a)	.....	0.2	1.2	1.2	2.9	3.6	2.1	2.3	3.3	3.2	8.0	11.8	10.1	6.4	9.7	11.1	8.0

Table A-2

USSR: Imports from the Middle East and South Asia

Million US \$

	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Total	58.3	117.8	223.0	263.0	226.0	279.8	252.3	241.4	325.6	409.5	459.4	509.9	505.6	541.8	688.0	829.4	926.1
Afghanistan	10.9	15.1	20.7	12.7	15.6	16.9	19.7	25.3	19.6	22.7	20.2	18.8	21.3	31.0	30.6	34.3	38.4
Cyprus	.....	0.1	0.7	0.2	.....	0.6	1.6	1.6	1.3	0.3	3.4	4.3	4.4	4.3	5.8	5.8	5.4
Egypt	15.3	50.3	110.9	107.1	92.7	121.3	96.2	73.0	123.6	123.6	163.4	150.0	145.1	170.7	228.1	310.6	334.1
Greece	2.3	6.3	9.6	16.9	12.2	19.0	16.9	21.7	22.4	24.6	28.4	29.7	29.2	24.8	25.9	34.9	18.9
India	4.4	18.3	42.0	50.9	60.6	68.4	66.9	71.7	94.8	155.9	188.2	191.1	180.6	183.0	221.4	269.6	284.2
Iran	19.1	15.1	18.6	26.4	18.8	19.0	18.3	16.4	17.8	21.0	18.1	19.4	30.6	40.1	56.4	69.1	111.2
Iraq	0.3	.....	.....	.....	2.3	3.4	4.7	3.8	5.2	2.4	3.7	3.2	5.1	4.1	4.7	4.6	6.1
Israel	1.7	1.9	1.9	.....	.....	.....	.....	.....	.....	.....	.....	1.9	0.2	.....	Negl.	Negl.	.....
Jordan	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Kuwait	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	0.3	0.8
Lebanon	0.9	1.8	1.6	1.7	3.9	3.9	3.8	4.0	1.1	5.3	2.4	3.8	3.9	3.4	3.0	4.2	4.0
Malta	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	0.1	Negl.	.....
Nepal	.....	.....	.....	.....	.....	.....	0.3	.....	.....	.....	0.1	0.3	0.4	0.6	1.1	0.7	1.1
Pakistan	Negl.	0.7	5.1	7.4	3.7	4.4	4.3	3.9	9.7	2.7	3.9	29.3	27.0	11.1	23.7	31.4	38.9
Saudi Arabia	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	0.2	.....	.....
Sri Lanka	.....	.....	0.2	4.3	4.7	8.6	9.0	6.1	7.3	22.9	19.1	17.3	10.7	16.2	14.4	13.3	16.1
Syria	.....	1.6	5.4	23.3	6.1	7.8	4.3	6.9	14.2	17.8	18.6	20.3	15.2	20.9	37.3	19.2	29.3
Turkey	5.1	6.6	5.4	11.4	4.8	5.2	4.9	5.4	7.1	9.2	18.9	18.8	27.9	30.0	29.9	39.1	37.3
Yemen (Aden)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	0.1	0.1	.....	1.0	0.2	Negl.
Yemen (San'a)	.....	.....	0.9	0.7	0.6	1.3	1.4	1.6	1.7	1.1	1.0	1.6	0.7	1.6	1.4	1.1	0.3

CONFIDENTIAL

Table A-3

USSR: Commodity Composition of Exports to MESA Countries ¹

	1964		1970		1971	
	Million US \$	Percent	Million US \$	Percent	Million US \$	Percent
Total	589	100	1,040	100	1,102	100
Machinery and equipment	373	63	594	57	604	55
Metals	43	7	100	10	90	8
Wood products	34	6	51	5	58	5
Foods	29	5	58	6	77	7
Fuels	65	11	68	7	86	8
Other	45	8	169	16	187	17

¹ Because of rounding, components may not add to the totals shown.

Table A-4

USSR: Commodity Composition of Imports from MESA Countries ¹

	1964		1970		1971	
	Million US \$	Percent	Million US \$	Percent	Million US \$	Percent
Total	410	100	829	100	926	100
Finished and semi-finished goods	72	18	240	29	284	31
Of which:						
Rolled ferrous metals	....	....	27	3	29	3
Cotton yarn	26	6	32	4	47	5
Bags and packing fabric ²	36	9	38	5	40	4
Fabric and clothing	5	1	85	10	94	10
Fuels	1	Negl.	40	5	69	7
Traditional products	338	82	549	66	573	62
Of which:						
Textile raw materials	141	34	265	32	278	30
Raw skins	19	5	41	5	29	3
Foods	121	30	188	23	254	27

¹ Because of rounding, components may not add to the totals shown.

² Mostly jute.