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8 JUN 1967

MEMORANDUM FOR: Mr. Arthur W. Barber
Deputy Assistant Secretary
Arms and Trade Control
International Security Affairs
Department of Defense

SUBJECT : Soviet Equipment Purchases in the Industrial West

1. As you requested, we are attaching a list of contracts concluded by Soviet trade agencies with Western suppliers of machinery and equipment during 1966 and January-May 1967. Also attached is a brief statement concerning these contracts as well as deals currently pending or being discussed.

2. If you desire any further information on this subject, please do not hesitate to contact us.

Director
Research and Reports

Attachments: (2)
As stated

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GROUP 1 Excluded from automatic downgrading and declassification

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USSR Equipment Purchases in the Industrial West

Soviet orders for Western built plant and equipment in 1966 reached a record high of over \$800 million. At least about 70 percent of the value of these contracts will be on credit. Most of the equipment ordered in 1966 is scheduled to be delivered during 1967-69 and all the industrial equipment and plants ordered should be operational by 1970.

Automobile production facilities ordered from Fiat of Italy and Renault of France account for about one-half of the total value of the 1966 contracts. The Fiat plant, to produce 600,000 automobiles annually by 1974, is to be installed during the period 1967-69. It will be paid for over the following decade. The Renault facilities are also planned to be in operation by 1970 and will be paid for over roughly the same period as the Fiat plant.

Contracts for chemical and petrochemical equipment, in past years the most important category of Soviet equipment contracts with Western firms, were valued at about \$130 million in 1966 -- about the same as the value of such contracts signed in 1965.

A substantial number of the remaining contracts were for plants with a consumer orientation, such as, equipment for the food processing and textile industries.

French and Italian firms obtained the major portion of the contracts concluded between the USSR and Western companies during 1966, although the UK and Sweden also were successful bidders for supplying equipment for the food processing, wood processing and textile industries.

In January-May 1967 Soviet orders of Western equipment amounted to approximately \$165 million, at least one-half of which will be financed by Western credit. British firms have become the major Western suppliers, winning contracts amounting to one-half of the value of all orders placed by the USSR in the West. A \$50 million contract to supply a second auto production line to the USSR makes France the second most important supplier of capital equipment in 1967. As in 1966 new orders for the purchase of equipment have been directed mainly to the chemical, automotive, and food processing

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industries which together comprise about two-thirds of total orders during January-May 1967. In contrast to 1966, however, there are virtually no new orders of equipment for the paper and pulp and textile industries in 1967.

With regard to future contracts for Western equipment, the USSR is still interested in buying additional equipment for the automotive industry and is presently considering a bid

for a bus manufacturing plant. The USSR has also discussed the purchase of automotive production facilities with (Japan), (West Germany), and (Sweden) and is seeking equipment for the production of related products such as tires and steel for automobile bodies. Soviet officials also continue to negotiate with Western firms for chemical plants to produce plastics, synthetic fibers, and fertilizers and are considering deals with Western shipbuilders, mainly for large fish processing ships.

Other potentially significant negotiations now in the talking stage are: the possible supply of Italian and/or Austrian pipe and equipment for a Soviet gas pipeline from the USSR to Western Europe and large deals for Western computers being negotiated with Italy.

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Orders for Western Machinery and Equipment Placed by the USSR
in 1966

Million \$US

Industry	Selling Country	Value	Remarks
<u>A. Chemical and Petrochemical</u>			
Two factories to manufacture magnetic recording tape and an emulsion base for photographic paper	Belgium	1.0 <u>a/</u>	
Cable plastics plant - 30,000 tons/year capacity	France	3.8	Delivery 1968 or 1969.
Pharmaceutical plant and microbiological research laboratory	France	3.0 <u>b/</u> 0.6 <u>c/</u> 3.6 <u>d/</u>	5 percent at contract signing, 5 percent during delivery, 90 percent over 7 years of which 85 percent over 7 years, first date 6 months after start-up of plant, at latest July 1969, 5 percent at the latest after end of deliveries.
Complex fertilizer plant - 600,000 tons/year capacity	France	10.1	7 year credit. <u>e/</u> Delivery 1968.
Synthetic glycerine plant - 20,000 tons/year capacity	France and Belgium, Italy	20.0	8½ year credit from commissioning of plant. 1½-2 year construction period; operation 1969.

Footnotes will follow.

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Orders for Western Machinery and equipment Placed by the USSR
in 1966
(continued)

Million \$US

Industry	Selling Country	Value	Remarks
A. <u>Chemical and Petrochemical</u> (cont.)			
Synthetic rubber plant	France and US	15.0 a/	Completion scheduled mid-1967; equipment supplied by French subsidiary of US firm.
Carbon bisulfide plant - 60,000 tons/year capacity	Italy	7.0	
Carbon black granulation plant	Italy	1.4	
Elastic thread plant	Italy	1.0	Delivery 1967.
Melamine plant - 10,000 tons/year capacity	Italy	6.2	7 year credit following delivery; to be completed 1969.

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Orders for Western Machinery and Equipment Placed by the USSR
in 1966
(continued)

Million \$US

<u>Industry</u>	<u>Selling Country</u>	<u>Value</u>	<u>Remarks</u>
A. <u>Chemical and Petrochemical</u> (cont.)			

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Orders for Western Machinery and Equipment Placed by the USSR
in 1966
(continued)

Million \$US

Industry	Selling Country	Value	Remarks
A. <u>Chemical and Petrochemical (cont.)</u>			
Miscellaneous small purchases	Several countries	0.5	
B. <u>Oil Refining and Pipeline Equipment</u>			
Catalytic reforming plant	France	13.1	b/5 percent on coming into force of 3.3 c/contract, 5 percent during delivery, 0.2 d/5 percent on reception and at least 16.7 e/2 years after end of deliveries, 1/85 percent over 7 years after signature of contract. Delivery date: by October 1968.
6 pipeline compressors, inlet capacity - 22,000 cfm, discharge capacity 1,200 psia	France	1.0	Delivery 1968.
C. <u>Metalworking and Metallurgy</u>			
78 automatic hydraulic grinding machines	Italy	1.4	10 percent against shipping of documents, 5 percent at acceptance, 85 percent on credit.

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Orders for Western Machinery and Equipment Placed by the USSR
in 1966
(continued)

Million \$US

Industry	Selling Country	Value	Remarks
C. <u>Metalworking and Metallurgy (cont.)</u>			
Two die casting machines	Italy	0.6	
Exhalographs	Liechtenstein	0.2	
42 units of machine tools	France	4.3	
Machine tools	France	0.8	
Machine tools	France	1.8	

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Orders for Western Machinery and Equipment Placed by the USSR
 in 1966
 (continued)

Million \$US

Industry	Selling Country	Value	Remarks
D. <u>Food Processing</u>			
Three factories for baby food, combined 60,000 ton/year capacity; one factory for powdered milk - 25,000 litres/hour	France	10.9 b/ 2.8 c/ 13.7 d/	5 percent on signing of contract, 5 percent during delivery, 5 percent over 7 years after signature of contract. Delivery date: March 1968.
Chocolate factory - 100 metric tons/day	Italy	10.0	7 year credit; delivery 1967; completion 1968.
2 macaroni plant	Italy	5.0	7 year credit; delivery 1966-67.
Cheese dairies	Sweden	4.3	Delivery 1968.
Six installations to package powdered milk total capacity - 4,000 packages/year	Sweden	5.8	
Vegetable oil refining equipment	Sweden	3.9	
Food processing equipment	United States	0.9	

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Orders for Western Machinery, Equipment Placed by the USSR
 in 1969
 (continued)

Million \$US

Industry	Selling Country	Value	Remarks
E. Paper and Pulp Industry			
Cutter for a cellulose plant	Austria	0.3	
Pulp and paper processing machinery	Austria	1.2	
Equipment for 2 paper pulp plants - 250,000 tons/year capacity	France	21.5	7 year credit (after operation).
Power looms to produce paper machine feltting	Sweden	4.6	Delivery 1967-69.
Three chemical pulp mills	Sweden	24.1	Credit; delivery early 1967; completion 1969.
F. Textile Manufacturing			
Two spinning mills - 50,000 looms each	Italy	20.8	Delivery 1968-69.

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Orders for Western Machinery and Equipment Placed by the USSR
in 1966
(continued)

Million \$US

Industry	Selling Country	Value	Remarks
F. <u>Textile Manufacturing (cont.)</u>			
Equipment for texturing acetate silk thread and spare parts	France	1.4b/5 percent on signing of contract; 0.3c/5 percent during delivery; 5 percent 1 year after reception, 85 percent over 7 years after signature of contract. Delivery date: January-May 1967.	
Textile machines	France	2.0b/	
Plant for the manufacture of industrial felt	France	3.3	Credit. Delivery 1967-68.

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Orders for Western Machinery and Equipment Placed by the USSR
in 1966
(continued)

Million \$US

Industry	Selling Country	Value	Remarks
G. <u>Electric Power</u>			
Power station	Norway	14.5	Construction start 1966; completion December 1969.
H. <u>Electronics</u>			
Gamma-10 computers	France	0.4	
Machinery and technical data to manufacture electronic connectors	France	3.0	
1 data processor Model GE 415	Italy	1.1	
Computer	Italy	0.8	
78 automatic rectifiers and parts	Italy	1.2	
Data processing equipment; Facit Odhner business machines	Sweden	0.2	
Facit Odhner peripheral	Sweden	2.3	

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Orders for Western Machinery and Equipment Placed by the USSR
in 1966
(continued)

Million \$US

Industry	Selling Country	Value	Remarks
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H. Electronics (cont.)

SDS 930 and 910 computers	United States	0.6	Delivery 1966.
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I. Automotive

Equipment and technology for modernizing Moskvich plant	France	50.0	8½ year credit; agreement in principle only.
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Stamping machinery for an auto plant	France	5.0	Delivery 1967
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Fiat production plant - 600,000 cars/ capacity	Italy	350-400	8½ year credit beginning 1971; delivery 1967-69; completion by end 1970.
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J. Ships and Marine Equipment

Two passenger ships, Danube type	Austria	N.A.	
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Ten tugs	Austria	4.4	Delivery to be completed 1968.
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Orders for Western Machinery and Equipment Placed by the USSR
 in 1966
 (continued)

Million \$US

Industry	Selling Country	Value	Remarks
K. Other			
Plant for precast windows - 500,000 square meters/year	Austria	6.0	Delivery to be completed 1967.
Plant to process garbage	France	3.6	b/5 year credit; operation 1968.
Plant to manufacture quake resistant construction material	France	3.4	
Seismic station	France	2.0	
50 printing machines	France	8.8	
Agricultural equipment	Italy	1.0	Delivery 1966.
Construction of a world's fair pavilion in Montreal	Italy	5.0	
5 oil mills	Italy	0.9	
Equipment to produce herbicide containers	Italy	0.7	
Movable drilling platform	Netherlands	8.8	5 year credit for 45 percent of value; delivery mid-1967.

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Orders for Western Machinery and Equipment Placed by the USSR
in 1966
(continued)

- a. Estimate.
- b. Principle.
- c. Interest.
- d. Total.
- e. Unless otherwise noted credit terms are dated from final delivery of equipment and amount to 80-85 percent of the contract value.
- f. Credit probably not approved by Japanese government to date.
- g. Contract value.
- h. Credit value.
- i. Probably assembly fee.
- j. Does not add because of rounding.

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Orders for Western Machinery and Equipment Placed by the USSR
in 1967

Million \$US

Industry	Selling Country	Value	Remarks
A. <u>Chemical and Petrochemical</u>			
B. <u>Oil Refinery and Pipeline Equipment</u>			
40,000 tons of steel pipe, diameter 1,020 mm, thickness of walls 8.5 mm and 16.0 mm. to be used on long pipelines	Sweden	N.A.	"Will sell in 1967."
C. <u>Metalworking and Metallurgy</u>			
High carbon, high speed machine drills, metalcutting bits, and various machine tools	Sweden	N.A.	

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Orders for Western Machinery and Equipment Placed by the USSR
in 1967
(continued)

Million \$US

Industry	Selling Country	Value	Remarks
C. Metalworking and Metallurgy (cont.)			
D. Food Processing			
Grape juice factory	France	0.8	Production in September 1968.
Milk packaging equipment	Sweden	1.0	
E. Paper and Pulp Industry			
None			
F. Textile Manufacturing			
Textile plant to produce cold weather fabrics	France	N.A.	Probably 7 year credit beginning from date of delivery.
G. Electric Power			
None			

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Orders for Western Machinery and Equipment Placed by the USSR
in 1967
(continued)

Million \$US

Industry	Selling Country	Value	Remarks
H. <u>Electronics</u>			
Color TV pilot plant - 6,000 picture tubes/year	France	4.5	
Ancillary equipment for Olivetti computer to rationalize flow of agricultural spare parts	Italy	0.3	
2 Olivetti data processors Model GE 115	Italy	0.6	5 percent of contract signing, 90 percent on delivery, 5 percent at expiration of guarantee; delivery scheduled for 1st quarter of 1968.
1 electronic data processor Model G 425	Italy	0.8	Imported from US for re-export; delivery scheduled for 1st quarter of 1968.
2 SDS 910 (US) computer	United States	0.6	
I. <u>Automotive</u>			
Equipment and technology for modernizing Moskvich plant	France	50.0	8½ year credit; agreement in principal only.

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Orders for Western Machinery and Equipment Placed by the USSR
in 1967
(continued)

Million \$US

<u>Industry</u>	<u>Selling Country</u>	<u>Value</u>	<u>Remarks</u>
J. <u>Ships and Marine Equipment</u>			
4 - 2,600 ton fully automated fish processing and refrigeration vessels	Netherlands	N.A.	
K. <u>Other</u>			
Plant for the double distillation of water to be used in blood plasma plant	Austria	N.A.	
Printing equipment, two-8 color rotary printing presses, photo engraving equipment, newspaper conveyor belts and electronic meters	France	2.0	
3 installations for production of aerosol containers to be used for perfumes	Italy	5.5	Delivery early 1968.
Shirt plant, 8 million/year	Italy	1.5	
Electrolytic condenser	Italy	0.8	

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 Orders for Western Machine Tools and Equipment Placed by the USSR
 in 1967
 (continued)

Industry	Selling Country	Value	Remarks
Million \$US			
K. Other (cont.)			

- a. For license.
- b. For equipment.
- c. Total.

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Orders for Western Machinery Replaced by the USSR
in 1967
(continued)

Million \$US

Industry _____ Selling Country _____ Value _____ Remarks _____

K. Other (cont.)

- a. For license.
- b. For equipment.
- c. Total.

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