SURVEY OF INFORMATION

ON

USSR FOREIGN TRADE AND FINANCE IN 1950

WITH

EVALUATION OF FACILITIES AND SOURCES

AND

RECOMMENDATIONS.

SURVEY OF INFORMATION ON USSR FOREIGN TRADE AND FINANCE IN 1950, WITH EVALUATION OF FACILITIES AND SOURCES, AND RECOMMENDATIONS.

TABLE OF CONTENTS

Table of Contents — 2.

Table of Contents — 3.

Sanitized - Approved For Release : CIA-RDP75-00662R000300060002-4

INTRODUCTION

1. The military strength of any nation depends upon its economic strength.

2. The economic strength of any nation depends upon the availability, and efficiency in utilization, of national and international resources, and human mental and manual skills, for the accomplishment of desired ends.

3. Trade and finance are primary tools in the direction and mobilization of human and natural resources for the production and distribution of economic wealth, both nationally and internationally.

4. Ultimate American security depends upon a peaceful world situation.

5. World peace or war depends upon the conditions and character of commercial and financial agreements, as well as the decisions reached and the policies pursued by the major nations.

PART I.

FOREIGN TRADE.

I. The Importance of Information on Soviet Foreign Trade To U.S. Intelligence.

A. General Importance.

Knowledge of the foreign trade of any country is essential in order to evaluate the condition and direction of its domestic economy, its international economic position and policies, its diplomatic as well as its economic purposes, and the extent of its preparedness for war. This is particularly true of the USSR, or of any Communist dictatorship, in which economic programs are designed to serve ideological and political purposes, and in which the well-being of individuals and groups are sacrificed to those ends.

In an economy of private enterprise, foreign trade develops in response to public demands and opportunities for private profit. In the USSR and its

Communist satellites, however, foreign trade is as rigidly controlled as any phase of the domestic economy, and forms an integral part of economic planning. The facts of Soviet foreign trade are, therefore, an accurate reflection of its economy, its development and direction, its weaknesses and strength. Without such information, it is impossible to gauge the supply, consumption, or probable use of any commodity. It is impossible to judge the success of the various Soviet five-year plans, the relative emphasis placed upon various phases of the industrialization program, and the major shortages which must be overcome for fulfillment of the plan.

Foreign trade is also a reflection of the international plans and policies of any country. The details of that trade — its volume, value, quality and direction — are as vital to the assessment of economic purposes as diplomatic statements and moves are to the evaluation of international political aims. In fact, the actual statistics of foreign trade may speak louder than the voice of diplomacy in revealing national motives and plans! Again, this is especially true of the Communist state. Under a system of free enterprise, foreign trade may develop counter to national long-term security and diplomatic policy. On the other hand, Soviet international economic relations and foreign trade are as closely controlled by the USSR as Soviet diplomatic policy. Without the facts of Soviet foreign trade, no accurate assessment of Soviet success or failure in the international economic field is possible.

Finally, the details of any country's foreign trade reflect basic economic aims. They are essential to any estimate of the nature and tempo of such aims, which are reflected in the type of imports and exports, the degree of artificial barriers to international economic intercourse, the probable

extent of stockpiling, and the probable time before preparations for launching a war would be complete. They are essential to any estimate of Soviet capabilities and vulnerabilities in the event of war.

B. Importance in Specific Areas

1. Soviet Orbit. Facts concerning Soviet trade with its satellites are essential in order to assess:

a. The extent of Soviet exploitation of the satellites.
b. The degree of economic integration within the Orbit.
c. Economic strength and weaknesses of the Orbit.
   1. Ability of Orbit countries to meet each other's economic needs.
   2. The degree of economic self-sufficiency of the Orbit countries.

2. Non-Orbit World. Facts concerning Soviet trade with the outside world are vital in assessing:

a. Shortages; lack of self-sufficiency.
b. Priorities in imports; unusual demands for certain commodities.
c. Degree of success in obtaining critical items, and the effect on (1) industry and the economy, and (2) domestic and international policy.
d. Measure of need and of determination to obtain certain commodities for the fulfillment of aims, as shown by (1) prices paid as well as quantity and quality of commodity, and (2) devious methods employed to evade Western export controls.

II. Summary of Information on 1950 Trade

A. General

Soviet foreign trade in 1950 amounted to an estimated $2,328 million, an increase of 14.4% over the 1949 estimate of $2035 millions. Imports are estimated to have risen 11.1%, from $1,140 millions to $1,270 millions, and exports 18.2%, from $895 millions to $1,058 millions.

1950 trade revealed an acceleration of trends which first became evident in 1948. The outstanding features are:

1. The increasing absorption of USSR trade by the Soviet Orbit, and the curtailment of trade with the West to a necessary minimum. The increasing integration of the Soviet-satellite economies is emphasised by the fact that Soviet-satellite trade increased an estimated 34% over 1949, while trade with the non-Orbit world declined by 26%.

2. The acceleration of Soviet and satellite industrialisation.

3. Accelerated purchases of raw materials necessary to the industrialisation program which are not available in the Soviet Orbit.

4. Increasing emphasis on both the industrial equipment and the raw materials necessary for war production.

B. Trade With the Orbit

1. General

Soviet trade with the Eastern European satellites and China is estimated at $1.8 billion dollars, as compared with $1.4 billion in 1949. It is estimated that imports rose from $771 million to $1,024 million, and exports from $598 million to $811 million. Thus the USSR received an estimated 81.4% of its imports from the Eastern European satellites and China

in 1950, as compared with 67.4% in 1949. Exports to these countries rose from an estimated 67.3% of total exports in 1949 to 76.7% in 1950. The estimated value of trade by countries for the two years is shown in the following table:

TABLE I

ESTIMATED TRADE OF USSR WITH EE SATELLITES AND CHINA, 1949 and 1950*

(In Millions of $)

	1949		1950	
	Imports	Exports	Imports	Exports
Bulgaria	47	49	56	59
Czechoslovakia	205	195	215	195
Hungary	50	56	60	67
Poland	135	145	185	190
Rumania	85	75	92	83
East Germany	185	82	286	127
China	60	4	120	100
TOTAL	771	598	1,024	811

* Commercial trade only. Reparations deliveries from the EE satellites to the USSR are estimated to have amounted to $1,213 millions in 1950 and $1,412 millions in 1949.

2. Albania

a. Trade Agreement

On 11 Dec 49 TASS announced the arrival in Moscow of an Albanian trade delegation to conclude an agreement for 1950. However, no announcement was made either in Tirana or Moscow on the results of the negotiations, and no agreement appears to have been signed between the two countries. The return of the delegation in Feb 50 was immediately followed by purges of Communist leaders in the Ministries of Industry, Public Works and Communications. Soon after these purges, greater quantities of supplies from the USSR and its satellites reached Albanian ports, and since then increased amounts of goods have been sent. (OIR - DRE Info Paper 92, 11 Dec 50 - Secret — Postwar Treaties and

Agreements between Albania and
1 the Soviet Orbit.)

b. Soviet Imports

A source of dubious reliability reported (Jan 50) that:

1) The 5 Albanian chrome mines (with a total production in 1949 of 77,000 tons) exported 7,100 tons to the SU in January 50. (9,700 tons in previous quarter).

2) Sixty per cent of the output of the Rubic copper mines reportedly goes to the USSR. Exports in ore from Rubic in January 50 amounted to 2,700 tons. (5,000 tons in previous quarter.)

3) Soviets took 65% of Albanian production of ferro-manganese, bauxite and chrome for Jan 50, as well as 50% of the output of pyrites and bituminous products, while 69% of Albanian tobacco factory ouput was exported to the USSR in Jan 50. In addition, Soviet advisers are reportedly asking for the allocation of 600 million lek ($12 million) to deep boring in 1950, in the exploitation of the oil industry.

25X1A2g [redacted]

4) Soviet investments for 1950 allegedly include 1865.2 million lek ($37.3 million) in mines, manufacturing industries, transport and agriculture, of which 800 million lek ($16 million) is in mines.

5) Soviet authorities are highly interested in Albanian forests. In 1949, 413,000 meters of timber out of the total cut of 1,500,000 meters, or 27.5%, were exported to the USSR. The Timber Department of the Ministry of Agriculture is to be put under a Soviet Inspector General, and it has reportedly

been decided to increase the timber cut to 3,500,000 meters a year (an increase of 133% over 1949). [redacted] 25X1A2g

25X1A2g [redacted]

In addition to the petroleum mission, informant states that four other Soviet Missions are in Albania, concerned with development of mineral deposits; construction of a textile factory, a sugar refinery and a leather manufacturing plant.

25X1A2g [redacted]

c. Soviet Exports

Premier Hoxha announced in August 1949 that the USSR would furnish equipment for the textile combine in Tirana, the sugar factory in Maliq, two wood seasoning establishments and other wood and tobacco factories in 1949 and 1950 on credit. In addition, it would furnish various kinds of machinery, instruments, pipes, rails, etc. [redacted] 25X1A2g

Tirana Radio announced 27 May 50 that the following goods had arrived from the USSR: motor vehicles and spare parts, tires, equipment for the oil industry, material and tools for repair shops, tractor-driven plows, rolled metal, concrete, iron, copper and tin pipes, pharmaceuticals and medicines, sugar and tea. (FBIB, 7 June 50-C.)

Albanian press in May reported arrival from the USSR of wheat, seeds, saplings, rubber articles, dyes and acids, blankets, railroad cars and tracks, autos and other vehicles, sheet metal, various steel products, pipes for the petroleum industry, electric motors and electrical instruments, construction machinery, drilling equipment spare parts, (in addition

25X1A2g

to items included in the FBIS report above). [redacted]

25X1A2g [redacted]

Albanian press 12 July 50 reported that imports from the USSR in the latter part of June included wheat, lubricating oils, tires, steel products, GIZ motor vehicles, equipment for the petroleum industry, etc., geological equipment, precision instruments, etc. [redacted] 25X1A2g

Shipments of Soviet arms from Black Sea ports are now being made in Soviet vessels. These arms, manufactured in the Kharkov area, are loaded for shipment to Albania at Odessa and Nikolayev. [redacted] 25X1A2g

3. Bulgaria

a. Trade Agreement

The Soviet-Bulgarian trade agreement for 1950, signed in Moscow 18 February 1950, called for an increase in trade of over 20% as compared with 1949. Soviet exports were to consist of cotton, metals, oil products, industrial equipment, agricultural machinery, etc. (According to the "Gazette de Lausanne" of 23 June 50, as reported by Bern 810 of that date, the Soviets also agreed to deliver 160,000 tons of wheat. Soviet imports were announced as lead and zinc concentrates, tobacco and cement. (Tass broadcast, 21 Feb 50; Moscow 606, 21 Feb 50, Plain).

The announced agreement was similar to that of 1949, except that the 1949 increase specifically excluded the value of equipment supplied to Bulgaria on credit./ (Moscow 616, 21 Feb 50, Res.) The 1950 agreement failed to mention any Soviet deliveries on credit.

b. Soviet Imports

Since late 1949, the USSR is said to have controlled not only Bulgarian imports and exports but their prices. [redacted] 25X1X4

[redacted] 25X1X4

A member of the Bulgarian Legation in Paris was quoted as saying early in 1950 that Bulgaria was under strict orders not to sell any of its products to the West except after Soviet clearance. The greater part of Bulgaria's tobacco is taken over by the Soviets under barter arrangements extremely unfavorable to Bulgaria. The USSR then sells Bulgarian tobacco to the United States, Italy, and elsewhere for dollars pocketing the profit.

25X1A2g [redacted]

Approximately 2/3 of Bulgarian tobacco production is placed at the disposal of the USSR. The USSR then cuts Bulgaria from markets for the remaining tobacco (& rose oil) by underselling them in the world market. [redacted] 25X1A2g

25X1C8b

[redacted]

A Bulgarian refugee who entered Turkey 21 Oct 50 reports watching the loading of uranium ore in 22-kgm. sacks aboard Soviet ships in June 50 at Varna. He adds that Burgas is the principal port for such shipments, and that they are currently being unloaded at Odessa.

[redacted] 25X1A2g

c. Soviet Exports

Shipments of electrical equipment, tractors, combines, harvesters, trucks, etc., were reported periodically by the Bulgarian press and radio as having arrived from the USSR. 3800 tons of machinery reportedly arrived at the Stalin Fertiliser Plant during one month in late 1950. According to a broadcast of 2 Aug 50, imports of natural rubber in 1950 from the USSR were 667% of the amount received in 1945, while the increase for synthetic rubber was 367%.

Since the Korean conflict began, 3 or 4 Soviet ships have been reported unloading arms weekly at Varna. Heavy tanks, guns, shells and 25X1A2g spare parts are said to have been included. [redacted]

Source - fairly reliable, from a Bulgarian refugee who entered Turkey 21 Oct 50).

During August 1950, Soviet vessels reportedly discharged 240 tanks, 600 vehicles, 180 heavy trucks and an unknown number of artillery guns at Burgas. According to reports circulated among the local population, 12 Soviet vessels which docked at Varna and Burgas since early September were originally scheduled to load food for the USSR; but plans were changed,

since the food was to be used instead for newly arrived Soviet troops in Bulgaria. [redacted] 25X1A2g

Large shipments of medical supplies arriving from the USSR have reportedly been stored in the vicinity of Sofia. (Jt. Mka. 10-Congentrust, Trieste; 18 Aug 50-S.)

4. Czechoslovakia

a. Trade Agreement

The 1950 Soviet-Czech trade agreement, signed 22 Feb 50, called for the exchange of a wide range of commodities, with a "significant" increase in the level of trade originally envisaged for 1950 in the 5-year agreement signed in 1947. The USSR would import from Czechoslovakia pipes, rails, cable, locomotives, power equipment, steel products, machinery, sugar, footwear, textiles, etc. In return it would supply 460,000 tons of wheat, 100,000 tons of corn, 150,000 tons of barley, and 15,000 tons of other fodder, in addition to butter, meat, rice, tea and other foods; also 1,300,000 tons of iron ore, manganese and ferroalloys, nonferrous metals including copper, lead, aluminum, zinc, etc., petroleum products, industrial equipment (including roller bearings), cotton, wool, chemical raw materials, industrial timber, etc. Scheduled iron ore deliveries exceeded the estimated volume supplied in 1949 by 200,000 tons. The amount of wheat scheduled was believed to be in excess of Czech demands, to the extent of some 150,000 tons. The agreement was expected to account for more than 25% of total Czech foreign trade in 1950. (Moscow 671, 25 Feb 50, S; Moscow Weeka 9, 3 Mar 50 - S; Prahn 277, 28 Feb 50 - S; Radio Prahn 24 Feb 50 - S.)

A special paragraph in the trade agreement provides for the Soviet purchase of almost the entire Czech production of seamless, high compression

resisting Mannesman pipes, to be used in the construction of new gas and oil conduits in the USSR. Production ouput is to be increased by 150%. (USFA Spec. Bi-Wkly Rpt. 112, 3 Mar 50-S.)

A long-term agreement, covering 1951-55, was concluded early in November 1950. It was announced that the average annual volume of goods to be exchanged would exceed the 1948-50 average by more than 50%. The USSR is committed to deliver sharply increased supplies of a wide range of machinery, equipment and raw materials. As compared with 1948-50, the following increases were announced: iron ore - 250% (an estimated 2.5 - 3 million tons); copper - 400% (an estimated 12,000 tons); and aluminum - 300%.

In return, Czech deliveries are to be limited solely to products of the metal-working industry. The communique announcing the agreement stated that annual deliveries to the USSR alone would exceed total foreign orders placed with the Czech metal-working industry in any previous year. US Embassy Praha commented that the Czech economy will be sorely pressed to expand sufficiently to bear the full burden of Soviet demands. It added that, in view of labor shortages, particularly in the mining and heavy industries, Czechoslovakia would be forced to institute more stringent allocation of labor. (Praha 291- 7 Nov 50 - C.) It is believed that much of this emphasis on the Czech metal-working industry will be on armament production. The agreement strengthens evidence that Czechoslovakia has been assigned the role of a major arsenal of the Soviet Orbit.

b. Soviet Imports

The extent of Soviet exploitation of the Czech economy is indicated by the following:

1. The final and only beneficiary of all Czech economic agreements is the USSR. For example, the forced delivery by Germany of 1,000 tons of scrap iron per day to Czechoslovakia is

solely for the purpose of manufacturing goods for the USSR.

Prices paid Czechoslovakia for export goods are without regard for production and raw material costs. [redacted] 25X1X6

25X1X6 [redacted]

2. According to a confidential source believed reliable, Czechoslovakia sold 100,000 tons of refined sugar to the USSR from its 1948-49 crop, and is committed to sell 70,000 tons from the 1949-1950 crop. The prices paid by the Soviets are based on f.o.b. Cuban prices, which are considerably below those available in European markets. Much of this sugar is resold by the Soviets in hard currency European areas, competing with normal Czech markets and undercutting Czech prices. Moreover, the sugar from this year's crop is sold in bags marked "USSR export sugar." Other commodities are used in the same manner. (Praha 152 - 16 Feb 50 - S.)

3. All Czech textile production is going to the USSR, according to a Czech Army officer (CIA [redacted] Memo - 27 Dec 50 - S.) 25X1A9a

4. A Czecho-Soviet agreement of 7 May 50 not only granted the USSR extraterritorial rights over all uranium mines in Czechoslovakia, but provided that such rights will be extended to any Czech territory where new uranium deposits are discovered. [redacted] 25X1A2g

25X1A2g [redacted] Acquired in Germany from a reliable Czech refugee with contacts inside Czechoslovakia.)

Evidences of the priority given war materiel in Soviet-Czech trade include the following:

a) A Kovo representative from Czechoslovakia told the Kovo distributor for Austria, early in May in Vienna, that the Soviets had ordered Czech exports to Western nations to be curtailed immediately, and made only in exchange for high-quality

raw materials suitable for armament purposes. (MA Prague - P-5246 - 8 July 50 - S.)

b) The large Skoda car repair shops in the Prague area were recently transformed into munitions factories.

25X1A2g [redacted]

c) On June 5, 1950, the USSR ordered from the Czech rubber industry 600 pieces of rubber packing and other packing material for use in submarine construction, to be completed by 30 September. Beginning 30 June, monthly reports on production progress were required. [redacted] 25X1A2g

d) On 3 March 50, the USSR ordered 1,760 two-way radio sets for installation in Soviet T-34 tanks. These sets were forwarded 25 June 50 for trans-shipment to the Stalingrad Tractor Factory. About the same time, 2500 electric motors (5-7 hp) were delivered to the Soviet Commercial Attache for forwarding to the Stalingrad Tractor Factory. [redacted] 25X1A2g

25X1A2g [redacted]

e) The Czech Minister to Palestine, in response to inquiry from the Israeli Government concerning the purchase of arms, is said to have replied that the Czech Government had an iron-clad contract providing for the shipment of all arms manufactured in Czechoslovakia for the next 50 years. [redacted] 25X1X6

25X1X6 [redacted]

Confirmation concerning a contract giving the USSR a monoply on Czech arms exports is lacking. However, it is known that Czech factories are being re-tooled to produce Soviet-type

military equipment. While it is not known how far the program has progressed, various factors indicate it is well-advanced. Soviets are being appointed heads of Czech arms industries, evidently to direct re-tooling for Soviet patterns. (Praha Umnm., 9 Nov 50-S)

c. Soviet Exports

Czech Foreign Commerce Minister Gregor is said to have stated, following his return from 1950 trade negotiations in Moscow, that Soviet supplies for Czechoslovakia would amount to at least 3 million tons of goods—an average of 10,000 tons a day. He added that, due to transportation difficulties in direct rail communications with the USSR, supplies would be shipped 25X1A2g over Polish railroads and over waterways. [redacted]

Soviet exploitation of Czechoslovakia in the export as well as the import field is evident from such reports as the following:

1. The iron ore which the USSR sends to Czechoslovakia is of low-grade quality. (Same reporting letter from former Czech Army officer - 27 Dec 50-S)

2. Czech buyers of optical glass are forced to place all their orders with Soviet companies, with the result that they are getting a very inferior product. The entire production of the Goerz Optical Co. of Bratislava, which includes binoculars and prismatic glass used in artillery fire-control instruments, is going into Soviet or satellite military channels. [redacted]

25X1A2g [redacted] 25X1A2g

A report that the USSR had suspended grain shipments to Czechoslovakia in retaliation for Czech failure to meet 1950 machinery deliveries quotas was carried in a despatch datelined Vienna by the

New York Times on 26 Jan 51. Reportedly, Czechoslovakia had decided to fulfill 1950 commitments for exports of machinery and precision instruments to the West in order to obtain urgently needed raw materials, and postponed scheduled deliveries to the USSR until 1951. The USSR did step up its demands for heavy industrial equipment from Czechoslovakia twice in 1950, and simultaneously refused to fulfill Czech requests for sufficient raw materials to maintain its well-developed light industry capacity. It seems probable, therefore, that Czech deliveries of heavy machinery in 1950 failed to meet Soviet demands. Confirmation of the report that the USSR suspended grain deliveries in retaliation is lacking. However, the Yugoslav Radio picked up the story. A Czech broadcast indicating that workers had been taken down to railroad stations to see the shipments of Soviet grain would seem to imply that — if Soviet grain shipments were not temporarily suspended — at least the report had been sufficiently widespread to warrant refutation and, apparently, steps to counteract it.

5. Hungary

a. Trade Agreement

The Soviets and Hungarians signed a trade agreement 1 March 1950 providing for an over-all increase of 20% over the 1949 agreement, or possibly a total of $180 million (Moscow 750 - 4 Mar 50-C). Hungary will import cotton, iron ore, coke, metals, industrial equipment, agricultural machines, wood products and in turn will provide the USSR with industrial equipment, steam locomotives, freight cars, barges, textiles. This relatively small increase of 20% over 1949 trade as compared with 30-40% increases for the other satellites has been commented upon as evidence of possible difficulties developing in Soviet-Hungarian trade. Difficulties may be due to possible serious labor and

production difficulties as a result of recent restrictive measures, critical shortages of skilled workers, and local shortages of food staples. (Moscow 750 - 4 Mar 50-C; Budapest J.Wka 10 - 10 Mar 50-S; MA Budapest L2170 - 11 May 50-S)

b. Soviet Imports

25X1A2g

In 1950 the Soviets arranged to ship during the year 700,000 tons of bauxite through Hesshart (A Sino-Soviet enterprise) facilities. [redacted] The Soviet companies in Hungary are manipulating their accounting records so as to show losses or little profit for the Hungarian tax authorities. The Soviets also improve their terms of trade, besides their dumping policy, by demanding merchandise of high quality, claiming compensation under fantastic pretexts of deviations from the high standards. Until June 1950 only enough merchandise was shipped to the USSR to cover the invisible transfer of profits made in Hungary; whereas, recently, exports have increased to the point that all USI-owned textile mills are shipping their entire output to the USSR. [redacted] 25X1A2g

c. Soviet Exports

The SU exported to Hungary in December 1950 ten trainloads of munitions, including 146 carloads of ammunition, 17 open gondolas containing bombs, and 251 carloads of munitions. [redacted] 25X1A2g

6. Poland

a. Trade Agreement

The USSR and Poland signed a trade agreement 25 January 1950 providing for a 34% over-all increase above 1949, while exports of the SU would be 50% greater. The agreement covers the following commodities: Soviet imports--coal, coke, rolled products, non-ferrous metals, textiles, transport equipment, glass, paper, sugar; Soviet exports--textile raw materials (cotton

and flax), metallurgical raw materials, petroleum products, chemical fertilizers and raw materials, pharmaceuticals, heavy trucks and passenger cars (reportedly the main supply of motor vehicles), farm machinery and implements, machine tools, pumps, scientific and measuring apparatus, ball bearings, and grains. [redacted] 25X1A2g In June the basic five-year trade agreement was augmented by a series of agreements designed to expand further trade between the two countries. (Pen Comm Wkly, 28 Aug 50 XL:9) [redacted] 25X1A6a

25X1A6a [redacted]

A Soviet-Polish protocol, signed on 29 June 50, provides for (1) an increased exchange of goods in 1951; (2) a long-term agreement for 1953-58; (3) Soviet exports of capital investment equipment during 1951-58, to be partially covered by a loan of 400,000,000 ruble ($100,000,000). (Moscow 11 - 2 July 50 - Pl.; Warsaw 9 - 3 July 50 - C.) The agreement is believed to indicate the increasing integration of Polish production to Soviet economic planning, and the increasing importance of Poland as a field for Soviet exploitation.

b. Soviet Imports

The Soviet Union received 14,000 tons of phosphate and 13,400 tons of rails in January alone. [redacted] 25X1A6a

[redacted] 25X1A6a

According to PRAVDA, Soviet-Polish trade for the first half of 1950 increased 50% over that of the corresponding period of 1949. (Soviet Press Digest, 23 Sept 50)

It is expected in 1950 that the Soviets will supply Poland with 80% of Poland's cotton imports, 65% of her iron ore imports, 60% of her flax imports, all of her manganese imports, 40% of her imports of chrome ore, and 70% of her imports of fats. (IPNS, 21 July 50—ZYCIE GOSPODARCZE, KATOWICE, POLAND, May 1-15, 1950). Up to October Poland had imported 50,050 tons of

manganese ore. (Istanbul D244, 20 Oct.'50 - C.) Through May the Soviets had shipped 200,000 tons of hi-grade wheat and 40,000 tons of other grains. (Warsaw Wka. 24, 16 June'50 - S.) 200 tractors, (FBIS, July 26 '50 - C), and 100 beet harvesting combines were received by Poland. (Warsaw 293, 13 Oct. '50 - S.)

7. Rumania

a. Trade Agreement

The USSR-Rumanian trade agreement, announced as having been signed February 17, 1950, provided for Soviet exports of 25 million rubles worth of petroleum equipment, 30 million rubles of industrial equipment, 10 million of electric motors, 30 million rubles of agricultural machinery, 40 million rubles rubles/of unprocessed cotton, 20 million rubles of medicine, 14 million rubles of mineral ores, 12.5 million rubles of special steels, and large quantities of industrial raw materials and supplies, (coal, coke, copper sheets, bearings, typewriters, calculating machines, etc.); Soviet imports under the agreement are predominantly petroleum products (1,800,000 tons), foodstuffs (approximately 250,000 tons), processed cotton 36,000,000 rubles, and construction materials (over 200,000 tons, plus 20 million rubles of construction lumber). The total exchange of goods is of a total value of 700 million rubles, or 30 percent over the 1949 value. [redacted] 25X1A6a

25X1A6a [redacted] - C; Moscow 621, 22 Feb. '50 - PL; Budapest 137, 18 Feb. 1950 - S).

Recent Sovrom concerns have been established in such fields as ferrous and non-ferrous metals, insurance, chemicals, coal, (Jl. de la Marine Marchande, 10 Nov. '49.) On 21 February 1950 protocols were signed providing for further development of joint-stock companies. (Bucharest Weeka, 8, 25 February '50, Secret.)

b. **Soviet Imports**

The principal Soviet import was petroleum; over 84,000 tons were imported via pipeline in the month of May along (14,000 tons under the Peace Treaty terms), [redacted] The ver- 25X1A2g acity of the reports that 15,000 tons of oil is shipped daily from Constanta to the USSR by sea and that, therefore, Rumania must acquire additional oil products abroad is dubious. A daily import of 15,000 tons is apparently greater than the total output of Rumanian oilfields.

25X1A2g [redacted] The production of petroleum appears to be as much in Soviet hands as it is in

25X1A6a Austria, [redacted] The Soviets also obtain much meat, fish, butter and cheese from Rumania, upwards of 40 or 50 refrigerator cars weekly. [redacted] During January- 25X1A2g May 1950, the Rumanian Government contracted to send 8,500 tons of tobacco and 465,000 tons of cement to the USSR but sent 679 tons of tobacco and 134,000 tons of cement. During the same period, the Soviets received 300 tons of lead with antimony content, 1,000 tons of cotton thread, (4,505,000 rubles); and under the terms of the Peace Treaty they received 55,705 tons of cement, [redacted] 25X1A2g

c. **Soviet Exports**

At the end of 1949 Soviet deliveries represented the following percentages of Rumania's consumption:

Metallurgical coke	57%	Ball Bearings	47%
Ferro-Alloys	55%	Raw Cotton	91%
Copper Wiring	81%	Synthetic Rubber	100%

25X1X7 [redacted]

Rumanian imports may be grouped under 5 main classifications. The following figures, covering the first three or four months of 1950, were

compiled from various sources:

Transportation equipment and supplies	674 tons
Petroleum machinery	620 tons
Metals	3,235 tons
Chemicals	1,753 tons
Machinery, all other	670 tons

(Sources: USFA (Naval), Vienna, Austria, 9 February '50 Res. (From the Rumanian Press); OO-W-9190, 27 March '50, Conf.,

25X1A2g [redacted]

25X1A2g [redacted] In late July or early August, an estimated 100 tanks arrived from the SU for the Rumanian army. [redacted] 25X1A6a 4 August '50)

8. East Germany

a. Trade Agreements

Soviet-GDR trade in 1950 was planned to rise by 55% over 1949, and to absorb over half of GDR foreign trade. [redacted] 25X1X7

25X1X7 [redacted]

The Soviet-GDR trade agreement for 1950, signed in April in Moscow, called for an increase in trade of "more than 35%" over 1949. Soviet exports would include grains, fats, ferrous and non-ferrous metals, apatite concentrates and ores, automobile trucks, manganese ore, petroleum products, coke, cotton, and wool. The USSR would receive industrial equipment and machines, cement, potassium salt, chemicals, coal briquettes, optical and precision engineering goods, potash, glassware, etc. Soviet exports would consist 15% of finished goods, 85% of raw materials, while its imports would consist of 85% finished goods and 15% raw materials. (Moscow 1128, 14 Apr. '50 - Pl; Berlin radio account of Grotewohl report on 20 Apr. '50, FBIS, 21 Apr. '50 - Res.)

Detailed figures concerning Soviet commitments under the agreement 25X1A2g
are given in [redacted]
25X1X4 [redacted]
The latter list is apparently not complete, and does not agree with the former in some respects. There is substantial agreement, however, on most of the important items, which are as follows: (In case of slight disagreement, the figure from the second [redacted] is given later in parenthesis). 25X1A2g

Crude Iron - 200,000 T (210,000); Rolling mill products - 140,400 T. (161,500); Asbestos - 1,330 T. (1,200); Copper - 6,000 T.; Lead - 2,500 T.; Zinc - 5,400 T.; Tin - 200 T.; Aluminum - 1,500 T.; Antimony - 285 T.; Bronze - 1,700 T.; Nickel - 400 T.; Mercury - 250 T.; Cadmium - 30 T.; Navigational Equipment and Ships' Diesel Engines - 3,750,000 Rubles ($940,000); Natural Rubber - 1,000 T.; Napthalin - 4,500 T.; Colophony - 500 T.; Cotton - 23,700 T.; Wool - 4,000 T.; Electric Equipment for Locomotives - 13,500,000 Rubles, ($3,375,000); Talc - 1,500 T.; Pyrolusite - 1,500 T.

25X1A2g [redacted] also lists 500,000 tons of grains, including 220,000 tons of wheat, 160,000 tons of barley and 115,000 tons of oats, and 21,000 tons of animal and vegetable fats.

Army ID-717627 (11 Sep. '50 - S) gives the same quotas for copper, lead, antimony, tin and zinc, but differs in the following: bronze - 500 T.; Babbitt - 150 T.; and Cadmium - 100 T.

A supplementary agreement covering the last half of 1950, signed in Berlin on 21 July 1950, provided for Soviet delivery, presumably on credit, including 20,000 tons of meat, 17,000 tons of fish, 10,000 tons of vegetable oil, 5,000 tons of butter, 2,500 tons of butter fat, and 2,500 tons of bacon, in addition to 8,000 tons of cotton, to be sent in November-December 1950. (Berlin 108, 22 July '50 - C.)

Another protocol to the original agreement, dated 15 September 1950, reportedly provided for Soviet exports of an additional 2,204.4 tons of iron, steel and products, at a price of 2,326,539.9 rubles, ($581,634.98). [redacted]
[redacted] 25X1A2g 25X1A2g

b. Soviet Imports

In the foreign trade organization of the GDR, in relation to the USSR, the Aktionerny Otdel (Administration of SAG, or Soviet-owned firms) apparently ranks first. Located in Berlin, headed by a General Kobula, it receives orders direct from Moscow, and is not subordinate to the Soviet Military Administration except in the case of purely local problems. The organization has top priority on all raw materials of the Soviet Zone, and the majority of products are exported to the USSR. SAG firms include all the most important engineering concerns, and two plants belonging to the organization are devoted exclusively to production of electrical appliances for the USSR.

The Soviet Military Administration controls four agencies, listed in order of priority: (a) Reparations Committee, which directs the flow of reparations shipments to the USSR, including cameras and photographic equipment, china, sewing machines, typewriters, etc.; (b) OVZ, the Soviet Military and Contracting Commission, which is the largest purchaser of German goods; (c) the Foreign Trade Commission, which controls the foreign trade of non-SAG firms, thus obtaining from foreign countries essential items needed by the Soviets either in the GDR or in the USSR; (d) the Trade Administration of the Group of Soviet Occupation Forces, which buys commodities at 1944 prices for sale in various Soviet Army Sales Stores in East Germany to officers and civilian personnel only. [redacted] 25X1A2g

[redacted] 25X1A2g

In the spring of 1950, it was estimated that already about 70% of GDR industrial production found its way to the USSR by means of the SAG's, Soviet trade corporations engaged in exploiting GDR industrial wealth, and overt trade agreements, etc., (ORE-WE Weekly IS, 17 May '50 - TS).

Half of the GDR commercial exports to the USSR and an even higher share of reparations deliveries consist of engineering goods. (ID Monthly Summary 23, 31 Jan. '50 - TS.)

SAG production in 1950 was planned to reach $900 million (based on 1944 prices), of which the largest items are $375 millions worth of chemical products, (including $149.5 millions worth of gasoline), and $191 millions worth of machinery. Of the total amount, $95.5 millions worth of commodities were to be furnished directly to the Soviet Control Commission for export. [redacted] source - GDR official; information date - 30 Dec. '49).

25X1A2g

The excess of Soviet imports is indicated by the fact that, as of the first of December, the GDR had a favorable balance of $13.4 million on current agreements. An unfavorable balance of $302,000 brought the total balance on all commercial trade to $13.1 million. By contrast, the GDR unfavorable balance with the other satellites (including China) stood at: $23 million under old agreements, $30.4 million under current agreements, and half a million on trade outside of agreements — a total of $53.9 million. Trade with the non-Orbit world brought the total deficit for trade other than with the USSR to $54.5 million. [redacted]

25X1A2g

It is evident, therefore, that reports of failure to deliver on schedule to the USSR is due primarily to the burden of reparations. The extent of the total burden of trade plus reparation deliveries to the USSR is indicated by the fact that deliveries contracted for Oct '50 amounted to 55.0 million rubles ($13.7 million), while the backlog of deliveries as of 1 October amounted to 47.8 million rubles — a total of 102.8 million rubles or $25.7 million to be delivered in the month. The goods to be delivered included machine tools and other industrial equipment, as well as chemicals,

liquid fuel, and some consumer goods. (HICOG Frankfurt, D. 1666, 17 Nov. '50 - S.) The situation explains such reported shortages as in metallurgy, non-ferrous metals, etc., as well as failure to meet trade commitments with other countries. The seriousness of failure to deliver reparations goods on time is indicated by the penalty of 5% per month of the total value of the order which is imposed upon the manufacturer until the order has been fulfilled. Further penalties may be imposed when goods are rejected by the Soviets because of poor quality.

Further evidence of Soviet exploitation is an indication that 80% of GDR imports under various other trade agreements are allocated to GDR industries, while the remaining 20% are sent direct to the USSR.

[redacted] 25X1A2g

c. Soviet Exports

German imports from the USSR in 1950 were estimated early in the year at approximately 450 million DM, ($112.5 million), of which 1/3 would consist, (about $37.5 million), of food and 40-50% of metallurgical products. (ID Monthly Summary 23, 31 Jan. '50 - TS.)

A later report (HICOG Intelligence Summary, 22 Nov. '50 - S) stated that total German imports were planned at $558 million, of which the USSR would provide almost half ($250-275 million?); and that of food imports planned at $200 million, the USSR would supply 60% (or $120 million).

The full commitment of $61,500 worth of industrial diamonds had been met by the end of April. (CO-IR-29339, 2 Oct. '50 - S/US). By the end of August, the full 6,000 tons of copper and 285 tons of antimony promised in the agreement had been delivered. Two thousand of the 2500 tons of lead, half the promised 200 tons of tin, and 4,000 tons out of 5,400 tons of zinc had also been received by East Germany. Deliveries of bronze were

only 300-350 tons, and of Babbit, only 135-140 tons, while deliveries of cadmium were 65-80 tons. [redacted] 25X1A2g Of the promised 23,700 tons of cotton, all but 2,300 tons of Egyptian Ashmouni cotton had been delivered by the end of June, 1950. [redacted] 25X1A2g [redacted] According to one report, cotton and wool to be delivered by the USSR to the GDR after 1 July 1950 were to be used exclusively for the production of goods for illegal sale, in order to earn West German marks, both directly and indirectly through the Netherlands and Switzerland. (R-419-50-ID-696518, 28 Jul. '50.)

Soviet exports of crude iron for the first eight months of 1950 amounted to 325,926 tons valued at $17,794,000. (The original plan called for 210,000 tons) Exports of rolling mill products Jan. - Aug. '50, totalled 260,133 tons, valued at $36,986,000. (161,500 tons had been promised originally.) [redacted] 25X1A2g In the first 10 months of 1950, 125,560 tons of iron and steel products were delivered, as compared with 12,038 tons in 1949. [redacted] 25X1A2g

The USSR apparently did not do so well in its exports of food during the first half of the year. A letter from the GDR Ministry of Foreign and Domestic Trade to the Soviet Trade Agency complained that only 70,000 tons of the 160,000 tons of barley to have been delivered during the first half of the year, and that the East German food supply was seriously endangered. It asked immediate delivery of 60,000 tons of wheat instead of the remaining 90,000 tons of barley, plus another 70,000 tons of wheat outside the agreement by 15 July. [redacted] 25X1A2g Planned imports during the third quarter of 1950, following the signing of the supplementary agreement, included 9,000 tons of fats, 8,000 tons of beef, 3,900 tons of cod fillet, and cod fish. [redacted]

S.) Apparently not even all the foodstuffs sent by the USSR, however, are 25X1A2g

for East German consumption. It is reported that pork meat is shipped in regrigeration cars from the USSR to the GDR, also that canned meat is shipped to the USSR in return. The informant believes it probable that the meat deliveries continually reported in the GDR press are not real imports, but only processing orders. [redacted] 25X1A2g [redacted] 25X1A2g

9. Soviet Zone of Austria

a. Trade Agreements

There have been no trade agreements; moreover the Soviets have not manifested any interest in an agreement. (Vienna 1500, 19 Jan. '51 - S.)

b. Soviet Imports

The total of Soviet imports from Austria have been estimated at $10-20 million annually; the source of Soviet funds being Soviet enterprise profits, Austrian occupation costs which were in excess of Soviet needs, and unpaid taxes. Soviet profits from the oil industry are estimated at $17 million annually (of which 84% would under the treaty be recaptured in the form of taxes). [redacted] 25X1A6a The Soviets pay the RAG 122 schillings and charge 215, the difference of 93 schillings being profit. (Vienna 1269, 22 De. '50 - S.)

Soviet imports of goods handled by Juschmeschtrans from 20 January 1950 through 3 January 1951 may be computed under the following groups:

Transportation and equipment (1410 tons of paving stones)	1,027 tons
Wood products	624
Chemicals	1,596
Electrical machinery	811
Machinery & parts (other than elec)	5,387
Metals and products	3,233
Sheds, barracks, & parts	11,382
Machine tools	107
Rayon yarn	817

25X1A2g

[redacted]

The low figure for wood products is misleading for many exports are not given in tons. About half of the metals and products were cables; nearly all of the chemicals were paints and products; while approximately all of the sheds, barracks, and parts group were corrugated sheet metal barracks.

Petroleum is another large Soviet import. Production at the beginning of the year was expected to be 1.2 million tons (USFIA IS-#258, 26 May '50 - S), but oilfields operated by the Soviet Oil Administration produced annually close to 1.7 million tons of crude oil. (Salzburg Wkg. 22 Dec. '50 - S) Well over a million tons are probably imported by the Soviets; 90,000 tons of oil from the Zisterdorf oilfields are alone said to be exported monthly by the USSR to GDR and Poland. Some oil is 25X1X7

25X1X7 sold by the Soviets to Austria, estimated at 5,000 tons monthly. [redacted] The Soviets have exported large amounts (30-40 carloads of iron pipe from January through March) to their Oil Administra-

25X1A2g tion in Austria, [redacted] in efforts to increase production and imports.

Soviet exploitation is seriously endangering the 67,000 hectares of forests administered by USIA as German assets. (USFIA IS #260, 9 June '50 - S) Soviet imports of wood, wood products, and paper total 62h tons (20 Jan. '50, 3 Jan. '51) of which 330 tons were school notebooks.

The Soviets are using Austria as an entrepot point for purchasing Western goods for trans-shipment to the USSR or its satellites. In October, the Soviets were negotiating with a British firm for 5,000 tons of Chilean copper for shipment to the USSR. [redacted] 25X1A2g

25X1A2g

Later the British offer was reported withdrawn. [redacted]

As early as May, an increase in Soviet orders and purchases of electrolytic copper and lead was noted. (Vienna Wka, P-4978, 19 May '50 - S.) A Soviet trade delegation representative in Vienna in February ordered 4,000 tons of magnesite brick (for the lining of blast furnaces) from a firm in the international sector; it is believed intended for shipment to Berlin. (659597, USFIA IS 252, 14 Apr. '50 - S.)

In late November, it was reported that 40 carloads of sugar were daily being sent by Juschwreschtrans to the USSR, or approximately 480 carloads. [redacted] 25X1A2g

c. Soviet Exports

Soviet exports to Austria are apparently small. They consist principally of luxury items, sent to Austria, duty-free, for sale in USIA stores, in competition with Austrian firms. The principal purpose is to acquire schillings for the purchase of Austrian and Austrian-imported goods.

10. China

a. Trade and Barter Agreements

Details of trade agreements of 1950 are lacking in most cases. The major exception is the agreement on mineral exploitation in Sinkiang of March 1950, which establishes two Sino-Soviet joint-stock companies for mineral exploitation and permits almost unlimited Soviet activity in Sinkiang. (State, Moscow, 4976, 29 March '50 - Pl..) The Soviets are also insisting upon CC repayment of the loans made to Nationalist China; payment each year of several thousand tons of Tungsten concentrates, antimony, and tin. [redacted] Several barter agreements are recorded under which China supplies agricultural raw materials in exchange for capital goods, wood pulp, and petroleum products.

25X1A2g

b. **Soviet Imports**

Exports have almost exclusively been raw materials. Whenever capital equipment has been traded to the Soviets, China has received capital equipment in exchange; thus American automobiles and equipment have been exchanged at the rate of one American truck for two new Soviet trucks. 25X1A2g [redacted] or passenger cars being exchanged for Soviet 25X1A2g busses. [redacted] In all cases Soviet goods have been delapidated or of very poor quality.

An estimated 20% of Chinese bristle production (or about 680 m. tons) is exported 25X1A2g to the USSR. [redacted] 25X1X4 25X1X4 [redacted] 25X1X4 Soy beans usually have gone to Siberia to be processed by a soy bean plant removed from Harbin in 1949. (State, 18 Jan. '50 - Shanghai 275 - Res.) Reports came through in February that the USSR had contracted to buy 200,000 25X1A2g tons of soy beans, (US$24.4 million) [redacted] Again in October, Mukden authorities contracted to send 500,000 tons to the USSR. [redacted] 25X1A2g

25X1A2g 25X1A2g Oils are an important item in Soviet-China trade. [redacted] [redacted] Wood oil has been in particular demand since the Korean police action. A US$1,620,000 shipment of vegetable oil was scheduled for June 1950. [redacted] 25X1A2g

A Nationalist broadcast reports that 4,000 tons of foodstuffs (mainly rice and wheat) are daily sent along the Tientsin-Pukow railroad to the USSR. (FBIS, 10 March '50, P1.) Despite floods in Jehol and Liaohsi, it was thought, in early 1950, that 4 million tons of foodstuffs

of a total production of 10 million tons would be exported to the USSR.

25X1A2g [redacted] Peanuts and tea are other important exports.

Large quantities of wool, cotton, and silk are exported to the USSR, presumably for the Soviet armed forces.

The minerals of China, and particularly of Sinkiang, are of great interest to the Soviets. Nearly all of China's tungsten and antimony production goes to the USSR. Nearly 2,000 tons of Tungsten and 500 tons of antimony were shipped via North China railroads during the second quarter of 1950. [redacted] 25X1A2g About 60 tons of high-grade Kwangsi tin are shipped monthly to the USSR. [redacted] all molybdenum concentrates of South China 25X1A2g are shipped to the USSR. (Ibid.) The Soviets are exploiting Sinkiang's minerals such as uranium, coal, oil, iron, tungsten, gold, silver, and copper, but to what extent is unknown. [redacted] 25X1A2g

The terms of trade appear to favor the SU in most cases. For example, the Soviets take Chinese bristles and dump them on the world market at $6.50/pound, or $.65 under the world price. (IFI S100, 14 Apr. '50, Res.) In a more devious manner, the Soviets improve their terms of trade by selecting the best quality goods for which they return goods of poor quality. [redacted] 25X1A2g 25X1A2g

c. Soviet Exports

China's imports from the USSR comprise military goods, wood, and wood products, capital equipment, and luxuries. Military supplies are probably the most important. Capital goods have been imported largely as automotive and transport equipment; and industrial machinery to a lesser

extent. Over 1,500 tons of the former were imported via North China railroads in the second quarter of 1950. (488874, State OIR DRF Rpt.#5289.5, 21 Aug. '50 - S/US; [redacted] During the same period, 830 tons of machine tools were imported, as well as 700 tons of mining and metallurgical machinery. (Ibid.) April 1950 witnessed the first shipment of agricultural equipment for which contracts were made. [redacted] In mid-November, 2 ships with 2,000 tons of rails and radio supplies arrived. [redacted] There have been but two reports of importation of luxury items; yet one American businessman reported that the bulk of Soviet goods on sale in Tientsin appears to be such items as perfume, chocolate, and food specialities. [redacted]

25X1A2g

25X1A2g

25X1A2g

25X1A2g

25X1A2g

25X1A2g

PRINCIPAL USSR IMPORTS FROM THE SATELLITES - 1950

(Figures are indicated in tons (t), rubles (r), or in units if not otherwise indicated)

COMMODITY	ALBANIA	BULGARIA	CZECHOSLOVAKIA	HUNGARY	POLAND	RUMANIA (b)	EASTERN GERMANY	SOVIET ZONE AUSTRIA (f)	CHINA
Foodstuffs									
Grains and cereals						250,000 t			4,000,000 t (h)
Meat						125,000 t			
Poultry						35,000 t			
Eggs						350,000			
Fruits and vegetables						2,500,000			
Vegetable oils						45,000 t			
Potatoes									(a)
Soybeans						25,000 t			
Sugar			70,000 t (a)		(b)	8,000 t			700,000 t (i)
Bristles		(b)							$10,000,000 (g)
Tobacco									
Lumber and products	(a)					20,000,000 r		624 t	
Fertilizer (potash)							(b)		
Petroleum products						1,800,000 t	(a)	1,200,000 t (g)	(j)
Bitumen	(a)								
Coal and coke		(a)			(b)		(b)		(j)
Metals and products								3,233 t	
Iron and steel products		(a)	(b)				(a)		(j)
Non-ferrous metals					(b)				
Tin									(j)
Lead, zinc, and concentrates		(b)							720 t (g)
Copper	(a)								(j)
Chromium ore	(a)								
Molybdenum									(j)
Tungsten									(j)
Antimony									(j)
Bauxite				700,000 t (d)					
Uranium		(a)	(a)						(j)
Asphalt	(a)								
Cement		(b)				120,000 t (e)	(b)		
Bricks						75,000 t			
Rails and pipes			(b)						
Transportation equipment			(b)	(b)	(b)		(a)	1,827 t	
Machinery, industrial equipment			(b)	(b)			(b) (k)	5,387 t	
Electrical equipment			(b)				(a)	811 t	
Chemicals							(b)	1,596 t	
Rubber products							(a)		
Glass and products					(b)	8,000,000 r	(c)		
Optical and precision instruments							(b)		
Sheds, barracks, and parts								11,382 t	
Textiles - cotton, wool, yarn			(b)	(b)	(b)	36,000,000 r	(a)	847 t	
Footwear			(b)						

(a) Substantial shipments reported. Information insufficient to estimate deliveries for the year.
(b) 1950 trade agreement commitment. Except in the case of Rumania, figures are not available.
(c) Reported commitment from the 1949-50 crop.
(d) Reported 1950 commitment.
(e) January - May 1950 shipments reportedly amounted to 134,000 tons on commercial accounts, plus 55,705 tons as reparations payments.
(f) Incomplete. Figures given represent compilation of reported Juschnestrams shipments, 20 Jan 50 - 3 Jan 51.
(g) Estimate based on reported monthly average or percentage of production going to the USSR.
(h) Reportedly includes large shipments of wheat and rice, but presumably also includes soybean shipments.
(i) Reported total of two contracts.
(j) Exploited by joint Sino-Soviet companies, through which the USSR reportedly has a monopoly on China's strategic mineral resources.
(k) An estimated 75% of German East industrial production goes to the USSR by various means, including reparations payments, SAG enterprises, etc.

TABLE II

MAJOR SOVIET EXPORTS TO THE ORBIT - 1950

(Figures are indicated in tons (t), rubles (r), or in units if not otherwise indicated)

COMMODITY	ALBANIA	BULGARIA	CZECHOSLOVAKIA	HUNGARY	POLAND	RUMANIA (a)	EAST GERMANY (a)	CHINA
Foodstuffs	(b)		(b)		(b)			
Grains	(a)	160,000 t (c)	725,000 t (b)				500,000 t	
Meat							31,000 t	
Fish							17,000 t	
Fats	(a)				(b)		38,000 t	
Sugar	(a)							
Tea	(a)							
Fertilizers					(b)			
Cotton		(b)	(b)	(b)	(b)	40,000,000 r	31,700 t	
Wool			(b)				4,000 t	
Lumber and products			(b)	(b)				(a)
Petroleum products		(b)	(b)		(b)			
Coke and coal						430,000 t	300,000 t	
Iron and steel and products	(a)	(a)	1,300,000 t (b)	(b)	(b)	12,500,000 r	711,619 t (g)	
Hard metals						3,000,000 r		
Mineral ores						14,000,000 r		
Non-ferrous metals		(b)	(b)	(b)	(b)	15,000 t (f)		
Copper	(a)		(b)			280 t	6,000 t	
Tin							200 t	
Lead							2,500 t	
Zinc							5,400 t	
Babbit							150 t	
Nickel							400 t	
Aluminum							1,500 t	
Cadmium							100 t	
Manganese					50,050 t (d)			
Bronze							1,700 t	
Antimony							285 t	
Mercury							250 t	
Asbestos	(a)				(b)		1,300 t	
Concrete	(a)							
Pyralusite							1,500 t	
Chemical raw materials			(b)		(b)			
Pharmaceuticals; medical equipment	(a)	(a)			(b)	20,000,000 r		
Glass			(a)					
Scientific and precision instruments	(a)				(b)			
Rubber and products	(a)	(a)				5,000,000 r	1,000 t	
Agricultural machinery	(a)	(b)		(b)	(b)	30,000,000 r		
Industrial equipment	(a)	(b)	(b)	(b)		30,000,000 r		
Petroleum equipment						25,000,000 r		
Machinery and machine tools	(a)		(b)		(b)			(a)
Electrical machinery and equipment	(a)	(b)				10,000,000 r	13,900,000 r	
Ball and roller bearings			(b)		(b)	120,000	150,000	
Transportation equipment	(a)	(a)		(b)	(b)		5,595,000 r	(a)
Military supplies; armaments	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)

(a) Large shipments reported. Insufficient data to estimate deliveries in 1950.
(b) To be delivered under 1950 agreement.
(c) Reported trade agreement commitments.
(d) Reported delivered, Jan - Sep 1950.
(e) Special steels.
(f) Semi-manufactured products.
(g) 325,926 tons of crude iron and 260,133 tons of rolling mill products reported delivered January - August 1950, plus 125,560 tons of iron and steel products reported delivered January - October 1950.

C. Trade With the Non-Orbit World

1. General

Soviet trade with the non-Orbit world in 1950 reflected an intensification of the following trends, already evident in 1948-49.

a. Emphasis on the importation of vital raw materials, such as tin and rubber, which must be obtained outside the Orbit and which are essential to the Soviet industrialization and mobilization program.

b. Emphasis on the importation of needed machinery, such as electric generators, machine tools, ball and roller bearings, etc., which can still be obtained from the West despite export controls.

c. Use of short-term barter agreements or sales contracts when these suffice to serve the ends desired, as in the cases of the United Kingdom, Egypt, etc.

d. Use of trade agreements only when (1) the economic benefits are unusually great and perhaps otherwise unobtainable, as in the case of Belgium; or (2) political as well as economic ends are served, as in the cases of its neighbors — Finland, Iran and Afghanistan.

e. Use of exports (1) to finance imports, or (2) to gain needed foreign exchange, as in the case of sales to the UK and the US. Grains, furs and lumber accounted for well over half of Soviet exports to the non-Orbit world, with such items as crabmeat and caviar also for sale.

2. Principal Commodities

Of Soviet imports from the non-Orbit world of approximately $250 million industrial raw materials accounted for over $81 million, of which more than $46 million represented purchases of rubber, over $15 million wood and wood products, and the balance approximately $20 million metals of various types. Machinery imports amounted to $68 million, of

which electrical machinery and apparatus accounted for over $31 million, or nearly half. Purchases of wool exceeded $28 million, while cotton imports amounted to more than $25 million.

3. Principal Countries

a. The Sterling Area

A striking feature of the direction of Soviet trade with the non-Orbit world is an increased orientation toward the sterling area, which has supplied needed machinery as well as vital raw materials. In 1950, the sterling area accounted for roughly 40% of the machinery imported by the USSR from the West, as well as nearly all of the rubber, cotton and wool. In 1949, the UK, Egypt, India, Malaya, New Zealand and Australia provided $138 million out of $369 million worth of Soviet imports from the non-Orbit world, or approximately 37.4% of the total. In 1950, Soviet imports from these countries remained at approximately the same level, but because of the decline in trade with the West, these accounted for more than 55% of total non-Orbit imports. Soviet exports to these countries rose from $85 million to more than $111 million, or from 28.6% to approximately 45% of all deliveries to the non-Orbit world.

The UK provided $28.7 million out of total Western shipments of machinery of approximately $68 million. Included was electrical machinery and apparatus valued at $19.3 million out of about $31 million worth received from the West in 1950. While total UK exports remained at approximately the same level as in 1949, shipments of certain important items rose sharply. Deliveries of electric machinery and apparatus rose from 10,354 tons in 1949 to 14,728 tons in 1950. Deliveries of machine tools more than quadrupled, rising from 724 tons to 3479 tons. An increasing

share of UK exports to the USSR was due to re-exports of imported goods - principally rubber. British sales of rubber to the USSR rose from 540 tons in 1949 to 10,237 tons in 1950.

The sharp increase in UK purchases of Soviet products resulted in an increasingly favorable balance of trade for the USSR, thus making possible Soviet purchases elsewhere in the sterling area. This favorable balance rose from $12 million in 1949 to $56 million in 1950. At the same time, due to heavy USSR purchases of rubber, wool, cotton, etc., the Soviet deficit in trade with Egypt, India, Malaya, New Zealand and Australia rose from $65 million in 1949 to roughly $81 million in 1950. Increased British imports - principally of grain and lumber - thus reduced the Soviet deficit with the area from approximately $53 million in 1949 to about $25 million in 1950.

Next to the UK in importance, as a source of imports, was Malaya. The profits made from the sale of rubber in 1950, and Soviet willingness to pay rising prices are reflected in the fact that the USSR paid $40 million for 68,058 tons of rubber, whereas in 1949 it had purchased 63,414 tons for $25 million. Egypt ranked third in the sterling area, providing $25 million worth of cotton, about half of which was paid for by Soviet exports, of which the most important was wheat. Australia came next, delivering $24 million worth of wool.

b. The US ranked next to the UK as a source of revenue from exports. US purchases of Soviet products rose from $36 million in 1949 to $40 million in 1950. By far the largest item was furs, which accounted for more than $21 million - over half of US purchases and nearly two-thirds of total Soviet fur sales to the non-Orbit world. On the other hand, US export controls resulted in a decline in American exports to the USSR of

from nearly 7 million, in 1949, to approximately $680,000 in 1950. Thus, US purchases from the USSR increased Soviet earnings of needed dollars from $36 million in 1949 to nearly $40 million last year.

Soviet exports to the US also furnish an example of USSR exploitation of the satellites in its trade with the West. During 1950, US Embassy, Moscow, certified invoices for exports to this country with a total value of $41.6 million. Of this total, only $25.6 million represented Soviet goods. The remaining $16 million was accounted for by Soviet sales of satellite products. Chinese goods - principally bristles, hair and furs - accounted for $4.0 million; German potash, $3.7 million; Bulgarian tobacco and rose oil, $2.2 million. (Source: Series of Moscow dispatches reporting monthly on certification of invoices.)

c. Italy ranked second to the UK as an exporter of machinery to the USSR in the first eleven months of 1950, providing $13.1 million worth - most of it non-electrical - out of total exports of $17.8 million. The second largest category was transportation equipment - principally ships, tugs, etc. - valued at $1.7 million.

d. Sweden was third in its machinery exports, providing $12.4 million in the first eleven months of 1950. According to estimates for the first nine months of the year, probably over 60% was delivered under the terms of the five-year credit agreement of 1947. (Stockholm D. 640, 15 Dec. '50 - Res.) Sweden is also known to be an important supplier of ball bearings to the USSR, but details are difficult to obtain.

e. Finland signed a trade agreement with its Soviet neighbor on 13 June 1950, after negotiations had dragged on for months and trade between the two countries had dropped sharply. The agreement - the first to be signed by the USSR with any non-Orbit country in 1950 - provided for

trade during the last six months of the year, and a long-term agreement, calling for an exchange of $705 million worth of goods over the period 1951-55. Finnish lumber and products, metal-working machinery and transportation equipment were to be exchanged for Soviet deliveries of wheat, petroleum products, various types of machinery, textile fabrics, etc. As Finnish reparation payments decline, Finnish commercial deliveries to the USSR will increase. In 1951, they are expected to absorb 40% of the production of the Finnish metal-working and shipbuilding industries, and by 1955, 70%. Thus, the USSR is assured of a continued flow of needed goods from Finland after reparation deliveries end in 1952. The agreement is in terms of the Soviet ruble, with the USSR promising to pay world prices for Finnish goods. (Helsinki 312 - 14 Jun 50 - Fl.; Helsinki D. 530 - 22 Jun 50 - Fl.; Helsinki 544 - 27 Jun 50 - Fl.) Concerning the Soviet commitment to pay world prices, the London Economist observed, (24 Jun 50), "Prices should be world prices, but the Finns fear that, so long as the Russians are the sole buyers of these products, the prices may be affected by the desire to apply political pressure."

f. Belgium finally concluded a trade agreement with the USSR on 17 November 1950 — the only other country in Western Europe with which the Soviets signed such a treaty during the year. The agreement — retroactive to 1 May 1950 and scheduled to run for one year — provided for an exchange of goods valued at between $12 and $14 million each way. The most important Belgian commitments are 64,000 tons of steel plates and sheets, 10,500 tons of copper and copper wire, 7,000 tons of crude and laminated lead, 650 tons of tin, an unstated amount of industrial diamonds, and ship repairs valued at $3.1 million. Principal Soviet

exports are to be 300,000 tons of grain, 45,000 tons of ferro-manganese and manganese mineral, 25,000 tons of industrial salt, and 50,000 tons of potassium salt. (Brussels D. 596 - 24 Nov 50 - S.)

The Belgian Foreign Office informed US Embassy Brussels that, despite the agreement, no copper or lead would be delivered to the USSR. (Brussels 843 - 29 Nov 50 - S.) However, a thoroughly reliable source in Bern, Switzerland, reported that Belgian copper interest had concluded sales to Soviet agents of 6,000 tons of copper and 5,000 tons of copper sheet. (Bern 856 - 11 Dec 50 - C.)

Belgian trade statistics fail to show any exports of tin to the USSR in the first 11 months of 1950. However, it has been reported that Belgian firms have been supplying the USSR and its satellites with tin which was purchased for Belgian consumption from Malaya. [redacted] 25X1A2g

Belgian sales of industrial diamonds direct to the USSR apparently dropped sharply in 1950. However, exports to Switzerland have shown a marked increase, and it is estimated that up to 95% of the industrial diamonds bought from Belgium by Switzerland are reexported to the USSR. (Antwerp D. 118 - 31 Mar 50 - C). This estimate is strengthened by evidence that 88% of the Belgian industrial diamonds imported by Swiss firms 25X1A2g in 1949 were reexported by those same firms to the USSR. [redacted]

25X1A2g [redacted]

(g) Iran, like Finland, signed a trade agreement with its Soviet neighbor after protracted negotiations. Concluded on 4 November 1950, the treaty calls for an exchange of goods valued at $25 to $30 million each way. Principal Iranian exports will be 35,000 to 60,000 tons of rice, 3,000 tons of cotton, 1,000 tons of wool, and 300,000 goat and sheep skins.

It is estimated that this will absorb nearly all Iranian rice available for export, and most of the cotton and wool. Soviet exports will include 75,000 tons of sugar (estimated at two-thirds of Iran's import needs), 20,000 tons of cement, and 50 million meters of cotton piece goods (an estimated 50% of Iran's import needs). The agreement gives the USSR a virtual monopoly on the agricultural exports of Northern Iran. It is also expected to curtail Western markets and to depress the textile industry of Central Iran through the importation of cheap Soviet cotton goods. (Teheran Dispatch 376 - 24 Nov 50 - Pl.; "Soviet Affairs" - OIR 4800.24 - Dec 50 - S.) Fears that the USSR would also find fresh opportunity for propaganda and infiltration have been fortified by the Iranian decision to abandon the plan to conduct the trade with the USSR through government-sponsored corporations, thus permitting the Soviets to deal directly with individuals and private firms. (Teheran Weeks 5 - 2 Feb 51 - S.) Meanwhile, the development of trade under the agreement was apparently slow in starting. The Paris Radio reported that no shipments were made under the agreement until January 1951. (FBIS - 16 Jan 51 - Rec.) Some contracts had been signed and deliveries made by the end of January 1951. (Teheran 561 - 26 Jan 51 - S.)

(h) Afghanistan was the fourth non-Orbit country to sign a trade agreement with the USSR. The treaty — signed 17 July 1950 — called for an exchange of commodities valued at $10 million each way over a four-year period. Afghanistan agreed to provide wool, hides, and 4800 tons of cotton in return for Soviet gasoline, agricultural machinery and textiles. The USSR deliveries of gasoline were set at 3 million gallons (presumably a year). [Moscow 158 - 18 July 1950 - C.] Another report placed the

Soviet commitment at 10 million gallons of gasoline (presumably over the 4-year period). [redacted] 25X1A2g

As in the case of Iran, delays in implementing the agreement were apparently encountered. Reportedly the first shipment of Soviet gasoline did not arrive until 13 November 1950. [redacted] 25X1A2g
Shortly after the first of the year, the Afghan Foreign Ministry indicated that the government is "losing heavily" on the wool being furnished to the USSR, and that the agreement was a bad bargain which must be carried out. (Kabul 225 - 13 Jan 51 - C.)

Details of Soviet trade with the non-Orbit world in 1950 are given by value in Table IV and by major commodities or categories in Tables V and VI. These are incomplete in both cases, because (1) complete statistics are not available, (2) sufficient breakdowns of such categories as "machinery" are not published, or (3) time did not permit the translation of every item listed. On Table II, estimates have been made as to the total trade with Western European countries when only 11 months were available. In the case of Egypt, for example, where statistics for only 7 months were available and the trade is subject to considerable fluctuation, no attempt was made at an annual estimate. On Table VI, total figures for such categories as machinery imports represent known minimums, based in part on 11 months, and are therefore incomplete.

TABLE IV

SOVIET TRADE WITH THE NON-ORBIT WORLD

(in millions of dollars)

	1949		1950	
	Imports	Exports	Imports	Exports
Western Europe				
Austria	(a)	(a)	-	-
Belgium	29	6	19 (b)	10 (b)
Denmark	10	16	1 (b)	7 (b)
Finland	61 (j)	49	27 (k)	31
France		6	3	5
Germany	-	-	-	-
Italy	18	16	19 (b)	13 (b)
Netherlands	7	22	1 (b)	3 (b)
Norway	23	24	8 (b)	10 (b)
Portugal	-	-	1	-
Spain	-	-	-	-
Sweden	22	3	22	6
Switzerland	6	3	4	2
United Kingdom	40	52	40	96
Yugoslavia	6	6	-	-
Total	222	203	145	183
Western Hemisphere				
United States	7	42	1	40
Canada	-	-	-	-
Argentina	-	-	-	-
Brazil	-	-	-	-
Chile	-	-	-	-
Mexico	5	-	1 (c)	-
Uruguay	-	-	-	-
Total	12	42	2	40
Middle East				
Afghanistan	4	4	2 (d)	2 (d)
Egypt	13	2	25 (e)	13 (e)
India	12	27	4 (f)	2 (f)
Iran	1 (g)	1 (g)	- (h)	6 (h)
Pakistan	10	5	NA	NA
Other	1	5		
Total	41	44	31	23
Far East and Oceania				
Australia	33	2	24	
Hong Kong	6	2	-	-
Japan	5	2	1 (f)	1 (f)
Malaya	25	1	40	-
New Zealand	15	1	3 (i)	-
Other	10	-	-	-
Total	94	8	68	1
Total Non-Orbit World	369	297	246	247

(a) Figures not available. In recent years the USSR is estimated to have taken between $10 million and $20 million annually from Austria in various forms.
(b) Estimated on basis of figures for eleven months.
(c) Five months, January-May 1950.
(d) Estimate.
(e) Seven months, January-July 1950.
(f) Eleven months, January-November 1950.
(g) Fiscal period of September 1948 to September 1949.
(h) Fiscal period of September 1949 to September 1950.
(i) Nine months, January-September 1950.
(j) Finnish reparations deliveries in 1949 amounted to another $88 million.
(k) Finnish reparations deliveries in 1950 amounted to another $37 million.
NA Not available.

BEST COPY

AVAILABLE

Sanitized - Approved For Release : CIA-RDP75-00662R000300060002-4

TABLE VI

PRINCIPAL SOVIET IMPORTS FROM THE NON-ORBIT WORLD - 1950

(in thousands of dollars)

TOTAL BY COMMODITIES	COMMODITY	UNITED KINGDOM		FRANCE		SWITZERLAND	SWEDEN (a)	NORWAY (a)	DENMARK (a)	NETHERLANDS (a)	BELGIUM (a)		ITALY (a)		AUSTRALIA	NEW ZEALAND (b)	EGYPT (c)		MALAYA		PORTUGAL		FINLAND (d)
		tons	value	tons	value	tons	value	value	value	value	tons	value	tons	value	tons	value	tons	value	tons	value	tons	value	value
47,959	Machinery	27,519	28,734			1391*	12,419		202*	250		7,749	6218	13,079									
22,346	Electrical machinery and goods		19,307				3,211					4,197	7581	4,131									4135*
23,963	electrical machinery	14,728	19,555				3,211				2,037	4,197											
752	electrical goods and apparatus		752																				
23,863	Non-electrical machinery		8,427			1391*	9,208		202														
3,710	machine tools	3,479	2,319			6492 1391					3,906	3,552		8,948									4135
264	Scientific and precision instruments						264																
3,427	Transport equipment						685																
1,000	Ships, tugs, etc.													1,691									
691	Other												240	1,000									4051
													437	691									
62,604	Agricultural																						
1,687	Fish							1687															
4,317	Fats and oils							4317															
337	Unmanufactured tobacco																						
1,377	Fabrics and manufactures of hemp, flax, jute												900	387									
245	Vegetable fibers (other than cotton)												2098	1,377									
626	Silk												617	245									
24,433	Wool		1,433								1,001	626											
29,213	Cotton														15,977	24,141	2830	2859					
																			26,915	25,213			
319	Chemicals		319																				
159	Drugs, medicine		159																				
6,337	Industrial materials*		6,770		1800																		
4,032	Iron and steel and manufactures	530	281	12,732	1100		35	5,538	1400			(e) 6,653		712					39,764		1250		15,615
2,785	Copper and manufactures										15,595	1,939	4427	712									
1,175	Lead and manufactures			2,800	700						6,099 (f)	2,985											1,800
	Tin and manufactures										1,731 (g)	475											
2,654	Other common metals										(650) (h)												
46,253	Rubber	10,237	6,489					1400(i)			265	1,254											
1,250	Cork									(5000 tons)(k)									6858	39,764			
10,615	Wood and wood products																				8972	1250	
																							15,615
210,591	TOTAL BY COUNTRIES		37,256		1800	1423	18,906	7404	202	250		15,028		17,491	24,141	2859		25,213	39,764		1250		21,601
210,524	TOTAL IMPORTS		39,782		2650	4300	19,037	7550	1156	507		16,825		17,781	24,141	2859		25,213	39,764		1250		21,307

* Incomplete, sum of items shown
(a) Eleven months, January - November 1950
(b) Nine months, January - September 1950
(c) Seven months, January - July 1950
(d) Aluminum
(e) Trade agreement of 1 May 1950 - 1 May 1951 calls for Soviet imports of 64,000 tons of steel sheets and plates
(f) Trade agreement calls for Belgian delivery of 4500 tons of copper plus 6000 tons of copper wire
(g) Trade agreement provides for 5000 tons of crude lead plus 2000 tons of laminated lead
(h) Commitment under trade agreement. No deliveries to USSR reported in Belgian trade statistics for January - November 1950
(i) Estimated reexports for 1950
(j) Commercial exports only. Reparations shipments amounted to $37,226,292

CONFIDENTIAL

TABLE V

PRINCIPAL SOVIET EXPORTS TO THE NON-ORBIT WORLD - 1950

(in thousands of dollars)

COMMODITY	UNITED KINGDOM		FRANCE		SWITZERLAND	NORWAY (a)	DENMARK (a)	BELGIUM (a)		ITALY (a)		FINLAND		UNITED STATES	TOTAL BY COMMODITIES
	tons	value	tons	value	value	value	value	tons	value	tons	value	tons	value	value	value
Food products (fodders and foodstuffs)		37,850			114	7643*	3412		1592*		9,057*		15,826	3,626	79,120
Grains	675,204	37,850				7643		26,889	1592	94,766	9,057	104,495	9,844		65,986
Corn	266,883	15,124				7643									22,767
Barley	324,566	18,594													18,594
Oats	83,852	4,132													4,132
Meat and fish products														3,626	3,626
Shellfish and products														2,344	2,344
Sugar and confectionary													4,944		4,944
Spirits													1,038		1,038
Non-food products															47,923
Fertilizers						525	1244						2,736	606	5,111
Furs, skins	504	11,559	69	1627				167	475					21,061	34,712
Textiles, hair	712	2,461												382	2,843
Tobacco and manufactures										385	667			2,466	3,133
Flax			914	153											153
Cotton, raw and manufactured														1,706	1,706
Wool, raw and manufactured														265	265
Raw materials															51,430
Precious metals				213					903					941	2,057
Diamonds				213											213
Ores, cinders, slag						1129				10,397	416				1,545
Iron and steel, crude and semi-manufactured										13,077	1,014				1,014
Industrial raw materials					910										910
Ferro alloys, ores, metals														4,832	4,832
Copper, crude and semi-manufactured										694	279				279
Coal			29,237	501(d)						12,692	313				814
Coal tar			31,471	784											784
Asbestos			2,543	446											446
Wood and wood products		31,624	1,122	128				75,870	3722					664	36,138
Wood and timber		29,239													29,239
Paper pulp	23,642	2,385	1,122	128											2,513
Chemicals (b)		668	1,454	613*											2,611
Glycerin			1,454	613						2,725	408			922(b)	613
Oils, fats, resin		668*													668
Manufactures															12,647
Iron, cast, steel								6,566	748						748
Machinery													875		875
Transport equipment													1,855		1,855
Petroleum and bituminous products													5,728		5,728
Mineral fuels							1991								1,991
Textiles	3,407	801											649(c)		1,450
TOTAL BY COUNTRIES		84,963		4455	1024	9297	6647		7440		12,154		27,669	37,471	191,120
TOTAL EXPORTS		95,827		4863	2155	9542	6830		8758		12,250		30,608	40,310	211,143

* Incomplete, sum of items shown
(a) Seven months, January - November 1950
(b) Industrial chemicals
(c) Cotton and cotton products
(d) Anthracite

CONFIDENTIAL

III. EVALUATION OF FACILITIES AND INFORMATION

A. Internal Facilities; Information Collection and Dissemination

1. Library

In making this survey, the principal facility employed to supplement information already available in the Trade and Finance Branch was the CIA Library. The following tables show the results obtained on a run for information on Soviet trade with the Satellites during 1950.

25X1X12-

[redacted]

II

COUNTRY	LIBRARY RUN TOTAL	LIBRARY RUN PREVIOUSLY NOTED	LIBRARY RUN NOT NOTED	OTHER MATERIAL NOTED	TOTAL AVAILABLE
Albania	15	3	12	6	21
Bulgaria	29	5	24	16	45
Czechoslovakia	91	5	86	21	112
Hungary	36	-	36	12	48
Poland	40	7	33	28	68
Rumania	67	4	63	15	82
East Germany	132	6	126	45	177
China	184	13	171	84	268
TOTAL	594	43	551	227	821

It will be noted that from the 594 documents recorded in the Library run only 43 had been previously noted by Trade and Finance Branch.

Of the remaining, probably 75 percent had been seen by S/TF and sent on without being recorded — either because they duplicated information already known or were too unimportant to warrant note. It is also estimated that the remaining (100-odd) documents never came into S/TF. In some cases, their general titles give no clue as to information on trade or finance they contain — probably only a few lines — and assessment would be impossible without time-consuming perusal. On the other hand, the run did show up two SO documents of great value which had not been seen before — one giving the text of a Czech/Soviet agreement granting the USSR extraterritorial rights to Czech uranium mines and the other listing Soviet commitments to East Germany under the 1950 trade agreement.

At the same time, it will be noted that 227 documents retained or noted by S/TF did not appear in the Library run. Probably 50% to 60% of these were cables, which would not appear. The remainder, however, — including SO and OO reports, as well as State Department despatches — should have shown up in the run.

An inconsistency in the coding came to light in the case of regular despatches from Moscow reporting the invoices certified for Soviet exports to the US during the month, showing the commodities of satellite origin. Three of the despatches appeared in the run; the others did not.

2. SO, as will have been noted from the breakdown given, was an outstanding source of information [redacted] 25X1X4 25X1X4 [redacted] Generally speaking, the information is very valuable. (Two doubtful reports in the case of Rumania have already been noted.) However, most of the information is too fragmentary and spasmodic to contribute substantially to the over-all picture.

3. OO is doing a good job with its contacts. The translations of

foreign press articles are also useful in providing fragmentary information, as is the FBIS summary of broadcasts — particularly those relating to trade and finance.

4. FDD was not exploited in connection with this project and might have some useful material. However, experience has been that the translation of documents is quite slow.

5. Document Distribution. Publications giving foreign trade statistics of the non-Orbit world are the primary source of information concerning the trade of those countries with the Soviet Orbit. Most of these publications apparently do come into CIA. However, after efforts extending over more than a year, S/TF has yet to obtain a complete list of such publications and their distribution. There has been no regular system of collection or distribution. They may come in by regular subscription, as enclosures to State documents, or in one of several other different ways. Their distribution evidently depends at least in part on their source. Since the reorganization, S/TF has been receiving more of these publications; but some apparently go straight to the Library; while some evidently find their way to other branches, divisions, or offices, which fail to pass them on. For example, the December 1950 issue of the "UK Trade and Navigation Reports" — which was seen in February by a member of the S/TF staff who was serving at the time on the Reading Panel — cannot be located. Repeated inquiries made of the Library, OCI, the Economic Analysis Section, etc., were fruitless. Thus, it was finally necessary to go to the Department of Commerce in order to obtain statistics of Soviet-UK trade for the year 1950.

B. External Facilities and Information Collection

1. Western Countries. In the countries of Western Europe and other

countries reporting their foreign trade on a monthly basis, collection of official statistics presents no problem. The information is adequate as to over-all official trade. Often, however, details of strategic exports to the Soviet Orbit are generally hidden under such headings as "other countries" or "other commodities" or "miscellaneous". Details of transit trade or re-exports are also lacking. The UK is one of the few countries to publish an itemized list of reexports by country and by commodity — and considerable information is hidden there as well!

While reporting of official statistics is generally good, Embassy despatches frequently give over-all figures which reveal that more detailed information is available but fail to report the needed details. (For example — UK trade with Eastern Europe in 1950 was blank million pounds, with no breakdown by countries.)

An Embassy will often report the signing of a trade agreement with the USSR in a few lines, giving scarcely more than the bare announcement. Further information is often not received until the arrival of a despatch — perhaps a month or so later.

2. Other Non-Orbit Countries, particularly in the Near and Middle East, report their information less frequently and systematically, rendering regular reporting more difficult and the information less reliable. Over-all statistics, if and when available, may lag six months or more in these countries, including such strategic areas on the Soviet periphery as Iran, Afghanistan, etc.

3. Soviet Orbit Countries present the greatest problem, since the only specific figures made public are announced for propaganda purposes, generally to show the munificence of the USSR. Over-all trade agreement commitments are announced only in percentages. It will have been noted from Tables III

and IV of this report that only in the case of Rumania are there available figures for trade commitments both ways under the 1950 agreement and a monetary fugure of the established goal for over-all trade. (These were

25X1X4 [redacted] In-

formation is available on USSR trade agreement commitments to East Germany

25X1X4 [redacted] but none is available on scheduled imports from that country. Reported shipments and contracts, etc., indicate that some Soviet commitments, such as iron and steel, were over-fulfilled, but not enough is known to estimate over-all fulfillment or to reconcile the widely conflicting reports of scheduled Soviet exports to East Germany with any degree of confidence. Concerning the Eastern European Satellites outside of East Germany and Rumania, far fewer figures are available. For the Soviet Zone of Austria and for China, only short lists of reported shipments can be compiled.

For these reasons, ~~it is that~~ the estimates given for Soviet trade with the Satellites may be off anywhere from 5% or more in the case of Rumania to 15%-20% in the cases of East Germany and China. The average margin of error is probably 10%-12%.

Because there are a multitude of reports giving small fragments of information on single shipments, because many of these — particularly in the case of East Germany — have never been translated, because many lengthy documents would have to be carefully perused for the one or two figures they might (or might not) contain, it is estimated that it would take at least a year to make a complete compilation of all the information available in CIA on Soviet trade with the Satellites in 1950. The time for various countries would range from a probable two weeks in the case of Albania to nearly two months for East Germany or China. The results

would still be far from complete and would in most cases still be insufficient to serve as the basis of accurate estimates.

IV. RECOMMENDATIONS

A. Internal

1. Library

a. The coding system must be made reliable before any branch will depend on it to turn up all available information on a given subject. If the Library is expected to supplant the files of the various branches, the coding must be done by the analysts who are to use the material rather than any separate group. The coding is actually a form of evaluation, of selecting the items significant to intelligence research and production, of rating their present and potential use. Even a person with theoretical knowledge of a subject cannot be expected to code the information adequately unless he has the actual experience of using the material and realizes its practical application, its probable value, both present and future, in the solution of specific problems, and its relation to broader fields. Additional analysts are needed — not in the Library or on the Reading Panel, but in the offices where the material is to be used in intelligence research and production.

b. Additional Library personnel will be needed if the Library is to keep the material efficiently and handle demands for it promptly. It may be possible to have a "run" made and obtain the results quickly during a slack moment. However, when several divisions of O/RR are working on the same project — as is so often the case — it is physically impossible for the Library to meet promptly dozens of simultaneous requests from all the branches involved without greatly expanded facilities.

2. Document Distribution

a. The receipt of foreign trade publications should be reorganized and systematized, so that they are available on a regular and dependable basis.

b. TF should have priority and responsibility for these publications as basic and vital in its field. While the Library may become the final repository of these publications, they should come first to TF, which would keep issues for perhaps six months or a year, or at least long enough to bring a necessary minimum of basic tables and charts up to date, after which they may be sent to the Library.

25X1X1

[redacted]

25X1X1

[redacted]

5. FDD

Greater service could be rendered by FDD in the speedier translation of foreign documents. This would undoubtedly necessitate the employment of additional experienced linguists.

B. External — State Department

1. Western Countries

Embassies and Legations in Western countries could make a greater contribution by supplying:

a. A monthly cable giving the highlights of trade during a given month, to be followed by a dispatch giving details as soon as these are available. Such a dispatch is now being furnished only by [redacted] 25X1X4 These dispatches should be given higher priority in transmission than is generally the case.

b. Breakdowns on "other countries" and "other" or "miscellaneous" commodity classifications when these pertain to the Orbit.

c. Details on transit trade and re-exports to the Soviet Orbit.

Nations which are the recipients of MSA aid and participants in the NAT alliance in particular should be urged to supply information of the nature described in b. and c.

2. Other Non-Orbit Countries

In cases where monthly statistics are not available, attempts should be made to get them quarterly, at least insofar as trade with the USSR is concerned. Even if quarterly statistics are an impossibility, a quarterly report should be made summarizing available information on noticeable trends in trade with the Soviet Orbit. Priority should be given to such dispatches, especially since the time lag on these statistics is the greatest, and a number of these countries are strategically located on the Soviet periphery.

3. Satellites

Although collection difficulties are recognized, US Embassies and Legations behind the Iron Curtain should intensify efforts to obtain more details of trade agreements and of progress on their fulfillment. Again, a quarterly review of known developments, even though the statistics are few, would be valuable.

reserves amount to 3_2 billion.

The study of Soviet gold reserves and the possible future implications in the international economy should be one of the projects to be undertaken by CIA. This would consume at least one year by a capable analyst with good financial background. Information on this subject is rather scanty in the CIA Library, but the study could be done through accumulation of all information available in major libraries, by consultation, through interrogations, and through contacts with universities, financial experts, and institutions.

Foreign Exchange Holdings

Information in the CIA Library, in State Department and NIA agencies is inadequate and not available except for the USA. Long-term attempts to obtain information on Soviet foreign exchange holdings in the non-Orbit countries has produced no results so far.

Banking, Investment, and Credit Policies and Control

Information as to banking, investment, and credit policies of the USSR seems to be quite adequate and available either in the CIA or Congressional Libraries and in FDD, supplemented by 25X1X1 [redacted] reports. Full exploitation of the subject may take at least three months of one analysts time. However, information on CEMA operations is very 25X1X1 spotty and further exploitation of this subject is necessary 25X1X1 [redacted]

Internal Financing of Production, Industry, and Trade

General sources of information on this subject seem to be adequate and available. However, more detailed information as to the volume and velocity of credit allocated to the various segements of economy is insufficient, especially since 1941. Extensive exploitation of the defectors

appears to be the best possible source for this information.

Internal Financing of Government - Government and Basic Fiscal Policy

Information in the above field appears to be available in the CIA and Congressional Libraries. Full exploitation should take about one month.

Soviet Budget and Budget Analysis

Information, except in most general terms, is quite inadequate for detailed analysis of the Soviet budget since 1941 because of the USSR policy to reduce the information to a minimum. Bits of information have to be gathered from various public utterances of Soviet officials, Soviet publications on various economic subjects, or from the various trends and symptoms of the general economic policy, defector, Embassy, and Attache reports. What the Soviet budget figures do disclose is the fact that it represents the financial framework within which limits the Soviet economy has to function. It also reflects the over-all national economic policy and degree of effectiveness of its program.

Gross National Production and National Income

Economists in various economic organizations here and abroad are still busy in attempting to figure out Gross National Production and National Income of the Soviet Union. CIA has used some of these calculations as approximate indications of national income on the basis of one Soviet defector economist who was not in the possession of data going into the making of national income, but remembered from past experiences that the Soviet state budget represents about 75 percent of the US version of national income on the producers' level of cost and prices in the current rubles. Trade and Finance Branch, Services Division has not previously been engaged in the study of research on the subject.

However, the USSR Central Statistical Administration figures for gross industrial production are available in percentage form and are used as a basis for calculation by various agencies and economists. The question is: How reliable are the Soviet percentage of statistics?

On the basis of Soviet statistics, the following figures are calculated by our Moscow Embassy:

Year	Gross Industrial Production in Producers' Current Prices	National Income (in billions of rubles presumably in 1926/7 ruble values)
1937	95.5	
1940	138.5	
1945	127.0	
1946	106.0	
1947	128.5	
1948	163.0	149.1
1949	195.0	174.5
1950	240.0	211.1

George Grossman of the Federal Reserve Board estimates Soviet Gross National Income as follows:

In Billions of Current Rubles on Consumer Level

1949

Gross investment	165
Military use	90
Consumption	395
Gross National Income	650

CIA Estimate of Soviet National Income at Current Ruble Values

Year	Billions of Rubles
1950	600
1949	570
1948	540
1947	520
1946	490

These figures approximately correspond to 125 percent of annual state

budgets with some upward adjustment in order to compromise with various reputable attempted calculations and are thus subject to error of about 10 percent. It is possible that the American Statistical Society can clarify the situation in their forthcoming May 1951 bulletin.

OCD Machine Run on National Income and Related Subjects of USSR

In my opinion, this run is a good test case of the OCD files as presently organized and operated because:

a. The subject is relatively strange to myself, and

b. To my knowledge, relatively little work on this subject has been done by the analytical sections of CIA.

Hence, the run is a test of the OCD collection, coding, and indexing system operating without constant intercourse with O/NR. The results may be indicative of what should be expected from OCD when information is requested by O/NR on a relatively "cold" study. It may or may not be indicative of what should be expected from the OCD system, as presently constituted, if O/NR ceases its inherited method of prodding and probing to fill in current blanks.

The examination of the run may point out certain remedies for OCD shortcomings.

History of the Run: 25X1A9a

By direction [redacted] before noon on 20 March I requested a machine run on information of and relating to the construction of National Income and National Product Statements of the USSR. After discussion with the research librarian, the following code numbers were selected as relevant:

761.*		National Wealth National Product
761.1 and decimals		Standard and Cost of Living and breakdowns
761.3		National Output
761.4		National Income
761.5		Disposition of Income

25X1A9a

[redacted]

Sources to be utilized were the OCD files, the FBIS machine index and a bibliography of overt material.

In the afternoon of 21 March, the FBIS machine index run was received and consisted of four references (attached to this memo) which are worthless for the immediate project. Therefore, being familiar with FBIS references to the same subject in Hungary, a run on Hungarian National Income was requested about noon, 24 March. The run was received that afternoon and consisted of one reference titled Income in the USSR. To me, this is sufficient evidence to preclude reliance on the machine card files of FBIS, I know that considerably more information is available.

To date the bibliography has not arrived, nor has an estimated time of arrival been obtainable. It is understood by myself that the OCD bibliographer has been on leave for some months and that the research librarians, already overburdened, perform this function "in addition to their other duties".

In the late afternoon of 22 March, the OCD run was received. It contained 35½ references (approximately 60 feet long) of which five were so described as to appear to be immediately useful. These five documents were requested. One was available in the library files. One was ordered from the archives and was received on 27 March; the other three are apparently unobtainable. Because, with the exception of these five documents, the first tape was of little value (my fault), three additional tapes were requested. On 24 March, before noon, the following tapes were requested:

761. National Wealth National Product
761.3 National Output
761.4 National Income

These tapes were so requested that individual document listings were made for each code number, i.e., each document coded 761 appeared on that tape and if it were also coded 761.4 it appeared again on the tape for that number. These three runs were received in the morning of 26 March. Twenty-five documents were listed under 761.4; it was requested that the library pull all documents on this tape. Approximately two hours was required for the library to pull the nine available in its files, and to determine that the other fifteen were not available. (One was in Top Secret Control and was available therefrom.) About two hours was required to go through these documents and determine that six (out of the ten available) would probably be of use.

Location of the remainder of the run's listing is still in progress. Procedure is as follows: The list was given to [redacted] who will attempt to procure duplicates of those missing insofar as is possible. When she has finished determining what still is in print, she will return the list to me. Those not available through re-reproduction must then be ordered on Form 60-70, July 1950, which are submitted to the library. The library will then trace these documents, attempt to determine their present location, and make them available to the requester, in this case - myself. I hesitate to place an estimated time of arrival on this operation. Of those documents eventually reordered from the library (6 in number), a reply on the first arrived on 2 April, 14 days, 12 working days, after the run was made. The answer consisted of the

25X1A9a

statement that the document was unavailable. It had been sent to someone in RE/ORE, present location indeterminate! The last was Received on Apr. 26.

Evaluation of the Usefulness of the Runs:

In general, under the present library coding system, the results of these runs do not indicate that the OCD files and resources are a satisfactory substitute for the also inadequate personal analyst's files inherited from ONE. The system does provide an index for "cold" subjects, documents for which would otherwise be completely lost. The index, however, seems to be neither sufficiently comprehensive nor extensive in principle and its limitations are presently not reached in practice.

The shortcomings of the system appear to me as follows:

1. FBIS material can receive but one code number. Hence, much of the fragmentary material available in long speeches by persons such as Mao or Ochs is irrevocably lost if the analyst does not extract the material as it is published.

2. A personnel (or lack of it) problem is responsible for the necessary time to obtain a bibliography.

3. In the main machine files system of OCD the problem is compounded:

a. In many categories, the code is relatively undetailed and, in many cases, it appears to me, that the coding with the available code is not sufficiently detailed. Also, security classification rather than information contained seems to determine that a document be coded. Thus, much information of value, i.e., The Board of Trade Journal, is

not indexed, while much valueless information, i.e., Service Command Intelligence Digests, is indexed.

b. On many, if not the vast majority of cards, the title is the only printed information. In most of the cases where additional information is included, it generally is more of the nature of a table of contents rather than an index.

These two conditions result in a situation where - in the tape on a broad field is so large that it is physically impossible in any reasonable time for the library and the analyst to pull all of the documents listed and to examine them, much less, fully exploit all sources. On the other hand, if all documents are not pulled and examined, the analyst will have no idea of what portion of the available material he has utilized.

If the material is broken down into various detailed runs, it appears that the analyst can rely that all documents will have some reference to the desired subject. However, the reference may or may not be useful to what he contemplates. No real knowledge of the nature of the information is available to him without pulling the document and reading it. If the above history of the five and the twenty-five documents (2 and 10 respectively available immediately) is a fair test of OCD, the situation is not improved by a selective run, that apparently will eliminate a large number of relevant documents and that does not make the necessary detailed information available.

Suggestions:

If it is determined that OCD shall more or less exclusively provide files and memory for CIA, it would appear that the following suggestions be sine qua non for successful operation:

1. FBIS material must be more thoroughly indexed.

2. The library must have a complete set of documents arriving at the Agency, all documents, not only classified items.

3. Content, rather than such factors as language, whether it were paid for or free, and security classification, must be the factor which determines that a document is to receive a CIA number and be coded.

4. CIA publications are not completely listed in the CIA index. Were a study of something already studied by the Agency to be contemplated, it would be largely impossible for the "cold" analyst to utilize the work already done by the agency through the OCD index. This work should be indexed and filed by OCD.

5. It appears, that once OCD turns up a document on a card run tape and the document is requested, that OCD should be charged with finding the document when desired by using offices. The process through the channels used to obtain those documents (described in the history above) appears to be a waste of O/RR's time.

6. Cable material is lost at present if not currently followed. Cables should also be indexed. Cables are held for only six months. This period may require extension.

7. As relates to the actual indexing, either:

a. Complete utilization of the present code accompanied by far better abstracts and extracts on every document available, or

b. A far more comprehensive and extensive coding system should be utilized.

"a" above should provide a set of IBM cards which would eliminate need to see a given document in many cases. Generally, only bulky documents relating to very few subjects would then require physical examination to determine usefullness.

"b" above would provide an indexing system where in the run should present only those documents which would be of use to the analyst.

It appears to myself that the above seven steps constitute the minimum necessary steps prior to the elimination of "Daily Mail" if O/RR is to utilize available material and operate efficiently.

SOVIET BUDGET FOR 1950

Summary

Soviet financial policy as reflected in the State Budget is subordinated to one primary aim -- the maximum militarization of the nation. The direction and supervision of this policy is through the budgetary plan, as reflected in the maintenance of about a 5 million peacetime army and vast investments in capital industries and enterprises, both of which greatly reduce the volume of available consumers' goods. Various estimates place the total amount of national production going into investments and defense at 60-70 percent. CIA, ORR, D/S, Trade and Finance Branch is willing to accept the Federal Reserve Board estimate that about 40 percent of national effort goes into production of consumers' goods and 60 percent into capital goods and purely political-military expenditures; or, stating it the other way, only 40 percent of monetary income earned as a result of productive activity originates from the production of goods and services for purchase by ultimate consumers.

Importance of Information of Soviet State Budget to National Intelligence

The study of the Soviet State Budget for 1950 was selected as a sample project for testing the ignorance and intelligence in the financial affairs of the USSR because (1) the State Budget is a basic machine for mobilizing the accumulations (financial resources) of the economy and distributing same in accordance with the needs of the Communist economic plan; (2) it reflects about 75 percent of the Soviet national income and serves as a convenient method of assessing the distribution of the total national production toward consumption and investment channels; (3) it represents the most reliable overall picture as to the direction of Soviet efforts in terms of economic categories and values; (4) it indicates the degree of exertion the Soviet Union is exercising in combating inflation while speeding up industrial expansion

and military power; (5) it reflects the major sources of the state revenue and the burden placed by the economic planning on the population; (6) trade, investment, banking, monetary and currency policies only supplement the work of the budget, which functions as a control and directive mechanism in the financial planning; (7) it serves as a clue to the pricing system in the Soviet Union and to the purchasing power of the ruble for the public and to the government.

Methods of Finance Planning

The economic policies of the Soviet Union are realized by means of economic and financial planning. The problem of the methods of financial planning employed in the USSR is quite considerable in scope and reflects itself best in the Soviet State Budget.

Financial planning is inseparably related to economic planning. Information concerning financial plans appears to be based on economic plans, and, in other cases, the financial limits of the budget decide the direction of economic planning.

In the first category are: wages and income taxes, the extent of production and accumulation of inventories of various branches of the economy, the turnover of goods, the turnover tax, taxes on individuals and profits and on state and cooperative enterprises.

In the second category are: the planned volume of revenue of the budget; the financing of various branches of economy; capital investments; expenditures in social and cultural affairs, public health, social security, cost of administration; military expenditures; etc.

Planning Agencies

While economic planning is within the competence of the State Planning Agency and the competent ministries, financial planning, reflected in the

State Budget, is within the joint competence of the State Planning Agency, the People's Ministry of Finance, other appropriate ministries concerned, and the State Bank -- with their subordinated separate and local agencies.

Planning for the Fiscal Year

The planning for a given fiscal year is based on the following: (a) targets set by the Five-Year Plan and (b) directives of the All Union Communist Party and the central committees of the parties of the republics -- according to expected fulfillment of the plan for the fiscal year.

The fiscal economic plan embraces a broad range of various economic factors, such as: cost of production as compared to the expenditures, the range of goods to be put into production, the volume and variety of goods to be put into production, the requirements of raw and finished materials, requirements for skilled labor, assessment of the productivity of labor, stockpiling requirements, requirements for imports for bottleneck items or items in short supply, and export requirements from import payments or for acquisition of foreign exchange.

Financial planning embraces all aspects of economy, administration, military, and cultural life of the country; for example, agricultural planted areas of grains and technical crops, harvest and yield of marketable crops, animal breeding, construction and mechanism for agricultural methods and Machine Tractor Stations, prices of produce, governmental reserves, etc.

Industrial finance planning takes into consideration production targets, cost of production, wages, labor productivity, added investment and mechanization requirements, stockpiling, wholesale or release prices to governmental agencies and to the public, etc.

For trade, the finance planning is concerned with the volume of turnover of goods in cities and in villages through state and cooperative networks, price policy, turnover tax, the trade network, personnel quotas, etc.

For cultural affairs, finance planning takes into consideration the school network and the quotas of the teaching staff, as well as students in the universities, in secondary schools, in technical schools; funds for wages, scholarships, and equipment; the network of scientific establishments and research institutes (including those for national defense); etc.

For national defense, the finance planning is concerned with the framework of military organizations for various types of troops, the supply of armaments, the maintenance of military schools, the supply of uniforms and foodstuffs, the creation of military reserves, military training, etc.

The expenditures in national defense measures envisaged in the finance plan by the Ministry of Armed Forces and Munitions are subdivided according to the sources of financing. For example, a compulsory retraining of the officer personnel (three to four months each year ~~with the exception~~ from the basic field of activity) is financed at the expense of various economic agencies. The construction of industrial installations of purely military significance is financed by other ministries in their fields of activity. Financing of expenditures for the maintenance of a number of research institutions of military significance are also financed by the funds outside of the defense budget. This financial procedure permits artificial reduction of the scale of military expenditures as shown in the budget.

Control of Fulfillment of the Budget

The administration of the revenue and expenditure parts of the Budget is entrusted respectively to the USSR Minister of Finance and the Ministries of Finance of the republics and their local agencies. The progress report on the Budget is examined monthly and quarterly by the same agencies who are examining economic planning; i.e., by the following administration

agencies: the Council of Ministry of the USSR and the Central Committees of the All Union Communist Party.

Soviet Military Expenditures for 1950

The Soviet expenditures for military purposes in 1950 are estimated by Trade and Finance Branch to be at least twice the amount announced in the budget message and disclosed by Soviet statistics (see table on Military Expenditures). The degree of error in this estimate may be about 10 percent either way. The financing of military needs by the USSR budget is diffused throughout various branches of the economy, such as coal, petroleum, electric power, ferrous metallurgical, light metallurgical, chemical, building material, construction, aviation, shipbuilding, munitions, armaments, heavy, light, and medium machine building, food, textile, and agricultural industries, as well as Social and Cultural Ministries.

In its structure, the USSR budget differs sharply from the budgets of capitalist countries of the world. As it is more similar in its economic content to the concept of the national income, its military expenditures are therefore not comparable in percentagewise with the budgetary expenditures of capitalist nations but should be weighed against national income figures.

Financial relations of the USSR with its union republics and with the Satellites are based on complete economic subjugation of the latter to the USSR by means of withdrawing the greater part of the populations income into the Soviet State Budget and, thus, into the Soviet economy for financing large-scale investments for military preparedness without the consequences of deficit, currency, price, or bank credit inflation.

The Areas of Ignorance in the Field of Soviet Budget

1. Since 1941, information is lacking as to the budgetary allocations

for investments to the various individual branches of industry.

2. Information is lacking as to the amount of contributions made to the military preparedness by the various economic social and cultural organizations.

3. Trade and Finance Branch has not made any study of the functions of republic and local budgets in the Soviet economy.

4. There is an area of disagreement as to the purchasing power of the Soviet budget ruble. Trade and Finance Branch estimates that in 1949 the budgetary ruble value was about 10 cents and in 1950 about 13 cents. These estimates are based on the following assumptions:

(a) In 1949 the public purchasing power of the Soviet ruble on the average was about 4 cents. The turnover taxes and retail profits and expenses increased the prices of consumers' goods to the public on the average by 150%. The procurements by Government and governmental agencies, especially by the Military and industries supporting the Military requirements, were in a position to buy at or below the cost of production levels.

(b) For 1950, the purchasing power of the budgetary ruble probably increased in relation to dollar on the average by 30 percent due to reduction of producers' prices through an increased industrial efficiency and reduction of wholesale prices, and partly due to the reduced purchasing power of dollar.

SOVIET BUDGET - 1941 and 1950

(in billions of rubles)

Revenues	1941 (Planned)	1950 (Actual)
Turnover Tax	93.2	236.1
Deductions from Profits	31.7	40.4 (a)
Taxes on Enterprises	(b)	(b)
State Loans	8.3	35.8
Taxes on Population	10.3	31.0
Social Insurance Funds	10.0	(b)
Other Revenues	30.0	78.9 (c)
Total	191.4	422.1

Expenditures	1941 (Planned)	1950 (Actual)
National Economy	73.2	157.3 (d)
Social and Cultural	31.4	116.8
Defense	70.9	82.9
Administration	7.1	13.8
State Loans	3.4	5.5
Ministry of State Security	7.3 (e)	21.0 (e)
Other Expenditures	2.8	15.4
Total	203.2	412.7
Budget Surplus	26.1	9.4

(a) Profits of Industries for 1950
(in billions of rubles)

Estimated		70.0
Actual		65.5
Industry	35.3	
Agriculture and Forestry	1.9	
Transportation and Communication	12.2	
Trade and Procurements	0.0	
Public Utilities	2.4	

(b) Not available.
(c) London Economist believes that this item includes reparations.
(d) Of this amount for Capital Construction 106.5 billion rubles plus 29 billion rubles from the accumulated funds of state enterprises.
(e) Estimated. Last official figures given in 1937 on Internal Security expenditures.

USSR BUDGETARY EXPENDITURES

(in billions of rubles)

		1941 (Plan)		1950 (Planned)
National Economy				
Industry		38.3		85.3 (a)
Agriculture		12.7		36.6
Tractor Stations	7.9		19.0	
State Farms and Forestry	4.8		17.6	
Transportation and Communications		8.4		15.0
Trade and Procurement		1.9		9.3
Communal Housing		2.5 (e)		7.0
Other		11.4		11.2
Total		73.2		164.4
Percent of Total Budget		36		38.4

Note: According to a budget message of March 1951, 157.3 billion rubles were actually spent on the financing of National Economy during 1950.

Social and Cultural Expenditures				
Education		26.7		59.5
Scientific Research	1.1		5.6(b)	
Higher Education	2.3		(c)	
Technical Schools	1.4		(c)	
Labor Reserve Schools	4.1		(c)	
Public Health and Physical Culture		10.9		22.0
Assistance to Mothers		1.2		4.0
Social Insurance		5.6		18.1
Pensions and Allowances	3.0			22.4
Other	2.6			
Social Assistance		3.5		
Total		47.9		126.7
Administrative Organs				
Organs of State Administration and Justice		4.0		7.9
Local Administration		3.1		6.0
Total		7.1		13.9
Internal Security (d)				
MID - MGB		7.3		21.1

(a) Apparently 26 billion rubles were spent in addition on capital repair out of the earnings of industries.
(b) This is supplemented by 2.4 billion rubles from the funds of various economic enterprises.
(c) Not available.
(d) Calculated from stenographic notes of the budget message.
(e) Estimated.

USSR ANNOUNCED DEFENSE BUDGET AND ESTIMATED HIDDEN EXPENDITURES

(in billions of rubles)

Announced Defense Expenditures	1941	1950
War Ministry	58.3	64.1
Navy Ministry	12.5	15.2
Total	70.8	79.3

Estimated Hidden Military Expenditures in Other Ministries for 1950 Budget

CIA's (Trade & Finance Branch) Estimate	
New Construction for industrial support of Armed Forces	16
Materials support provided by various ministries for Armed Forces	21
Educational and Health appropriations, including scientific research	22
Security organizations performing military or para-military functions and services	14
Total	90
Total Estimated Military Expenditures According to CIA	169

A Soviet Defector's Estimate	
Heavy Industry	42
National Economy	12
Education	9
Public Health	8
Capitol Construction	33 (a)
Total	104
Total Estimated Military Expenditures According to a Soviet Defector	183.4

Note: Defector admits the possibility of error from 10 to 15 billion rubles in estimating the amount of Soviet hidden military expenditures.

(a) Capitol Construction for 1950 was scheduled at 135.6 billion rubles, 106.5 billion from the State Budget and the balance from the funds of enterprises whose profits were estimated at 70 billion rubles for 1950.

Planned Budget Expenditures of the USSR for 1940 and 1941 For Financing National Economy
(in millions of rubles)

	1940 Budget Plan	1941 Budget Plan	1941 Planned Expenditures on Fixed Capital from Budget and Non-Budget Sources
Total Budget Expenditures	179,913	216,052	
Financing Industry			
Coal Commissariat	1,944	2,166	1,680
Petroleum Commissariat	1,745	3,085	2,955
Electric Power and Power Stations	669	1,852	2,092
Ferrous Metallurgical Commissariat	1,139	2,786	2,730
Light Metallurgical Commissariat	1,397	1,971	1,610
Chemical Commissariat	524	995	1,176
Building Materials Commissariat	289	385	369
Construction Commissariat	540	488	110
Aviation Commissariat	2,127	5,581	3,854
Shipbuilding Commissariat	2,903	1,310	1,000
Munitions Commissariat	1,881	1,685	1,710
Armaments Commissariat	1,050	1,190	1,036
Heavy Machine Building Commissariat	393	1,427	1,190
Medium Machine Building Commissariat	313	641	646
General Machine Building Commissariat	97	226	222
shery Commissariat	318	205	100
Meat and Dairy Commissariat	507	507	149
Food Commissariat	414	581	296
Textile Commissariat	763	697	587
Light Industry Commissariat	219	177	170
Lumber Commissariat	1,780	2,075	328
Cellulose Paper Commissariat	-	222	140
Local Industry Commissariat	113	320	62
Local Fuel Industry Commissariat	236	118	185
Cinematogo Committee	61	59	65
Various KNVD Construction Work	3,440	6,989	6,260
Sulphuric Acid & Hydrolisis Administration	49	66	57
War Construction Administration	291	223	80
Geology Affairs Committee	139	245	17
Total Financing Industry	25,429	38,311	31,076

FINANCE

SOVIET ORBIT

What We Could Find Out Through Further Study on the Soviet Orbit

(Estimated Time Required -- 1 Analyst, 4 Years)

1. The extent that investment appropriations are utilized for capital goods and consumers' goods industries.

2. The extent that budgetary appropriations for Economy, Social and Cultural categories are used for building up war economy.

3. Number of commercial and investment institutions.

4. Volume and velocity of long-term and short-term credit.

5. Volume of currency in circulation.

6. Volume of savings deposits.

7. Foreign exchange and gold holdings and movement in and through international channels.

8. Utilization and purpose of gold and foreign exchange holdings in the Western world.

9. Soviet Orbit gold production and gold reserves.

10. Soviet Orbit utilization of international financial mechanism and money markets for its objectives and advantages:

(a) for circumventing trade controls;

(b) for financing Communist agents' activities abroad;

(c) for speculating in black markets of dollars and gold;

(d) hiding Soviet Orbit foreign exchange in the Western countries for strategic purposes;

(e) financial activities and objectives of CEMA.

Circumvention and Violation of Western Export Controls by the Soviet Union in Order to Obtain Strategic Materials Included on the Control Lists

1. The following conclusions on this subject can be drawn from an analysis of the available information:

a. It is difficult to obtain all the available information on the subject through the OCD Library, as the present procedure is not satisfactory for efficient exploitation. (See "Research on Transshipments of Strategic Materials to the Soviet Union" for a discussion of this problem.)

b. The information on this subject is generally not useful for quantitative analysis. "Industrial diamonds are being smuggled in large quantities" is a good example of the type of reports most frequently encountered.

(1) Some of the reporting gives facts and figures, but these are fragmentary and do not give an adequate basis for any estimate of the gross quantities involved for any given commodity or by total values.

(2) In some instances, it would be possible to make fairly accurate estimates of the minimum flow of commodities through intensive study of trade figures with particular attention to changes from previous years. A good example of this would be a study of the shift of the flow of industrial diamonds from Belgium to the Soviet Union. Whereas previously most of the shipments were direct, presently the flow is through Switzerland.

(3) The use of "Free Ports" and transit trade privileges makes an adequate total estimate, even under the best of circumstances, impossible. The most that can be hoped for is a statement that "it is known that this figure represents the minimum amount of this material

procured by the Soviet Union for the period."

c. The substance of the information examined is that the Soviet Union is not unduly active in the circumvention or violation of Western export controls. There are, of course, such items as industrial diamonds, occasionally bearings, prototypes, and specific limited procurements. The bulk of the activity in the field of evasion of Western export controls, however, is conducted by the Satellites. Most of the material so obtained is incorporated into products processed or manufactured by the Satellites for shipment to the USSR or for expansion of industrial plants.

Research on Transshipments of Strategic Materials to the Soviet Union

1. Initiation of Research

a. The first step was to work out, in conjunction with the reference librarian, a set of codes to be used in making a run which should provide the information needed. It should be noted that this is a subject with which the writer is familiar and on which considerable work has been done in the Agency during the past two to three years.

b. The tape received contained 111 references. It was requested that the library pull all of them. Effective selection of documents from the tape was generally not feasible due to insufficient information.

2. Library Service

a. It was about four to five working hours after first requesting the documents that the first batch was available to me, and the searchers were able to pull subsequent batches faster than I could go through those already provided.

b. The effectiveness of the library as a depository is shown by the following:

2 were wringer reports
5 were on microfilm reels
5 were Top Secret documents
79 were pulled and delivered to me
20 were not available

c. I was informed that in order to get the 20 which were not found it would be necessary to submit a library request form, in duplicate, for each document. (I have submitted a selected group from this list of 20.) Upon receipt of such a request the library would search for the document in the files, again, and also through charge-out records, backlog, and any other possible location.

3. Substantive Results

a. The substantive success of the run is shown by the following analysis of the 79 documents which were pulled by the library.

14 were of no value whatsoever.

9 dealt with transshipment and transloading points from the standpoint of transportation and not from that of trade.

5 were over-all reports, two of which had useful data and three of which contained merely statements of general conclusions.

13 concerned the smuggling of arms from the Soviet Union to such places as Indonesia, Central America, and Israel. Details were not given.

5 concerned export smuggling by the Soviets, such as the smuggling of gold into India. No facts or figures were given.

3 dealt with intra-Orbit transshipments relations, such as the USSR buying goods from Czechoslovakia at cut-rate and then undercelling the Czechs, with these same goods, on world markets.

3 were inquiries for goods with final destination not known.

19 were general reports of Soviet Union procurement of goods through clandestine or evasive means but contained no concrete information. In many cases, neither commodity nor value were given. If the commodity was described, the amounts were not given, and the destination was more often in question than not. The information in this group of reports is valuable insofar as it indicated types of commodities in which the Soviet Union was interested and some of the routes and methods used to procure them. Even these, however, were in most instances con-

jecture or opinion and not firm evidence.

10 of the total of 79 documents contained useful information. Even these 10 were not all firm, but do provide useful fragmentary information -- clearly insufficient to allow for arriving at any conclusions regarding the transshipment or clandestine traffic in strategic materials to the Soviet Union from 1947 to date (the period covered by the documents examined).

(The total in the analysis is 81, rather than 79, as two documents appeared in two categories.)

4. Critique of Results of Research in Library on "Transshipments of Strategic Materials to the Soviet Union"

a. Failure to provide 20 documents out of a total of 111 is evidence of a bad situation. The cause of this is failure on the part of the library to keep, diligently, one copy of every document which comes into the Agency. Absolute discipline in this matter and the activation of the "Projects Research Center" are needed to overcome this problem.

b. The cards pulled demonstrated that the present coding situation is inadequate.

The number of documents which were of no direct use in solving the problem at hand shows that: more information should be shown on the cards (by extracting or abstracting) to allow selectivity in deciding what documents would be pulled from the file or that the coding system should be more complete and detailed in order to provide narrower limits in the selection of the cards themselves.

This analyst knows that additional information is available on this subject, but to extract it through library sources would require a broader coding approach than was used and thus, inevitably, an increased

quantity of references which are useless in order to arrive at those which would be useful.

c. Many documents which are received by the Agency are not coded at all. Cables, many unclassified documents, and possibly others are not coded at all. This is particularly serious in the case of cables which frequently contain valuable information.

RESEARCH ON TRANSSHIPMENT OF STRATEGIC MATERIALS TO RUMANIA

1. The lack of substantive material available on the subject of "Transshipment of Strategic Materials to the Soviet Union" (see memos dealing with that subject) made it evident that a true test of the Library facilities in relation to the general topic of transshipments would have to be done through a control problem. Personal knowledge of transshipment information available led to the choice of Rumanian procurements through Switzerland for this purpose. The total number of references turned up as a result of a run on this subject, for 1950, was seven.

2. This result was obviously inadequate. The problem was discussed with the reference librarians, and a further run was made. Knowing that a great deal of trade activity in this field has been in bearings, a run was made covering all references to bearings, having to do with Rumania. The run was broken down by related areas: Switzerland first, Italy second, all others, and lastly all cards dealing with Rumanian bearings which had no related area code. This run, as nearly as can be determined at this time, covered all the information on the subject which has come into this Agency during the period covered. The specific results of the run, which turned up 67 references, were:

32 references involving Rumania with Switzerland as the related area; two of which were not related to the problem.

8 references involving Rumania with Italy as the related area; four of which were not related to the problem.

7 references involving Rumania with all other areas; four of which were not related to the problem.

20 references which had no related area code; three of which were related to the problem.

3. There are several conclusions which can be drawn from this controlled study:

a. Knowledge of the specific information available proved necessary to extract one large section of the available material. A person not familiar with the subject would find it necessary to code a run for all commodities, for Rumania, with Switzerland as the related area. This would involve a tremendous machine operation.

b. An analysis of the second run shows that on the specific, objective type coding, the margin of error is within reasonable limits, as opposed to the complete inadequacy of the first run. This indicates that the fault lies not with the OCD coding analysts, but with the code itself.

c. The concept of "transshipment" is a false basis for objective coding by OCD analysts. A subjective, rather than an objective, approach is required to arrive at satisfactory use of this code, and such can only be done by an analyst familiar with the "transshipment" problem.

d. A further difficulty which is relevant to the present discussion was brought out in a conversation with [redacted] regarding the coding of such documents as the "Annual Economic Survey" from Argentina. These were coded so as to include Argentinian trade, and not with related areas. As a result of our conversation, she agreed to use the general code for the "Soviet Orbit" as a related area, if any of the Orbit countries were concerned. This still means, however, that to uncover all the available information about, say, Czechoslovakian trade, it would be necessary to make a run for all the countries of the world with "the Soviet Orbit" as well as Czechoslovakia, for a related area.

25X1A9a

It would then be necessary to have the Library pull thousands of documents and search them for the bits of information necessary to draw up detailed trade statistics for Czechoslovakia. The magnitude of such a job, and the waste effort that would go into it, would be enormous.

4. To correct the difficulties stated above, there are three alternative methods, which are:

a. To truly overhaul the coding system of OCD, which appears to have been conceived in sin.

(1) Examination of the subject codes shows that the subjective approach was used throughout. This has resulted in a heavily weighted index. The usefulness of this index is limited to two functions.

(a) A general index which will, however clumsily, turn up most of the documents which have been received by the Agency. The work necessary to uncover all the relevant material, however, is in many cases out of proportion to the information which would be so gained.

(b) A subject index for the individual analysts, as a supplement to, or substitute for, their personal files and cards.

(2) A larger portion of the cards should be used for machine coding (punching) and less for textual coding (extracting and abstracting). This would permit a reorganization of the code on purely objective lines, with sufficient cross-indexing available on the cards to permit selection of subjects on a much broader basis than at present. This would also make the selection of material less dependent upon transitory interests, as the material could be pulled from so many more points of view.

(3) The overhauling of the coding system should be done by an expert in that field and not by the various branches, divisions, offices,

departments and agencies as their interests in presently important problems would inevitably sway their judgement.

(4) The principal disadvantages of this remedy are the physical and administrative problems involved in a switch-over.

b. To have the ORR analysts keep their files in the Library, by doing the extracting, abstracting, and coding in detail would insure the fullest possible coding for the intellofax system under present conditions. It would admittedly be incomplete, and the emphasis would be on the Orbit countries. It would, however, reduce materially the problems mentioned above related to subjective type coding, and general documents which are coded, on an over-all basis. As a method of keeping the analysts files, the advantages of this system are:

(1) The files are permanent and more readily available to other analysts of CIA and other IAC agencies.

(2) The degree of cross-indexing is much higher, and, therefore, the files are much more useful than the usual branch file system.

(3) It is quicker than the old ORE system.

The disadvantages of this system would be that:

(1) It would take about two hours of the analysts' time per day (less, however, than the present system) to handle incoming mail.

(2) The coding, abstracting and extracting would still be primarily subjective.

c. To set up a team of abstracting and extracting experts in OCD or ORR and make them responsible for the detailed analysis of all incoming traffic. This would amount to a small-scale reproduction of ORR for intellofax purposes. The main advantages of this system would

be:

(1) It would release the analyst from this kind of work.

(2) It would centralize the coding sufficiently to reduce the duplications and the hiatuses which would inevitably result from ORR analyst coding.

The main disadvantages of this type of organization is:

(1) The personnel problem which would probably result from having people doing nothing but that one type of work all day, every day.

5. Conclusions.

a. The entire code system should be overhauled and detailed coding done by OCD.

b. Unless and until this is done, the best use that can be made of the Library coding system is to use the intellofax facilities as analysts' files and as a general index to keep the loss of incoming information to a minimum.

c. The ORR analysts are the persons best able, and, at the present time, the only persons able, to do this job. It might be feasible to organize extracting, abstracting, and coding teams as suggested above, but it would probably be more efficient to provide the same number of additional personnel to the functional branches.

Limitation and Methods for Study of Trade of Hungary and Poland

For the purposes of this memo, it is assumed that the limits of a Foreign Trade Study will be the ability to draw up a balance of payments statement and explain, from the point of view of the needs of intelligence, the component parts thereof.

This would involve:

1. Knowledge of the volume, value, and pattern of goods movements for the concerned areas and the methods of payment therefore;

2. Similar knowledge for services rendered internationally;

3. Knowledge of long-term capital movements, source of the capital, its meaning in commodity transfer, and the effect on future international intercourse of the concerned areas.

4. Knowledge of short-term capital transfers and other equilibrating effects, volume, method of transfer, future effects.

As adjuncts to this main body of knowledge, information concerning persons and institutions involved, effects on various other non-orbit areas, and various other controlling and expediting regulations should be available from the completed study.

In addition for adequate presentation and meaningful use certain information, not actually within what I would consider the scope of the subject, should be available. This would include comparative cost studies, comparative internal sales price data, data on requirements of the concerned economy, volume of internal trade data, national income data by both factor payments and distributive shares should be available as should data

on various production and consumption series. Without the material, it would appear that foreign trade would be studied in a relative vacuum and that no complete analysis of its importance to the security of the United States can be made. Useful informative analysis can be obtained in lesser degree without the entirety of this material but the significance of results is expotentially multiplied when viewed in conjunction with it. Collection of the materials necessary to present such a finished study falls generally into two categories -- that which is concerned with the movement of goods and that which is concerned with the methods of payment, and to other financial matters. Re the movement of goods, the assembling of the data for the study falls generally into two categories. The first relates to the time prior to the pre-Communist coup periods and current trade with Western Europe. The second relates to intra-orbit trade.

1. Information generally can be assembled on pre-commie coups and current western trade. Primary sources for this information are governmental statistics. The accuracy of the study so based will be limited as follows:

a. The data collected and presented in these publications varies by country. In certain areas, only values or volumes rather than

both are reported. In other cases, trade with EE is not detailed.[1] Commodity breakdowns also vary and are not as detailed as are needed by this office.

b. The reporting countries generally report imports at cif prices and exports at fob prices. This results in a condition wherein statistics of states with which we are concerned may be overstated re exports and understated re imports.

c. Transit Trade statistics: Free port regulations, which are far from uniform throughout the world, do not require collection of data on material passing through. Hence, a large part of trade in certain commodities is never reported, to wit. Chilean exports of a few thousand tons of copper consigned to Hungary would probably be listed in the other country category of Chilean statistics. The European free ports through which the copper moved would not require the copper to be included in import or export figures and transit traffic is not carefully documented. Thus, the shipment would never be reported through those documents herein

---

[1] In an extraction from the British Trade and Navigation, the official monthly UK publication concerning detailed trade statistics, imports were broken down irregularly as follows: Of the total British imports from Czecho, only about 35% were carried under specific categories. On the other hand, about 97% of the trade with Poland was broken down into these categories. Generally, details vary inversely with the volume of the intercourse, both for the reporting country as a whole and for the trade with the particular country of concern. On the other hand, neither details nor broad pictures are generally available if the portion of the reporting country's trade with the country of concern is a minute fraction of the total trade of the reporting country. Inability to rely upon the above generalities is well illustrated, however, by the reporting of a single cotton handkerchief exported from Mexico to a satellite for the category of textiles in 1949.

listed as primary sources. These three prime limitations to the study of pre-Communist coups and present trade with the west can be overcome to a degree by the use of the following secondary sources. The secondary sources will also serve to check the accuracy of the primary sources.

State Department dispatches: Re shipment of controlled or licensed material, these documents are derived from the same process that provides the data for the official publications. They are able, however, to achieve certain reports directed primarily to trade with the countries of concern rather than to the trade of the reporting country. The second general type of State documents of considerable value is the trade agreement report which allows, in cases, a comparison between economic achievement and plan, as well as indications of values and volumes of goods expected to move. Limitations of these documents are that the agreement is often unrealistic, that the agreements are often agreements to allow trade rather than contracts, and that the availability of information contained is, in many cases, insufficient.

A third general type of document constituting a secondary source of considerable value is [redacted] ID, State, ONI report on goods in transit. This allows a partial indication of the extent of the uncovered transit trade, a check on the progress of the trade agreement and possibly an estimate of the total movement of goods in particular cases. 25X1X4

A fourth general type of secondary source, of great use in covering the limit on the prime source concerning free and unreported trade is the [redacted] 25X1X4

25X1X4

[redacted]

25X1X4gs [redacted] Similar reports on contracts let in Western Europe and of shipments from Western Europe make up the best block to fill the holes in the Western Export statistics.

Other material provides useful information, but the above five arbitrary classifications constitute the basis for a study of this segment of the whole.

Extent of Material Available and Time Needed For Utilization for Detailed Study

Primary Source: Trade Journals: As of this date these journals are partly available within the agency. This office, in conjunction with OCD, is presently attempting to determine exactly which are and are not available to this office. In addition, since the journals under ORE were ordered and routed on a geographic rather than functional basis, the reallocation of the material to fit the present O/RR structure is a considerable task. Exact determination of the availability will apparently be impossible prior to the re-establishment of these channels of distribution. There is no known reason known to myself precluding the availability of these documents to this Branch within CIA, except the current administrative problems -- concerned with the routing of and depository for documents.

The Office of International Trade, Department of Commerce, has the most usable file on these documents known to this office. This office also contains sections devoted exclusively to the utilization of the documents. CIA cannot, unfortunately, place complete reliance on these sections

because they are pointed primarily at commercial information rather than intelligence collection. However, as a result of Congressional pressure for information on Western European Trade with EE, certain papers have been produced in the last year which are compilations of this trade as officially presented. The papers are produced from the point of view of the western reporting nation rather than from the EE point of view, and these papers involve considerable consumption of time in a job of clerical nature to put it in a form useful to this office. In addition, the production of these tables is neither regular nor prompt and depends, it appears, upon continued Congressional interest.

Complete utilization of these reports by this office is probably impossible, because of the limited personnel. Man hours necessary to extract the material referring to EE from one of these documents is, of course, a function of the volume of trade of the country, of the volume of trade of the country with EE, of the weights and measures and the monetary system concerned and the details of the reporting document. That of the UK is probably the one requiring the greatest amount of time to handle though it be in English. Complete utilization of each monthly issue would probably require about 80 man hours per monthly issue. This time required would probably fall off to less than 8 man hours per monthly issue (assuming monthly statements were to be compiled) for the Swedish journal. These two guesses are based on compiling a table similar to those made by OIT and do not include time necessary to compute a summation of the EE individual totals from the WE totals.) Certain work of this nature has been done by

myself for both Poland and Hungary but is considered unsatisfactory by myself because I was (a) more concerned with speed than with accuracy at the times, (b) no clerical check of the accuracy of the "one-shot" addition has been made. In addition, in the studies, made for specific projects, mathematical machination employed were not constructed from the point of view of "basic research".

Certain of this work has already been done by the Department of Commerce and more is being contemplated. For a report on the possibility of having preliminary utilization of this source handled outside CIA see the Memo from [redacted] on the subject. 25X1A9a

In my opinion, the ideal use of this material would be to construct tables somewhat as follows:

1 {Hungarian Foreign Trade by Commodity 1920 - 1950
Hungarian Trade by Country, 1920 - 1950

2 {Hungarian Trade by Country by Commodity, Selected Yrs, 1920 - 1935, Avg 1936-1938, 1937, 1938, 1939 to date, Avg 1948-1950
Hungarian Trade by Commodity by Country as above

The first two types would be necessary to determination of possible existence of trends and utilization of such if in existence. The second is necessary for comparison and analysis of value of this trade to the current policy. Compiliation of these tables, ideally, should precede the use of any of the subsources. Until this is done, the extent of missing information cannot be determined and the function of the secondary material is to fill in the blanks. In view of the blanks in our information concerning facilities and information available (see Memos on FDD, Dept Comm, and OCD submitted to [redacted] it is impossible to make a real estimate on the 25X1A9a time necessary to compile the desired tables. A minimum of three months

per country would probably be required, presuming no clerical help for the analyst so charged, and assuming complete freedom from all other responsibilities. This is nothing more than guess! Accuracy would depend on, among other things, the availability of studies in the early thirties which may or may not provide considerable help if they exist.

The net result, using this source alone, should be knowledge on the subject almost as complete as that available to the Poles or the Hungarians. There should be only few holes existing in the documents concerned with periods prior to about 1948. Information not so derived probably was never collected. From this period to date considerable check need be made by the analyst concerned in reference to the use of the secondary material.

Use of the secondary material would involve determination of desired commodities, compilation of trade agreement statistics, checking on the reported figures by use of goods-in-transit reports, filling in blanks existing through broad category reporting in the official journals, by use of the State reports on shipments of licensed or controlled items, and relating reports of arrivals, departures, and contracts for goods.

Unfortunately, because of the flexible nature of foreign trade, the second part of the information relating to the movement of goods must be assembled prior to complete understanding of the above material, i.e., the post-commie coup trade intra-orbit must also be assembled in a similar manner. This will be considerably more time consuming, but should be possible within reasonable limits. To some extent, certain of this work has been done.

The process and material used will be somewhat as follows: Having determined trade with the west, this will be checked against the satellite statement of total trade and percentage thereof with the west. Assuming some reasonable degree of correlation between these two, the commodities received from the west will be subtracted from the total commodity receipt (when such is available). Following this, by use of various documents and methods, mostly covert, the difference between trade and trade with the west will be allocated to various satellite trading partners. The USSR material section is elsewhere covered. Sources necessary for satisfactory completion of this section of the project are primarily SO reports, FDD publications of official but generally most incomplete satellite figures, FBIS reports which generally contain extremely fragmentary information but contains those fragments on which the whole process must eventually come to rest; and State Department press summaries and attaché reports. These last are not so useful as could be possible, because of the general conviction on the part of State that these fragmentary statistical announcements in unrelated percentages are useless.

The above presentation is highly oversimplified and presents the view of an easily achieved objective. The picture is far more complicated, but successful compilation of trade statistics is possible. It should be noted that as this picture is completed in conjunction with the rest of the desired compilations, each comm6 announcement, percentage or index wise will have greater and greater meaning and that the task should grow relatively easier once the basic data is assembled. The minimum time required would be an additional 3 to 6 months per each orbit country.

FDD Facilities and the Use Thereof

1. Material which may be of use to this section derived from FDD sources consists of the following:

a. Published translations which are listed below

OO-W's

OO-Q's which are similar to the familiar OO-W except that they are limited in distribution, usually to US Eyes Only.

OO-U's which are similar to the familiar OO-W except that the material concerned has such little general interest that only two copies are produced, one of which goes to the requestor of the translation and the other to OCD Library.

FDD summaries -- these consist of the documents abstracted in a form convenient for clipping and appear in what appears to be monthly intervals.

FDD translations -- these are full translations of documents of considerable length, example of which is the Hungarian Budget for 1950.

These documents should all be available to O/RR through OCD Library facilities. A possible loophole does exist concerning material published by FDD in the period before OCD Reference Center was organized into the present library system. In addition a "Consolidated Survey" listing material translated by FDD on a monthly basis is also published.

b. The second type of material available from FDD consists of Captured German Documents. These documents are collected by the source from which they were captured. Those surveyed in whole or in part by S.D.S. and FDD were those taken at Intelligence installations. They are generally of two types, folders of clippings and other fragmentary information apparently collected in preparation for studies, and finished coordinated intelligence reports which are reputed to be academically sound and prepared by reputable research institutions such as the Central Statistische Ampt and the Kiel Institute. As these documents refer to physical installations and to production for the Soviet Union, in the opinion of FDD, they have already been fully exploited. The material is available to this Office in the IR files. As refers to other phases of the economy, including trade and finance, little if anything has been done. These reports are apparently similar to the type of report that seems to be expected of this office, and for the time period covered may be, therefore, of great value. In the opinion of FDD, a statement that "all sources have been utilized" is not accurate in the period of approximately 1930 to 1943 prior to utilization of the sources. None of the material relating to the satellites has been more than very summarily catalogued.

c. The third type of information which may be available to this Office through FDD is material which their translators have passed over through either insufficient priority for assembly at the given time, lack of knowledge that FDD consumers were inter-

ested, or because of volume of material in excess of the capabilities of FDD bodies. Irregular personal files on sources of such material are kept by the FDD translators and specific requests to these persons may be productive. In this category will probably fall a large number of Soviet books which have been received at about the rate of 250/ month since 1948.

Suggestions for the use of FDD

It is suggested that in addition to notifying OCD reference center upon receipt of a project, the concerned translators of FDD be simultaneously notified and kept informed of blanks in the project. If this be done, FDD personnel may be able to help in the following ways:

a. clearing backlogs of any material relevant to the project;

b. assisting with bibliographic information;

c. utilizing personal files of untapped or untranslated sources.

It is also suggested that as soon as it be determined what information for the period between about 1930 and 1943 is desired and not available, directions be given FDD for specific utilization of the German Document Center material. Personnel from this office will apparently be needed if only for direction in this project.

It is also suggested that this office review its requirements to FDD for current translation of incoming material.

Additional Notes:

Extent of Info Currently Received by FDD:

As of this date FDD receives a large number of documents, mostly newspapers and periodicals from the orbit. The exact extent is presently beyond the ken of any given person. Therefore, FDD is currently engaged in listing its receipts together with the use made of the document which list is supposedly to be revised every six months. This would be of considerable help to the "Inventory".

Within the week, SO DB's in foreign languages will be routed to OCI, OCD for cataloguing, and to FDD for an abstraction of about 250 words. The document will then be returned to the library where it will be available to those whose interest is aroused by the circulated abstract.

Trade Statistical Information Available at the Department of Commerce

[redacted] 25X1A9a

1. On April 3, 1951, I visited Mrs. Mary D. Keyserling, Director of the Division of International Economic Analysis, Office of International Trade, Department of Commerce. The purpose of the visit was to discover; (1) what trade materials are available within the Department of Commerce in raw, finished, and semi-finished form; and (2) the possible use which could be made by us of Department of Commerce facilities for the acquisition of avert trade information in finished and semi-finished form.

2. The first, the inventory, phase of this problem is now being accomplished for us by Mrs. Keyserling. Within the next week we will be supplied with the following information regarding the present availability of trade statistics within the Department of Commerce.

a. What trade manuals are at present in the Department, by country for all the countries of the world, for the years 1936-37-38, and 1946 to date. The information will include:

(1) Where the publications are located.

(2) Whether they include quantity and value.

(3) Whether they are by commodity, or by trade totals.

b. The finished and semi-finished work which has been done by the Department of Commerce through the use of these trade publications.

This information will include:

a. The type of report; i.e., finished, semi-finished, worksheets.

b. The subject of the report, including the areas covered.

c. The period covered by the report.

d. The form of the report.

e. Present location of the information if in file; or source from which it can be obtained if in published form.

3. Final determination of the second phase of this investigation - future usefullness of the Department of Commerce, must wait upon: (1) further study and discussion in order to determine what our extact demands would be; and (2) a capabilities estimate from Mrs. Keyserling. (see para. 4). Based on previous experience, and my short conversation with Mrs. Keyserling, however, it is possible to submit a preliminary estimate of the situation and the possibilities.

a. At the present time the Division of International Economic Analysis is consolidating the six areas trade statistics into one central office. Although this is not completed as yet, it is under way and is a forseeable situation. The results of this consolidation would be to:

(1) Centralize the trade statistics publications in one library, which would probably be the most complete collection of such material in the United States.

(2) Standardize procedures for the handling of statistics, reconciling figures, maintaining records and worksheets, and so forth.

(3) Permit concentration of the best personnel available to the Division for this kind of work, both to accomplish the work itself, and to aid those who come from outside the Department to use the library.

b. Mrs. Keyserling expressed the view that such an office could provide the various Governmental Agencies basic overt trade information. The information would probably be more accurate than that now used, as at present the various Agencies each do their own research to a large extent, and are not properly equipped for such a job. The IAC Agencies (and possibly others) would be expected to provide funds to the Department of Commerce for such additional personnel as might be needed to accomplish this task. I agree completely with this viewpoint, and feel that the Department of Commerce should be designated as the fount for all basic trade statistics available from overt sources, and that such funds as are necessary be made available. Such expenditure would be by far the most economical ~~use of~~ method ~~funds for the purpose of~~ obtaining acceptable overt trade statistics.

c. To exploit the available raw material with reference to Orbit trade for the years set forth above could probably be accomplished within a year, on a fairly comprehensive basis. (This would assume the provision of additional personnel mentioned above.)

4. In accordance with our conversation, a written request for the information referred to in paragraph "2" above is being submitted to Mrs. Keyserling ~~through~~ from Liaison Branch, OCD. This letter also contains a

request for an informal comment directed at the new organization of her Division, and its capabilities to service other Governmental Agencies. A copy of the draft letter is enclosed.

State Department Information on East-West Trade and Trade Agreements

1. In OIR/DRS are maintained three trade agreement files: East-West; East-East; and West-West. In addition to the basic files so maintained, an up-to-date card file of trade agreements is kept, giving the general commodity structure, commitments, dates, and references to the documents from which the information was obtained. A master register is also maintained, on an up-to-date basis, for East-West trade agreements. This constitutes an annotated index which contains a general summary of the trade agreement situation of all the Orbit countries.

2. OIR 5164 is now used as the basic format for trade and trade agreement reports. Periodic revisions bring the tables up-to-date; DRS/IP-4 is the most recent and covers Orbit trade agreements up until about 19 January 1951.

3. It appears that the State Department is in a position to maintain current and accurate files on trade agreements and disseminate period reports on this subject. There is not sufficient personnel, however, to keep current information on actual, detailed trade figures, or to make regular dissemination of reports of such a nature.

Library Facilities for Information Related to Albania, Bulgaria, and Rumania

1. Library tapes requested 31 March and received 4 April resulted in 195 references concerning the following countries by subject:

a. Albania

15 references covering all Cominform credits, foreign exchange holdings, currency, black market rates, credit structure, foreign and internal trade.

b. Bulgaria

37 references re intra-Orbit trade;

9 references re imports of electric power equipment and railroad equipment;

12 references re currency, banking, financial policy, participation in CEMA credits to Albania and receipts of credits from other CEMA partners;

4 references re tobacco exports by destination.

c. Rumania

39 references re intra-Orbit trade;

84 references re petroleum exports;

5 references re trade with Argentina.

2. While time did not permit calling for referenced material, partial analysis of the tapes by country and by subject reveal the following:

a. Practically no information is available concerning Albanian trade and finance.

Of the fifteen references covering both fields, eight were from CIA sources of which three were CIA Weeklies and one IM. One source was a study of Albanian finances made by the Treasury and published in 1944. Another was the Army's "Civil Affairs Handbook", published

22 December 1953.

b. There is virtually no information existent on Bulgarian intra-Orbit trade, of which thirty-one of the thirty-seven references were mostly scattered [redacted] reports usually covering trade with one country only with as many products. 25X1X4

Bulgarian currency and banking was covered in twelve reports dating from 194_ through early 1951.

The importation of electric power equipment was not covered in two of the twelve references but appeared as electric power, per se. Railroad equipment import was referenced only incidentally or as part of "the plan".

Tobacco exports, the principal export product of Bulgaria, appeared four times -- once in each trade agreement with Sovzone Germany and the Soviet Union [redacted] 25X1X4

There was one port study by Navy [redacted] covering the 25X1X4 period from 1947 to 17 May 1949.

c. Of the five references to Rumano-Argentine trade, four were by CIA, of which three were OO-B's.

Rumanian intra-Orbit trade produced nineteen references to 1950, of which thirteen were CIA reports [redacted] The total of 25X1X4 thirty-nine references covers the period 1946 to early 1951. Trade is scattered by spot reports or indirectly from trading partner sources.

While some reports carry various statistics, Rumanian petroleum exports are covered in only thirty-one of the eighty-four references. Ports, industrial and port activities, personnel, Belgian Bulletins, Soviet intentions, various economic situations, as well as shortages, in and out of Rumania, negotiations for equipment, and trade agreements

are all referenced as petroleum exports from 1943 through 1950, including three 1948 studies and one ORE and one IM in 1949.

3. Summary of content relative to trade and finance in the Balkans.

a. There is little and inadequate reporting on intra-Orbit trade and foreign and domestic finance.

b. There is little and incomplete coverage of above subjects filed in OCD Library.

c. Documents are incompletely coded, in some cases incorrectly coded for specified subjects, and in other cases not coded at all.

4. Reasons and probable reasons for incomplete information.

a. Answers to specific requirements are sent directly to requestor and not further disseminated. 25X1X4

b. In the past [redacted] have not been intellofaxed; some subjects, such as CEMA have just been assigned a code number; and the coding system [redacted] has not been in operation long enough to cover all sources. 25X1X4

c. In this particular case, the information was grossly lacking because the requestor did not supply enough information and the librarian did not cross-reference enough.

d. Some cards were out of place for particular tapes due to being used in other tapes concurrently.

5. Specific gaps in information.

a. Rumanian press reports.

b. Peripheral reports.

c. ORE's and IM's, accounting for a large percentage of a tape, reveal that more information is available.

6. Suggestions.

a. More complete and better coding of information relative to

trade and finance, per se.

b. Direct routing of all documents to the Library for general coding immediately upon receipt by the Agency.

c. A follow-up on documents to see whether there is a continuous series.

d. Answers to specific requirements should be, at least generally, coded.

e. General documents require more coding, or suggest a revision of the present code.

7. A follow-up of the information concerning the same subjects has been requested of OCD Library to cover the sources that were missing from the original tapes. These are to include specifically:

25X1X4

[redacted]

b. Plans, per se, in relation to finance of all countries.

TO: Liaison Division, OCD

FROM: Trade and Finance Branch, D/S, O/RR

SUBJECT: Draft Letter to Mrs. Keyserling, Department of Commerce

1. Confirming our conversation of April 3, 1951, the following request is submitted.

2. Source of Materials information.

a. What trade manuals are at present in the Department of Commerce, by country, for all the countries of the world, for the years 1936-37-38, and 1946 to date. The information should include:

(1) Where the publications are located.
(2) Whether they include quantity and value.
(3) Whether they are by commodity or by trade totals.

b. What finished and semi-finished work has been done by the Department of Commerce through the use of these trade publications. This information should include:

(1) The type of work finished, semi-finished, worksheets.
(2) The subject of the report; including the areas and commodities covered.
(3) The period covered.
(4) The form of the report; tabular, or narrative.
(5) Present location of the information if in file; or source from which it can be obtained if in published form.

3. It is also requested that a brief comment be made about the re-organized structure of the statistical office. The advantages resulting from this organization and the present capabilities of the office to service other agencies and departments are of particular interest.

25X1A9a

[redacted]

SURVEY OF INFORMATION

ON

USSR FOREIGN TRADE AND FINANCE IN 1950

W TH

EVALUATION OF FACILITIES AND SOURCES

AND RECOMMENDATIONS