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INTELLIGENCE MEMORANDUM

SURVEY OF SOVIET FOREIGN TRADE ACTIVITIES  
SINCE 1952

CIA/RR IM-398

29 September 1954

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SURVEY OF SOVIET FOREIGN TRADE ACTIVITIES SINCE 1952\*

Summary

Stalin's death marked a definite shift in Soviet foreign trade tactics. The Soviet trade tactics were relatively unspectacular in the first quarter of 1953. Although some minor tactical shifts were noted before the new regime took power, over-all Soviet trade tactics reflected a passive approach. Trade turnover between the USSR and the Free World in this period decreased to about 50 percent of that of the comparable 1952 period.

In the period immediately following Stalin's death, April-September 1953, the USSR adopted a new approach to the Free World, and trade tactics received considerably more emphasis. Soviet cordiality was noted at international meetings, and conciliatory gestures were made by the Russians in spheres which they had previously approached with intransigence. The frequency of Soviet radio propaganda advocating East-West trade increased sharply, as did Soviet negotiation with Free World countries in the trade pact field. These tactics were consistent with the international aspects of Malenkov's speech to the Supreme Soviet in August 1953, and with indications that the USSR was willing to import Free World consumer goods. The apparent interest of the USSR in increasing petroleum exports to the Free World also first became evident in this period.

Although the new regime was apparently interested in convincing the Free World that its trade tactics were intended to promote mutual understanding, international cooperation, and world economic betterment, a closer examination of specific activities reveals less altruistic motives. It appears that the motives actuating Soviet trade tactics since Stalin's death include (1) the actual procurement of materials and equipment, and to some extent consumer goods, (2) the undermining of cooperation, including trade and controls, among Free-World nations by promoting interest in the possibility of increased

\* The estimates and conclusions contained in this report represent the best judgment of the responsible analyst as of 15 July 1954.

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East-West trade, and (3) the achievement of greater economic political penetration in vulnerable and underdeveloped regions.

Soviet trade tactics continued to be consistent with these purposes during the last quarter of 1953. The sharp rise in Soviet-Free World trade during this period was undoubtedly an attempt by the USSR to implement its previously expressed desire to increase trade with the Free World. From the Soviet point of view, partial implementation would serve the immediate economic interests of the USSR, and of course would have definite propaganda advantages both at home and abroad. Apparently in anticipation of a balance-of-trade problem in connection with its increased trade, the USSR exported comparatively large quantities of petroleum, gold, and platinum in the last quarter of 1953. The appearance of these commodities in Western markets aroused considerable interest. The USSR thus was afforded an opportunity not only to minimize its trade deficit with the Free World but also to encourage interested Western businessmen to consider the USSR's indicated desire to stimulate East-West trade to be legitimate and to their advantage.

Bilateral approaches to key Western European nations were significant features of Soviet trade tactics during the first four months of 1954. The UK was a prime target of Soviet trade overtures. Increased trade activity was also witnessed between the USSR and West Germany. In January, exceptionally large Soviet offers of trade were made to British businessmen. The trade enthusiasm which the offer aroused in British and other Western businessmen declined somewhat when Soviet and other Bloc delegates to the East-West trade consultations in April seemed unprepared to discuss specific ways of actually increasing trade. Nevertheless, the sharp rise in trade between the USSR and Free-World countries during the last quarter of 1953 continued in the first quarter of 1954. Other developments noted in 1954 have been the continued export of Soviet gold and platinum, and an effort by the USSR to procure an increased number of ships from Western nations. A Soviet program of technical assistance and "loans" to non-Communist countries apparently has also emerged.

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I. Introduction.

In this memorandum Soviet foreign trade tactics are considered to be those activities engaged in by the USSR in order to accomplish its immediate international trade objectives. Although related to the long-range objectives of economic self-sufficiency and political advantage, these immediate objectives sometimes shift quickly in response to current considerations of economic, political, and military expediency. Because the USSR approaches its international objectives by a variety of means, trade tactics may be evidenced in any of a multitude of Soviet activities.

This memorandum brings together in one document information concerning the major aspects of Soviet trade tactics since 1952. Soviet activities which would be most significant in assessing the Soviet trade tactics with the Free World since 1952 were selected. Each activity is treated chronologically, and 4 periods roughly corresponding to the annual quarters are distinguished. Such a division also conveniently distinguishes the 4 generally discernible eras of Soviet trade tactics: (1) the pre-Malenkov period, (2) the period during which the new approach was formulated, (3) the period of early implementation, and (4) the current developments.

II. International Meetings.

International economic conferences have provided one of the indications of shifts in Soviet trade tactics in the period since 1952. By striking a more conciliatory tone and showing a greater willingness to participate in such discussions, the USSR has attempted to achieve greater flexibility in promoting its economic and political interests.

A. January-March 1953.

The pattern of Soviet participation in international meetings during the first quarter of 1953 did not reflect any definite trend in Soviet trade tactics. At meetings in the latter part of the period, Soviet delegates evidenced greater cordiality, but their specific proposals made no sharp break with the past. Consequently the change in attitude may be viewed either as an attempt to maintain the status quo in the uncertain period following Stalin's death or, with present hindsight, as an indication of the tactical changes to come. Available information does not conclusively establish the correctness of either interpretation.

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After ignoring an invitation to participate in a general East-West trade conference under the auspices of the United Nations Economic Commission for Europe (ECE) the preceding fall, the USSR unexpectedly announced on 17 January that it was willing to take part. The meeting was finally set for 13 April. At the ninth session of the United Nations Economic Commission for Asia and the Far East (ECAFE) which met in Indonesia, 6-14 February, the USSR encountered sharp opposition. A Soviet resolution attributing Asia's low economic level to "the domination of foreign monopolies and colonial powers" was voted down 10 to 1, and brought rebuffs from Asian representatives, who charged that the USSR had done nothing to help the area. 1/\*

During the second regional trade conference sponsored by the ECAFE in Manila, 23 February-4 March, the USSR again suggested in general terms, as at the Moscow Economic Conference in 1952, the exchange of Soviet manufactured goods for Asian raw materials and foodstuffs. The USSR also offered to conclude deals in local currencies. At the eighth session of the UNECE which opened at Geneva on 7 March the USSR simply repeated earlier assurances of its support of East-West trade. 2/

B. April-September 1953.

At the ECE East-West trade meeting, which was in session 13-25 April, the moderation of Soviet representatives became more clearly discernible. Soviet Bloc delegations maintained a businesslike attitude, and held attacks on the US to a minimum. At a technical conference on minerals held by ECAFE, 20-30 April, Soviet delegates displayed objectivity and cordiality. 3/

Moscow broke precedent by sending a delegate to the ECE meeting of timber specialists in Geneva, 25 June-1 July. The Soviet representative was friendly, sociable, and maintained an objective attitude during the deliberations. On 15 July for the first time since the inauguration of the UN Technical Assistance Program in 1950, the USSR announced that it was ready to contribute 4 million rubles and the services of Soviet technicians to the program. At the Economic and Social Council (ECOSOC) and Trusteeship Council meetings in July, Soviet Bloc delegates adhered to the traditional Soviet position. They were strongly critical of the administration of trust territories and blamed the lack of East-West trade on the

\* Footnote references in arabic numerals are to sources listed in Appendix B.

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US. Their tone, however, was relatively moderate and they did not engage in invective against the US. 4/

C. October-December 1953.

During the third quarter of 1953, Moscow continued to show ostensible interest in cooperation with non-Communist countries in a number of fields, including possible membership in certain specialized UN agencies. In the latter instances, however, Soviet overtures were accompanied by conditions and reservations which indicated that the Kremlin sought to use these agencies to further its longstanding objectives.

By November, the 4-million-ruble contribution which the USSR had offered to the UN Technical Assistance Program in July had been subjected to so many restrictions that its form was unacceptable to the receiving agency. On 9 November the Soviet UN delegates in New York informed the UN, aside from other previous technical limitations, that the 4 million rubles were not convertible and had to be utilized within the USSR for facilities, training programs, or purchase of equipment. 5/

At the conference for the pledging of technical assistance on 12 and 13 November, representatives of the entire Soviet Bloc appeared for the first time since the inauguration of the program. The USSR persisted in its conditional pledge and made a possible 1954 contribution dependent on the handling of the 4 million rubles pledged for 1953. On 5 and 6 November respectively the USSR expressed interest in joining the International Labor Organization (ILO) and the UN Educational, Social, and Cultural Organization (UNESCO), but its overtures were hedged. 6/

D. January-April 1954.

At the ECAFE meeting held in Ceylon 8-19 February 1954 and at an earlier meeting of the ECAFE Committee on Trade and Industry, the USSR declared that it was ready to consider requests from Asian countries for technical assistance. Soviet delegates also issued invitations to 12 Southeast Asian and Far Eastern countries to send representatives to the USSR to study Soviet industrial and agricultural methods and to discuss expansion of trade. 7/

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At the ninth session of the UNECE, 9-24 March, Soviet delegates augmented their now customary "businesslike and generally cooperative" attitude with indications that they would participate more fully in the commission's future activities. The USSR announced that it would establish a permanent delegation to ECE in Geneva and send representatives to the meetings of all specialized ECE committees. At the meeting a joint Soviet-British resolution calling for the revival of the ECE's Committee on Trade Development and looking for the removal of "obstacles" to East-West trade was adopted unanimously. At the ECOSOC meetings which opened on 30 March a Soviet attempt to move debate on "removal of obstacles" to East-West trade to the top of the agenda was rejected. 8/

The Soviet press announced that on 26 and 27 March the Council of Mutual Economic Assistance (CEMA) met in Moscow, with the representatives of all European Satellites attending. This session was the first official Soviet report of a CEMA meeting since the organization was set up in January 1949. 9/

By its increased participation in international meetings, the USSR achieved somewhat greater tactical flexibility in its economic relations with other nations without making major concessions.

### III. Bilateral Tactics.

Even before the death of Stalin, the USSR took a more conciliatory line in some of its direct contacts with Free World nations. The number of Soviet overtures increased after the Malenkov regime came to power.

#### A. January-March 1953.

During the first quarter of 1953, Moscow made overtures to pave the way for future economic and political relations with Japan, Argentina, and Iran. In addition the Kremlin attempted to enhance Soviet prestige abroad by making several monetary donations.

A Japanese news agency on 9 January quoted a Soviet official in Tokyo who had implied that the USSR might be willing to open formal negotiations with the Japanese government for the resumption of prewar Japanese fishing rights in the waters off the Soviet Kamchatka peninsula. 10/ A month later, Stalin decided to grant an interview on 7 February to the new Argentine Ambassador Bravo, shortly after the latter's arrival in Moscow. Soviet propaganda media gave wide

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publicity to the meeting, which marked an unusual Soviet gesture toward the Peron government. 11/ Meanwhile, Moscow accepted Iran's decision to terminate the Joint Soviet-Iranian Caspian Sea Fishery when the 25-year concession expired on 31 January, even though it had previously sought to obtain an extension. 12/ Later, however, Soviet-Iranian negotiations for liquidation of the Joint Sea Fishery's installations were stalled after only one meeting because of the absence of a Soviet delegate. 13/

On 19 February the USSR announced a \$263,000 gift to the Netherlands National Disaster Fund, and on 23 February the Soviet Ambassador in Teheran placed 500,000 rials (\$15,389) at the disposal of the Iranian Ministry of Foreign Affairs for assistance to earthquake victims. The USSR also, on 23 February, contributed \$252,000 to British flood relief. 14/

B. April-September 1953.

Meshed with other tactics, Soviet bilateral tactics from April through September 1953 also reflected the general conciliatory approach prevalent during that period. Moscow's attention was directed toward many areas including the Near East.

On 1 April the Soviet Ambassador in Teheran informed Iran that the USSR was willing to proceed with negotiations for the liquidation of the former joint Caspian fishery. 15/ About 3 months later, according to the Iranian press, Foreign Minister Molotov on 23 June made an offer to the Iranian Ambassador to discuss the settlement of long-standing border questions. This offer followed reports of a similar approach to Premier Mossadeq by Ambassador Sadchikov on 11 June. Iran's purported reply in July was a request for \$23.3 million in gold and dollars which the USSR had owed to Iran since World War II. On 7 July, Molotov reportedly told the Iranian Ambassador that for the time being the USSR was limiting its offer to the settlement of the border disputes. Meanwhile, on 11 July, Ambassador Sadchikov was replaced by Anatoli Lavrenti, who in the postwar period has been a key trouble-shooter in the Balkans. 16/

On 31 May the USSR officially informed Turkey that the Soviet government had renounced its territorial claims against Eastern Turkey and deemed it possible to settle the question of Soviet security in the Straits area under conditions that would be equally acceptable to both countries. The USSR on 7 June offered to settle a longstanding

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conflict over use of the waters controlled by a Soviet-built dam across the Aras River. 17/ Later, on 7 August the USSR formed a mixed commission with Turkey to provide water from the Soviet-built dam despite Turkey's rejection of a Soviet note on 20 July protesting the coming visits of US and UK warships to the Straits. 18/

In June the Israeli Foreign Minister extended feelers through the Satellites on the possibility of resuming diplomatic relations with the USSR. According to a Turkish source, Moscow made recognition contingent on two conditions: a pledge by Israel not to join any anti-Soviet alliance, and punishment of those responsible for bombing the Soviet Legation on 9 February 1953. 19/ On 20 July, Moscow resumed relations with Israel after a 5-month break. A.N. Abramov, former Soviet Ambassador to Sweden, was appointed on 5 August as Minister to Israel. 20/

The USSR informed Yugoslavia on 8 June that it wished to send an Ambassador to that country. In a speech on 14 June Tito announced that Yugoslavia would accede to the Soviet request. 21/ On 21 July the USSR sent an Ambassador to Yugoslavia as the first step in normalizing relations with that country since the Cominform break in 1948. The new envoy is Vasily Valkov. 22/

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The Soviet Mission in Tokyo announced on 18 July a gift of \$10,000 for flood relief. In an interview with Soviet Foreign Minister Molotov, four days later, Ikuo Oyama, foremost Japanese participant in the World Peace Movement and Stalin Peace Prize Winner, reportedly was told that concrete steps would be taken by the USSR to reestablish normal diplomatic relations with Japan, that cultural and economic relations could be established without waiting for formal diplomatic relations, and that the return of Japanese "war criminals" held by the USSR could be arranged. 24/

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The post of Soviet Ambassador to Greece, vacant since 1947, was filled on 22 July with the appointment of M.G. Sergeev. On 30 August, Moscow announced the appointment of M.A. Menshikov as Ambassador to India, to replace I.A. Benedictov, whose recall was made public on 28 August. Menshikov had served as Minister of Foreign Trade from 1949-51 and as deputy director of UNRRA during the period 1944-46. 25/

C. October-December 1953.

On 18 November, one day after his replacement by Tuomioja, ex-Finnish Premier Kekkonen reported that in late October the Soviet government had offered aid to alleviate Finland's economic problems. He reported that Soviet Minister Lebedev in Helsinki had told him that the USSR was prepared to negotiate with Finland regarding (1) payment in Western currencies for 10 to 15 percent of Soviet imports from Finland; (2) increased Soviet-Finnish trade; (3) a substantial loan; and (4) possible arrangements for Finland to use the Saimaa Canal. 26/

Yugoslavia, the only non-Soviet Bloc member, attended the ninth session of the Danube Commission, which met in Galati, Rumania, on 9 December. The Yugoslav delegate was elected secretary, a post theretofore held by a Soviet representative. Belgrade also succeeded in gaining acceptance of certain proposals, including the shifting of the permanent site of the commission from Galati to Budapest. The election of a Yugoslav to the secretaryship, however, was only a gesture because at the same meeting that post appeared to have been shorn of virtually all of its authority. 27/

A clandestine Near and Middle East Communist conference took place in Lebanon on 18 and 19 December. Resolutions published after the conference, apart from familiar denunciations of imperialism, asked for trade pacts with "all countries," implying that Soviet Bloc trade efforts may increase in Arab countries. 28/

On 1 December the USSR sent its first envoy to Israel since relations were resumed with that country in July. At that time the USSR also agreed to deal officially with Israel in Jerusalem, a step most other powers had refused to take because of the international status of the Holy City. 29/

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D. January-April 1954.

In an agreement signed on 6 February 1954 the USSR granted Finland a stand-by loan of 40 million rubles (\$10 million). Finland may draw on the loan account at its discretion for the purpose of improving its exchange position. Withdrawals may take place over a 3-year period in any currency, including gold and US dollars. The amounts borrowed must be repaid in the same media within 10 years, with interest set at 2.5 percent. 30/

At Soviet request, the Egyptian Legation in Moscow and the Soviet Legation in Cairo were raised to embassy status on 13 March. Shortly afterwards, on 27 March, Egypt was made a specific offer of Soviet technical assistance. There were also reports of a similar offer being made to Iran. 31/

On 27 March the Soviet Ambassador to Afghanistan contributed to a relief fund for flood victims. 32/ Another contribution of 10,000 dinars (\$25,000) was made by the USSR on 6 April to a fund for Iraq flood victims. 33/

The Soviet delegation which was in the process of negotiating frontier and financial problems with Iran switched to a "reasonable" attitude following a brief trip to Moscow by Ambassador Lavrentiev. 34/

The USSR announced in April that it would discontinue Australian wool purchases as of the end of the month in retaliation against the Petrov affair. 35/

Thus the USSR has attempted to ease its relations with surrounding Free World countries, especially in the period since the death of Stalin. It has shown particular interest in improving its economic and political position in the near and middle East and in Japan.

IV. Radio Propaganda.

Soviet radio propaganda since 1952 has graphically illustrated the changing pattern of Soviet trade tactics and has identified some of the principal political and economic targets.

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A. January-March 1953.

Until shortly after Stalin's death Soviet radio propaganda on trade relations between the Soviet Bloc and the Free World, as shown in the accompanying chart,\* remained at a low level. This neglect continued a trend which extended back into mid-1952 and which might be explained by the position which Stalin had taken in his Bolshevik article, "Economic Problems of Socialism in the USSR." 36/ In this article Stalin had asserted that the West's economic blockade resulted only in the strengthening of the Bloc at a time when Western economies were beginning to disintegrate. He also warned of the danger inherent in economic relations with countries whose economies were unplanned and anarchistic.

During the period immediately following Stalin's death there was an increase in the frequency of radio commentaries on intra-Soviet Bloc trade. By July, however, propaganda on intra-Bloc trade had fallen off to an average of about one commentary a week.

B. April-September 1953.

It is significant that in May, 6 weeks after Stalin's death, the frequency of radio commentary by Soviet propagandists on the subject of East-West trade increased suddenly. Reaching an average frequency of 30 per week in the period 22 June-19 July, broadcasts continued to average more than 24 per week through September. The comparative average from January through April had been only 2 per week.

In a talk which was broadcast by the USSR, Near Eastern Service, on 30 July 1953, Boris Leontyev, a prominent Soviet economist whose views on economics and socialist theory are frequently beamed abroad, quoted Leninist theory as supporting economic relations between the socialist and capitalist states. Leontyev said:

Lenin stressed that the Soviet Socialist State was ready to trade with capitalist states, and that the capitalist states would benefit therefrom. In the course of 3 decades, sufficient experience has been collected for trade and mutually profitable relations between the Soviet Union and the capitalist states. 38/

\* Following p. 12.

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The timing of increased East-West trade propaganda and the fact that Leninist theory was brought in to support it suggest that Stalin's opposition was the prime factor in restricting such propaganda during the 9 months preceding his death.

At the same time that the East-West trade theme was being given more frequent airing by the Soviet propagandists, commentaries on Western economic rivalry and intra-Soviet Bloc trade declined and leveled off at the low average of only 1 or 2 per week.

C. October-December 1953.

The trends which were noted during April-September generally persisted throughout October-December. The frequency of Soviet radio commentaries on the subject of East-West trade, although decreasing somewhat, remained at the rather high level of about 18 per week from October through the end of the year. Commentaries on Western economic rivalry averaged about 2 per week and those on intra-Soviet Bloc trade only about 1 per week.

D. January-May 1954.

At the turn of the year an abrupt increase in Soviet propaganda on East-West trade was noted in radiobroadcasts. The average number of commentaries per week on this subject jumped from 16 at the beginning of January 1954 to 32 by the end of the month, then reached and maintained an average of 58 throughout February.

A large part of the increased volume during late January and early February was related to Molotov's statements at the Berlin Conference of Foreign Ministers and merely paraphrased his remarks. The central theme of these broadcasts was that economic realities were breaking down the artificial barriers constructed by the US against increased trade between the two camps. Several commentators stated that Western business circles had learned that rearmament and the arms race could not solve economic problems and that the only real solution lay in an extension of East-West trade. 39/

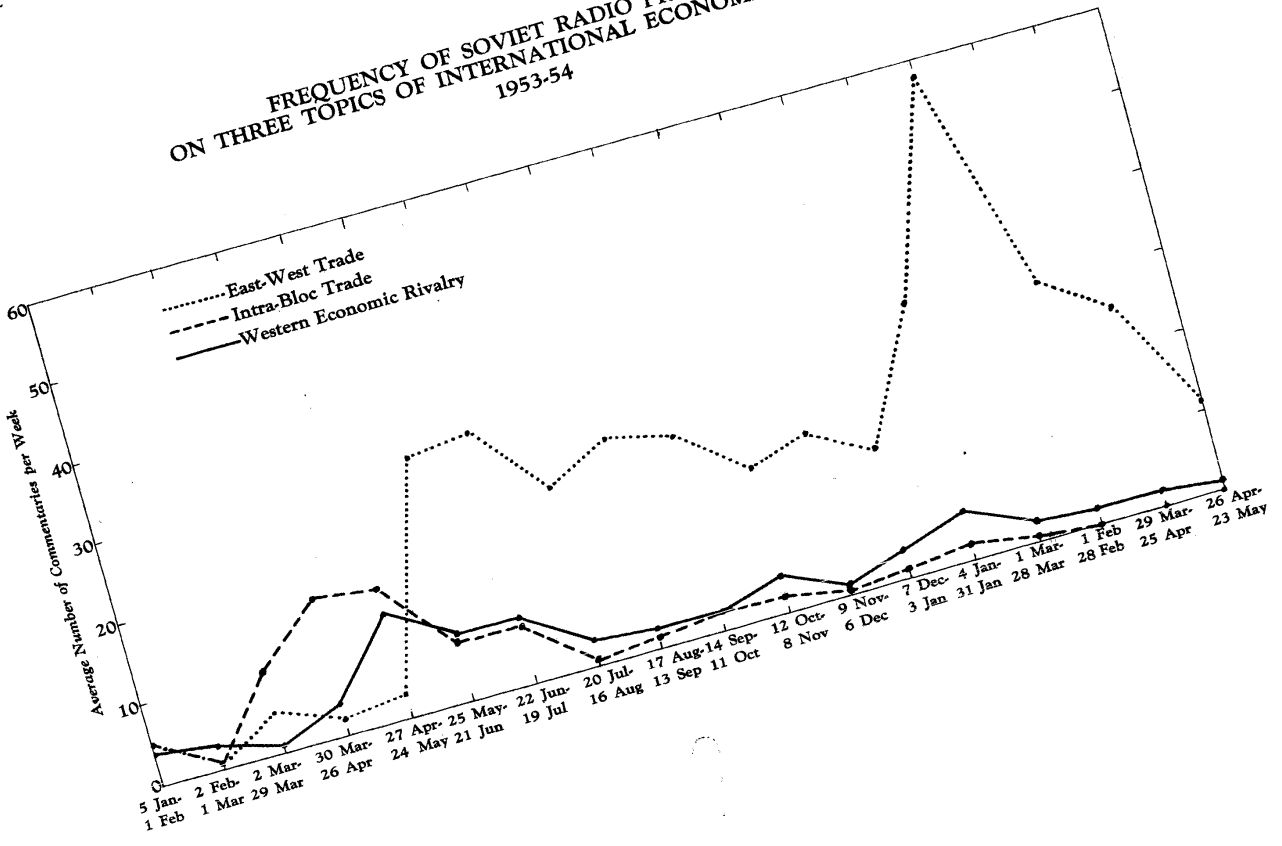
In early February a large delegation of British businessmen visited Moscow. A statement made to them by Minister of Foreign Trade I.G. Kabanov to the effect that "given appropriate conditions" the USSR "could import from the UK over the next 3 years goods amounting to a total value of 400 million pounds sterling" 40/ was

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### FREQUENCY OF SOVIET RADIO PROPAGANDA ON THREE TOPICS OF INTERNATIONAL ECONOMIC RELATIONS 1953-54



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given wide publicity on the Soviet airways. This attention was apparently an attempt to offer firm evidence of the USSR's sincere intention of implementing increased East-West trade.

A primary target of Soviet radio propaganda during early 1954 appears to have been the Western export control program. Kabanov's offer to the British and contracts resulting therefrom (many of which cannot be implemented under present COCOM restrictions) were used to focus the attention of Western businessmen on what East-West trade could amount to "under normal conditions." In its broadcasts to the West, the Soviet radio also blamed the US for restrictions that prevented an expansion of trade which it was claimed could boost the economic well-being of Western nations. In a speech beamed in English to the UK on 28 March 1954 for example, "Our Observer" said,

"There are still serious obstacles for trade between the West European countries on the one hand and the Soviet Union and the People's Democracies on the other. The way is still blocked by US restrictions and bans." 41/

On 14 April 1954, an interview with the Soviet economist Vinogradov (probably the same Vinogradov who is an important official with the Administration for Trade with Western Nations) was beamed in English to the UK. In reply to the question "Would you say that this US policy is harmful to the Western countries?" Vinogradov replied,

"I certainly would. I think the benefits to the Western countries of trade with the USSR, China and the People's Democracies could increase. ... trade with the USSR and other Communist countries is a commercial necessity for Britain, and more than that, trade cooperation can bring about political cooperation. Trade achievements can lead to friendlier relations."

Vinogradov then went on to point out that many difficulties experienced by British, French, Belgian, and other manufacturers would be much less if they were free to select their customers. 42/

Other major aims of Soviet propagandists during the period January-May 1954 appeared to be the economic alienation of the Middle and Far Eastern countries from Western nations and the strengthening of their economic ties with the USSR. A February meeting of the UN Economic Commission for Asia and the Far East (ECAFE) was widely

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exploited from this angle. Asian listeners, in particular, were told that trade with the USSR, Communist China, and the European People's Democracies offered the one sure road to emancipation of the Asian nations from the predatory trade policies of the Western powers, especially the US. <sup>43/</sup> In their bid to draw the Asian countries closer to the USSR, the Russians voiced their willingness to aid the economic development of these countries through technical assistance and by the development of trade -- "on a basis of equality and mutual benefit, on a basis of stable prices and of payments in the currency of the country concerned." <sup>44/</sup>

A loan and offer of technical assistance given to Afghanistan for the construction of a bakery and grain elevators, an invitation to about a dozen Asian countries to send representatives to the USSR at Soviet expense to witness developments in Soviet industry and agriculture, as well as the trade agreements with India and Ceylon, were all utilized as radio broadcast material. <sup>45/</sup> Apparently they were cited by the Russians to foster the impression that the underdeveloped countries "now have in the Soviet Union, the Chinese People's Republic, and the European People's Democracies, trade partners ready, not only by word, but by deed to give sincere and effective assistance to the underdeveloped countries in the development of their industry and agriculture, and in raising the standard of living of the masses." <sup>46/</sup>

These combined themes made up the bulk of Soviet broadcasts on East-West trade, which averaged more than 35 per week from the first of the year through the end of April. Although the average frequency of these commentaries dropped to about 12 per week during May, no change in content was noticed. Over the period January-May, the frequency of commentary upon Western economic rivalry and intra-Bloc trade remained low, the latter disappearing almost completely.

#### V. Trade Pacts.

Soviet attempts to negotiate trade pacts with Free World countries increased sharply after the death of Stalin.

##### A. January-March 1953.

Although the USSR concluded several trade pacts with Free World countries during the first quarter of 1953, as shown in Table 1\*, most such trade negotiations were bogged down. Trade and barter agreements

\* Table 1 follows on p. 15.

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Table 1 47/  
Soviet Trade Pacts with Free World Countries  
January-March 1953

Free World Country	Date of Signature	Period	Type of Agreement	Remarks
Finland	23 February 1953	Year 1953	Annual protocol under long-term agreement of June 1950	USSR exports: \$112.5 million USSR imports: \$150.0 million
Finland-Poland Finland-Czechoslovakia	24 February 1953	Year 1953	Trilateral trade protocol under long-term trade agreement of June 1950	Compensating deliveries to Finland by Poland and Czechoslovakia Poland exports to Finland: \$14.5 million Czechoslovakia exports to Finland: \$3.0 million
Egypt	January 1953	No time period specified	Barter	Exchange of cotton valued at 3 million pounds sterling for industrial machinery.
Egypt-Poland-Bulgaria	10 March 1953	No time period specified	Barter	Exchange of Egyptian cotton for wheat USSR: 90,000 tons <u>a</u> / wheat against 9,900 tons cotton Bulgaria: 15,000 tons wheat against 1,600 tons cotton Poland: 10,000 tons wheat against 1,170 tons cotton Total Value: \$12,600,000

a. Tonnages are given in metric tons throughout this memorandum.

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were signed with Finland and Egypt respectively, but Soviet negotiations with Sweden, France, and Norway moved slowly. Sweden refused to accept Soviet wheat or maize and the USSR was unwilling to liquidate sizable holdings of Swedish currency. <sup>48/</sup> France was waiting for a Soviet response to its January proposal for a limited barter agreement. <sup>49/</sup> Soviet talks with Norway had encountered their annual difficulties over quotas of nonferrous metals. The USSR wanted more aluminum, and objected to the volume of Norway's request for manganese ore on the grounds that it exceeded Norway's domestic requirements. <sup>50/</sup>

Certain developments notwithstanding, the relative inactivity in Soviet-Free World trade pact relations during this period stood in sharp contrast to the increased activity evidenced after Stalin's death on 5 March. Such inactivity tends to support the contention that the emergence of the new trade tactics toward the West which were adopted by the Malenkov regime was a direct result of the new regime and therefore divorced from and unenvisioned by Stalin.

B. April-September 1953.

Highlighted by the April ECE East-West trade consultations, the 6-month period following Stalin's death witnessed the most outstanding developments in that phase of Soviet trade tactics which has since become known as Moscow's new approach to the West. It was in the field of trade pacts that the Kremlin decided to launch this new approach. Trade pacts completed between the USSR and non-Communist countries during the period were unprecedented both in number and in type.

During the ECE trade consultations in Geneva, the Soviet representative pointed out that during the next 12 months the USSR could increase exports to the West by more than 15 percent. Imports sought by the Russians were mentioned as ships, metals, and industrial equipment, but the delegate also indicated that the USSR would be willing to import consumer goods, such as herring, fats, cork, textiles, and citrus fruits. <sup>51/</sup>

At subsequent trade negotiations with non-Communist countries 4 aspects of Soviet trade tactics emerged. (1) The USSR indicated a willingness to expand trade by signing trade pacts with some nations for the first time, or for the first time in a number of years. (2) In many instances the planned value of trade between the USSR and

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particular countries exceeded the planned or actual value of such trade in 1952. (3) The USSR negotiated for increased imports of consumer goods (especially food and textiles). (4) The USSR appeared willing to export larger quantities of petroleum, coal, manganese, and chrome. 52/

Trade pacts concluded by the USSR either for the first time in the postwar period or for the first time in several years included, as shown in Table 2\*, agreements with France, Greece, Iceland, and Argentina. The agreement with France followed increasingly evident attempts of the USSR to concentrate on that country in an effort to split the Western coalition. Molotov's unusual visit to the French embassy for the July 14 celebration preceded by one day the signing of the first trade agreement between the two countries since 1949. The same month witnessed the arrival in Paris of the new Soviet Ambassador, S.A. Vinogradov. 53/

The first postwar agreement between Greece and the USSR, signed on 28 July, was preceded the week before by the appointment of M.G. Sergeev as the first Soviet Ambassador to Greece since 1947. 54/ Trade relations with Greece pointed up Moscow's increasing concern in the Balkans. The agreement concluded with Iceland on 3 August not only paved the way for the resumption of trade relations, virtually nonexistent between the nations for the previous five years, but also enabled the USSR to plant the seeds of future discontent between Iceland and her allies. By exporting to Iceland almost all of that country's requirements for petroleum, economic difficulties of previous Western suppliers would, of course, be increased.

The trade agreement concluded with Argentina on 5 August was unique in several aspects. It provided for the extension of a large credit by the USSR to Argentina and included provisions for the export of Soviet capital equipment and the import of consumer goods. Political and economic entrance into Latin America was undoubtedly a major consideration influencing the Soviet decision to make this new approach to Argentina.

Planned increases over previous periods in the volume of trade were indicated during April-September in newly concluded trade pacts between the USSR and Denmark, France, Greece, Iceland, Norway, Iran, and Argentina. A notable exception was evidenced in the Soviet-Swedish trade agreement of 9 April in which planned trade turnover for 1953 was set at less than half of the 1952 actual turnover. This

\* Table 2 follows on p. 18.

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Table 2 55/

Soviet Trade Pacts with Free World Countries  
April-September 1953

<u>Free World Country</u>	<u>Date of Signature</u>	<u>Period</u>	<u>Type of Agreement</u>	<u>Remarks</u>
Denmark	April-May 1953	No time period specified	Timber contract	10,000 standards of timber from USSR to Denmark at 12 million kroner, no direct connection with trade agreement. Payment to be made through Danish-Soviet Clearing Agreement.
	June 1953	Signed prior to conclusion of trade agreement and included in trade agreement quota.	Butter contract	6,000 tons butter to USSR at 7.35 kroner per kilogram totaling approximately 44 million kroner.
	June 1953	Signed prior to conclusion of trade agreement and included in trade agreement quota.	Herring contract	5,000 tons Faroe Island herring totaling 6 million kroner to USSR.
	17 July 1953	1 July 1953-1 July 1954	Trade agreement	Soviet exports: wheat (50,000 tons), oilcakes (70,000 tons), soybeans (30,000 tons), cotton (2,000 tons). Soviet imports: butter (10,000 tons), pork (6,000 tons), salted herring (5,000 tons), lard (4,000 tons). Trade: 145 million kroner each way.
	28 August 1953		Supplement to trade agreement	Soviet imports: Additional 1,000 tons butter, 5,000 tons frozen beef with partial payment in pounds sterling. Butter included in trade agreement quota, but there is no beef quota in trade agreement.

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Table 2 55/

Soviet Trade Facts with Free World Countries  
April-September 1953  
(Continued)

<u>Free World Country</u>	<u>Date of Signature</u>	<u>Period</u>	<u>Type of Agreement</u>	<u>Remarks</u>
France	15 July 1953	1 July 1953-30 June 1954	Trade and payments	First trade agreement since 1949. Soviet exports: corn, asbestos, chrome, crude oil. Soviet imports: freighters, steamboilers, cranes, lead, textiles.
Greece	28 July 1953	28 July 1953-28 July 1954	Clearing	Soviet exports: fuel oil, anthracite, timber. Soviet imports: tobacco, cotton, rice, laurel leaves. \$20.0 million total. First postwar trade agreement.
Iceland	3 August 1953	August 1953-August 1954	Trade and payments	Resumes trade relations virtually non-existent last 5 years. Soviet exports: petroleum products, wheat, cement. Soviet imports: salted and frozen herring, frozen fish. Soviet exports: \$ 6.0 million. Soviet imports: \$10.0 million.  Represents one-half Iceland's total annual herring production and one-third frozen fish production. Import of petroleum almost all Iceland's annual requirements.
Netherlands	April 1953	No time period specified	Contracts and barters	Contract signed for the delivery of 20,000 barrels salt herring to USSR; conclusion of further contract for 15,000 to 20,000 barrels herring reported signed.
	14 July 1953	No time period specified	Contracts and barters	10,000 tons Netherlands butter for 95,000 tons wheat.



Table 2 55/

Soviet Trade Pacts with Free World Countries  
April-September 1953  
(Continued)

<u>Free World Country</u>	<u>Date of Signature</u>	<u>Period</u>	<u>Type of Agreement</u>	<u>Remarks</u>
Netherlands (Continued)	20 July 1953	No time period specified	Contracts and barters	150,000 barrels (33 million pounds) Dutch salted herring.
	July 1953	No time period specified	Contracts and barters	USSR placed orders for 500,000 meters Netherlands rayon goods and 500,000 meters of woolen goods.
	28 August 1953	No time period specified	Contracts and barters	2,500 tons butter and 1,750 tons Dutch cheese for approximately 45,000 tons of Russian wheat.
Norway	First week of April 1953 (Agreement confirmed by exchange of notes 22 May)	Year 1953	Barter agreement	Soviet exports: manganese quota increased, cereals. Soviet imports: aluminum quota increased, herring, fats. Trade: \$9.0 million each way.  Additional Norwegian-USSR trade, outside barter agreement was carried on. USSR exports consisted of grains, chrome ore, autos, and petroleum products. Norwegian exports consisted of herring, whale oil, and staple fiber.
Sweden	9 April 1953	Year 1953	Trade and payments	Two significant aspects are: Soviet failure to demand bearings and Soviet consent to ship petroleum products to Sweden. Trade: 75 million kroner each way.
UK	June 1953	No time period specified	Herring contract	Soviet exports: Salmon and crab (50,000 cases/1,070 tons) totaling 1 million pounds sterling. Soviet imports: Herring (180,000 barrels), tin plate (1,000 tons) totaling 1,090,000 pounds sterling.



Table 2 55/  
Soviet Trade Pacts with Free World Countries  
April-September 1953  
(Continued)

<u>Free World Country</u>	<u>Date of Signature</u>	<u>Period</u>	<u>Type of Agreement</u>	<u>Remarks</u>
UK (Continued)	1 July 1953	No time period specified	Textile contract	Soviet exports: matches. Soviet imports: textiles. Trade: \$1.4 million each way.
Egypt	Initialed 25 July 1953 Approved 11 Aug 1953		Payments	
Iran	10 June 1953	1 April 1953-31 March 1954	Barter	Iranian exports of lead are increased. Volume practically doubled over previous barter. Total Trade: \$112.0 million.
	3 September 1953	1 April 1953-31 March 1954	Supplement to barter	Provides for supplementary lists of commodities to be exchanged by both countries.
Argentina	5 August 1953	15 August 1953- 15 August 1954	Trade and payments	Soviet exports: petroleum, coal, industrial equipment, raw materials. Soviet imports: linseed oil, wool, cheese, pork, mutton, lard. Soviet government undertakes to finance \$30 million of capital equipment to Argentina on credit. First postwar trade agreement.

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decrease, however, resulted primarily from the termination of deliveries under the 1946-51 credit agreement and from a failure to renew quotas for the exchange of Soviet grains and Swedish bearings. 56/

Following up its line at the April ECE meeting, the USSR negotiated with Western countries for procurement of consumer goods, especially food and textiles. Trade pacts signed during April-September made provision for Soviet imports of Danish meat, butter, and fish; French textiles; Greek tobacco and rice; Icelandic fish; Dutch butter, fish, and cheese; Norwegian fish; British fish and textiles; and Argentine wool, cheese, and meat. Although Moscow and Western observers played up the consumer goods aspect of these agreements, Soviet interest in Western strategic goods continued to be indicated. With the possible exception of Argentina and Iceland, the countries from which the consumer goods were to be imported also served as the areas of supply for such important items as nonferrous metals, various types of vessels, and heavy industrial equipment.

C. October-December 1953.

Trade pacts signed during the last quarter of 1953 brought the total number of such Soviet-West agreements concluded during the year to more than double the number signed in 1952. A continuation of the Soviet tactic of negotiating for imports of foodstuffs and consumer industrial raw materials, as witnessed during the second and third quarters, was evidenced in trade agreements concluded with Italy and India, and in contracts signed with the Netherlands, Denmark, and Israel as shown in Table 3.\* Other Soviet procurement activities during the period, however, continued to reflect Soviet interest in the acquisition of non-consumer goods from the Free World.

Important developments were evidenced in the USSR's trade agreements with Finland and India. Under the terms of the 1954 agreement signed on 25 November 1953, Soviet trade with Finland was scheduled for a decrease from 1953. Lower prices and a Soviet refusal to accept as large a quantity of Finnish metal products as in 1953 were the main reasons for the decline. In trade between the two nations, a \$40 million trade surplus in favor of Finland was anticipated under the agreement. Of this amount \$25 million was to be liquidated by Finnish trade with Satellite countries under the various trilateral trade agreements. 57/ Much speculation was prevalent during that period concerning the possibility that in order to liquidate the

\* Table 3 follows on p. 23.

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Table 3 58/

Soviet Trade Facts with Free World Countries  
October-December 1953

<u>Free World Country</u>	<u>Date of Signature</u>	<u>Period</u>	<u>Type of Agreement</u>	<u>Remarks</u>
Denmark	December 1953		Contract	USSR agreed to make payment in sterling for shipments of 5,000 tons butter, 500 tons pork, and 1,150 tons frozen beef. Total payments for these commodities amount to approximately 6.5 million pounds sterling. The 5,000 tons of butter includes 2,800 tons which constitutes the remainder of the 10,000 tons provided for in the trade agreement and the 500 tons pork is also included in the trade agreement. There is no quota in the trade agreement for beef. In addition to the above contract for beef, it has been agreed Denmark will sell 3,500 tons beef with payment to be made by the National Bank.
Finland	25 November 1953	Year 1954	Annual protocol under long-term agreement of June 1950.	Decrease in level of trade is partially due to lower prices and to Soviet decision to reduce purchases of metal products below levels previously included in the agreements.
Italy	27 October 1953	27 October 1953- 26 October 1954	Trade and payments	Renews 1952 protocol. List of capital goods for exports to USSR under the 1948 trade agreement agreed upon at the same time.
Netherlands	24-28 October 1953		Contract	2,000 tons butter for delivery to USSR. USSR endeavored to place additional orders but refused by Netherlands because current stocks and the demands of other outlets did not warrant further exports.
	December 1953		Contract	10,000 carcasses B-quality cattle to USSR. Price: 1.55 Free Dutch border florins per kilogram.

Table 3 58/

Soviet Trade Pacts with Free World Countries  
October-December 1953  
(Continued)

<u>Free World Country</u>	<u>Date of Signature</u>	<u>Period</u>	<u>Type of Agreement</u>	<u>Remarks</u>
Israel	3 December 1953	No time period specified	Contract	Soviet exports: fuel oil (100,000 tons) with option to purchase additional 100,000 tons. Soviet imports: citrus fruits (\$2.7 million), bananas (\$200,000) Trade: \$2.9 million each way.
Afghanistan	24 December 1953	For next year	Annual protocol under agreement of 17 July 1950	Commodities essentially same as those exchanged previously. Mutual deliveries of goods will increase.
India	2 December 1953	5-year trade agreement	Trade and payments	Soviet exports: wheat, barley, petroleum products, iron and steel, industrial products. Soviet imports: jute products, tea, coffee, wool, hides and skins, vegetable oils. Furnishing of Soviet technical assistance connected with supplying of Soviet equipment to India.

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remaining imbalance of \$15 million, Finland would enter into some type of trilateral trading arrangements which would include other Free World countries. To date (July 1954), however, nothing concrete has materialized along these lines. Also witnessed during the last quarter of 1953, and undoubtedly related to Finland's trade surplus with the USSR, was the possibility of a Soviet tactical reverse in that the USSR was allegedly permitting the Finns to re-export 100,000 tons of Soviet wheat 59/ and unspecified amounts of Soviet petroleum to Brazil. 60/

The 5-year trade and payments agreement signed on 2 December 1953 between the USSR and India was significant for two reasons. It was the first such agreement between the countries, previous trade having been governed by a barter system, and it provided for technical assistance in the form of installation and operation of Soviet equipment in India by Soviet technicians.

D. January-April 1954.

Through the fourth month of 1954 the USSR signed more trade pacts with the Free World than in the comparable 1953 period. As shown in Table 4\*, trade agreements with Egypt and Lebanon were signed for the first time, protocols to previous agreements were concluded with Belgium and the Netherlands, and annual renewals were completed with Norway and Sweden. Under a loan agreement, the USSR also extended a \$3.5-million credit to Afghanistan for the purchase of equipment for the construction of grain elevators, a flour mill, and a baking factory. The agreements with Belgium, the Netherlands, and the Scandinavian countries all envision a larger trade turnover in 1954 than in 1953. Thus the negotiations with these countries continue to reflect the "increased trade" emphasis in current Soviet trade tactics. Furthermore, all of these 1954 agreements involve the procurement of foodstuffs or textiles by the USSR, thus apparently continuing another feature of post-Stalin trade tactics. Nevertheless, as in the previous periods, these recent agreements with European countries are not divorced from Western supply of capital goods, as is pointed up by the inclusion of ships, dock installations, cranes, and dredgers.

Soviet trade negotiations have thus been adapted to several purposes. Trade pacts were used to provide an entry into areas with which the USSR had limited previous contact. By emphasizing the

\* Table 4 follows on p. 26.

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Table 4 61/

Soviet Trade Pacts with Free World Countries  
January-April 1954

<u>Free World Country</u>	<u>Date of Signature</u>	<u>Period</u>	<u>Type of Agreement</u>	<u>Remarks</u>
Belgium	30 January 1954	1 January 1954- 1 January 1955	2nd protocol to the 18 February 1948 trade agreement	Protocol under the 1948 agreement was signed in November 1950 for the period 1 May 1950-1 May 1951. Soviet exports: manganese ore, asbestos, pig iron, anthracite, grains. Soviet imports: textiles, refrigerator ships, fish, metal products, dock installations. Trade: \$70.0 million each way.
Norway	25 January 1954	Year 1954	Trade agreement	Commodities are essentially those exchanged in previous agreements and outside the agreements. Volume is approximately 50 percent higher than 1953. Trade: \$14.5 million each way.
Sweden	2 February 1954	Year 1954	Trade and payments	Shift from Soviet imports of iron and steel products to consumer goods and consumer goods machinery. Petroleum imports from Soviet increased. Sweden's exports of butter raised and quotas for staple fiber, herring, sawmill and paper mill machinery, and food stuffs machinery added for first time.
Egypt-Rumania	9 March 1954		Barter	Egyptian cotton valued at 4 million Egyptian pounds for 350,000 tons petroleum products. Of the 350,000 tons, USSR to deliver 250,000 tons and Rumania 100,000 tons. Petroleum products include kerosene, gasoline, gas oil, and fuel oil.

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Table 4 61/  
Soviet Trade Pacts with Free World Countries  
January-April 1954  
(Continued)

<u>Free World Country</u>	<u>Date of Signature</u>	<u>Period</u>	<u>Type of Agreement</u>	<u>Remarks</u>
Egypt	27 March 1954	March 1954-March 1955	Trade agreement	Soviet exports: industrial equipment, agricultural machinery, autos, oil products, grain. Soviet imports: cotton, rice, rayon yarn, and hides and skins.
Netherlands	March 1954	No time period specified	Herring contract	New herring contract for delivery 30,000 barrels of salted herring to USSR.
	28 April 1954	Year 1954	Protocol for 1954 based on 1948 agreement	Soviet exports: grain, lumber, anthracite, asbestos, autos, pitch. Soviet imports: cargo vessels, dredgers, cranes, butter, meat, herring, leather and hides, staple fiber.
Afghanistan	27 January 1954		Loan agreement	USSR granted credit to Afghanistan in the amount of \$3,500,000 at 3 percent interest in connection with construction of 2 grain elevators, a flour mill, and a baking factory. Credits will be used to pay for equipment and materials supplied by USSR, and Soviet technicians will be sent to Afghanistan. Afghanistan to begin repaying in 1957 with supplies of cotton, wool, and oil seeds.



Table 4 61/

Soviet Trade Pacts with Free World Countries  
January-April 1954  
(Continued)

<u>Free World Country</u>	<u>Date of Signature</u>	<u>Period</u>	<u>Type of Agreement</u>	<u>Remarks</u>
Finland	6 February 1954		Loan agreement	USSR will grant to Finland a loan of 40 million rubles at a rate of interest of 2.5 percent and a period of amortization of 10 years. The acceptance of the loan is subject to the consideration of the Finnish government within the course of 3 years in gold, American dollars, or in other agreed currency.
Lebanon	30 April 1954	One year agreement	Trade agreement	Balanced exchange. Soviet wheat, lumber, and hides for agricultural products. Sixty percent of Lebanese exports will be bananas, apples, and vegetables.

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possibility of expanding trade, an attempt was made to encourage Western disunity by appealing to the economic interests of individual nations. In addition, trade agreements were used by the USSR as a basis for advancing Soviet propaganda.

VI. Level of Soviet-Free World Trade.

The relatively low level of Soviet Free World trade, planned and carried out under Stalin during early 1953, contrasted sharply with the present regime's new trade approach to the Free World. Because of the time lag, the increased trade negotiations carried out during the period after Stalin's death were not reflected in actual trade until the last quarter of 1953.

A. January-March 1953.

1. Imports.

In terms of current value, as shown in Table 5\*, Soviet imports from the Free World during the first quarter of 1953 declined to \$76 million from \$141 million during the comparable 1952 period. With several exceptions -- namely, the Netherlands, Iran, Greece, and Finland -- this decline encompassed Soviet trade with all Free World countries and was especially evidenced in Soviet imports from the UK which decreased to less than \$15 million from \$54 million in the comparable period.

2. Exports.

The value of Soviet exports to the Free World in the first quarter of 1953, \$67 million compared with \$133 million for the similar 1952 period, represents a decline of about 50 percent. This decline is shown in Table 6.\*\* Though exports to Finland and West Germany showed increases, Soviet exports to almost all other Western countries were below the level of 1952. Exports to the UK declined from \$66 million to \$19 million during the respective 1952-53 periods.

\* Table 5 follows on p. 30.

\*\* Table 6 follows on p. 32.

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Table 5

Free World Exports to USSR a/\* 62/  
1952-53

Free World Country	1952				1953			
	January-March	April-September	October-December	Total for 1952	January-March	April-September	October-December	Total for 1953
US	9	4	7	20	4	11	4	19
Austria	200	75	49	324				
Belgium-Luxembourg	5,429	8,117	1,297	14,843	2,077	3,825	1,184	1,500
Denmark	6,900	3,945	1,620	12,465	214	8,580	10,635	16,537
France	1,351	3,464	1,638	6,453	1,633	3,731	12,096	20,890
West Germany	1	105	45	151	29	117	10,683	16,047
Greece	0	1	20	21	467	865	1,526	1,672
Iceland	0	0	0	0	0	470	470	1,802
Italy	3,560	9,988	6,834	20,382	0	2,508	2,977	5,485
Netherlands	588	3,286	988	4,862	3,090	8,560	11,430	23,080
Norway	961	6,406	2,885	10,252	1,301	12,671	8,704	22,676
Portugal	1,400	2,524	1,991	5,915	543	8,765	5,804	15,112
Sweden	9,755	20,878	13,813	44,446	1,107	2,204	1,285	4,596
Switzerland	900	1,209	333	2,442	4,503	10,170	7,135	21,808
Turkey	100	2,268	0	2,368	35	1,706	1,157	2,898
UK	54,441	37,628	12,844	104,913	0	600	1,787	2,387
Finland	29,978	79,194	45,828	155,000	14,711	13,847	5,786	34,344
Algeria	0	68	0	68	30,077	70,562	44,883	145,522
Egypt	b/	28,791	b/	28,791	152	768	550	1,470
Gold Coast	6,253	2,433	3,046	11,732	756	11,141	0	11,897
Iran	7,600	12,748	4,256	24,604	5,920	2,124	2,056	10,100
Iraq					8,037	2,694	2,485	13,216
Israel	787	167	0	954	0	0	115	115 c/
					561	0	532	1,093

\* Footnotes for Table 5 follow on p. 31.

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Table 5  
Free World Exports to USSR a/ 62/  
1952-53  
(Continued)

Free World Country	1952				1953				US \$ Thousand
	January-March	April-September	October-December	Total for 1952	January-March	April-September	October-December	Total for 1953	
Ceylon	0	501	0	501	0	0	0	0	
India	2,871	1,111	239	4,221	442	173	137	752	
Japan	0	12	141	153	6	1	0	7	
Malaya	5,349	4,031	0	9,380	0	0	0	0	
Pakistan	2,367	1,500	11,562	15,429	0	7,353	0	7,353	
Australia	0	0	25	25	2	3,653	29,416	33,071	
Argentina	0	6	0	6	0	0	N.A.	N.A. c/	
Cuba	0	32	0	32	0	0	700	700	
Mexico	103	0	0	103	0	0	0	0	
Uruguay	0	0	0	0	0	0	267	267	
<b>Total</b>	<b>140,903</b>	<b>230,492</b>	<b>109,461</b>	<b>480,856</b>	<b>75,671</b>	<b>176,941</b>	<b>163,804</b>	<b>416,416</b>	

a. Unadjusted as reported by Free World Countries.  
b. Less than \$500.00.  
c. January-November.

Table 6  
Free World Imports from USSR a/\* 63/  
1952-53

US \$ Thousand

Free World Country	1952				1953			
	January-March	April-September	October-December	Total for 1952	January-March	April-September	October-December	Total for 1953
US	4,795	9,109	2,914	<u>16,818</u>	3,182	5,479	2,130	<u>10,791</u>
Canada	87	1,634	648	<u>2,369</u>	117	337	401	<u>855</u>
Austria	102	3	0	105	b/	15	49	64
Belgium-Luxembourg	1,697	4,965	4,911	<u>11,573</u>	1,821	9,117	5,782	<u>16,720</u>
Denmark	7,200	2,105	1,801	<u>11,106</u>	2,983	1,419	4,033	<u>8,435</u>
France	6,327	8,965	2,797	<u>18,089</u>	3,757	6,849	6,277	<u>16,883</u>
West Germany	24	670	3,263	<u>3,957</u>	3,885	5,946	5,788	<u>15,619</u>
Greece	0	0	0	0	0	41	133	174
Iceland	0	4	0	4	0	0	1,587	<u>1,587</u>
Ireland	3	5	161	169	1	332	554	<u>887</u>
Italy	6,908	19,256	7,897	<u>34,061</u>	2,293	3,421	3,547	<u>9,261</u>
Netherlands	8,006	11,058	6,546	<u>25,610</u>	883	16,581	13,798	<u>31,262</u>
Norway	1,183	6,909	3,304	<u>11,396</u>	1,014	7,101	8,837	<u>16,952</u>
Portugal	b/	1	9	10	0	1	0	1
Sweden	1,002	15,862	3,128	<u>19,992</u>	739	5,166	4,151	<u>10,056</u>
Switzerland	900	1,372	520	<u>2,792</u>	888	1,775	1,396	<u>4,059</u>
UK	65,738	67,921	29,115	<u>162,774</u>	18,699	55,381	37,642	<u>111,722</u>
Finland	14,761	39,876	26,944	<u>81,581</u>	19,508	50,512	19,627	<u>89,647</u>
Algeria	0	0	0	0	0	1	158	159
Anglo-Egyptian Sudan	21	72	32	<u>125</u>	24	142	224	<u>390</u>
Belgian-Congo	0	74	1	<u>75</u>	0	5	1	6
Cyprus	0	0	1	1	0	0	0	0
Egypt	3,967	25,362	1,802	<u>31,131</u>	278	13,719	136	<u>14,133</u>

\* Footnotes for Table 6 follow on p. 34.

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Table 6  
Free World Imports from USSR a/ 63/  
1952-53  
(Continued)

US \$ Thousand

Free World Country	1952				1953			
	January-March	April-September	October-December	Total for 1952	January-March	April-September	October-December	Total for 1953
French Morocco	1	0	0	1	0	0	0	0
Gold Coast	1	1	0	2	0	1	0	1
Iran	8,206	10,557	5,179	23,942	6,652	3,639	2,534	12,825
Iraq	0	3	0	3	0	3	2	5 c/
Israel	26	9	4	39	11	13	11	35
Lebanon	21	9	8	38	1	18	9	28
Malta	0	1	0	1	0	b/	0	0
Southern Rhodesia	0	19	0	19	0	0	0	0
Syria	0	86	0	86	0	0	0	0
Burma	7	11	0	18	3	0	0	3
Ceylon	0	254	9	263	0	14	0	14
Hong Kong	0	65	190	255	0	2	1	3
India	1,485	161	122	1,768	226	530	175	931
Indonesia	0	0	0	0	16	46	12	74
Japan	0	3	456	459	36	1,218	848	2,102
Malaya	4	5	0	9	b/	8	2	10
Pakistan	52	169	147	368	9	17	9	35
Australia	77	933	90	1,100	56	1,494	197	1,747
New Zealand	73	57	38	168	23	70	38	131

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Table 6  
Free World Imports from USSR a/ 63/  
1952-53  
(Continued)

US \$ Thousand

Free World Country	1952				1953			
	January-March	April-September	October-December	Total for 1952	January-March	April-September	October-December	Total for 1953
Colombia	0	0	1	1	0	0	2	2
Cuba	0	12	29	41	0	0	0	0
Mexico	2	2	2	6	5	15	30	50
Peru	10	9	0	19	4	8	6	18
Venezuela								
Total	<u>132,686</u>	<u>227,589</u>	<u>102,069</u>	<u>462,344</u>	<u>67,114</u>	<u>190,436</u>	<u>120,127</u>	<u>377,677</u>

a. Unadjusted, as reported by Free World countries.

b. Less than \$500.

c. January-November

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B. April-September 1953.

1. Imports.

During the period April-September 1953, the value of Soviet imports from the Free World was \$177 million compared with \$230 million in 1952. Although Soviet imports during the period represented only 76 percent of the comparable 1952 period, an increase in trade activity during the third quarter tended to reduce the large differential noted during the first quarter when the 1953 level reached only 53 percent of the previous year. By the end of the period, imports from Denmark, the Netherlands, Norway, and Pakistan had increased substantially over 1952, but those from the UK and Finland were down.

2. Exports.

Soviet exports to the Free World during the period stood at \$190 million as against \$228 million in 1952 or about 83 percent of 1952 exports. As in the case of imports, increased activity was noted in third-quarter Soviet exports to certain countries. Shipments to Belgium, the Netherlands, Finland, and Japan registered increases over 1952, but exports to UK, Sweden, Egypt, and Iran continued below the level of 1952.

C. October-December 1953.

1. Imports.

Soviet imports from the Free World during the last quarter of 1953 were valued at \$164 million compared to \$109 million in 1952. With several exceptions, notably the UK, Sweden, Pakistan, and Iran, Soviet imports from the Free World, particularly West European countries and Australia, surpassed the comparable previous year's trade by large margins.

2. Exports.

The value of Soviet exports to the Free World in the last quarter of 1953 stood at \$120 million compared to \$102 million in 1952. As in the case of imports, though not of the same magnitude, an increase over the comparable period of 1952 was noted in Soviet exports to Western European nations during the last quarter of 1953. In this

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period, Soviet exports to the UK also finally reflected an increase over a comparable 1952 period.

As shown in Tables 5 and 6, during the last quarter of 1953, Soviet trade with the Free World spurted to surpass the comparable 1952 period, but not sufficiently to bring the year's level up to that of 1952. Increased trade during the last three months of 1953 can be viewed as the result of the new Soviet trade tactics gaining momentum. During this period the relatively large number of trade pacts concluded after Stalin's death commenced to be implemented. Trade was especially active between the USSR and those West European countries which previously had negotiated to export foodstuffs to the USSR. Thus, Danish exports to the USSR during the last quarter consisted almost entirely of meat, dairy, and other food products. Dutch exports bulked large in butter; and the major Norwegian shipments undoubtedly consisted of herring, hardened fats, and staple fibers.

D. January-March 1954. 64/

Preliminary trade data for 1954 indicate that the expansion of trade between the USSR and the Free World in the last quarter of 1953 continued through the first quarter of 1954. The value of Soviet trade turnover with the Free World during the first 3 months of 1954 was \$260 million, a sharp increase over the 1953 level of \$143 million and almost comparable to the 1952 level of \$273 million. Such a development certainly presages even larger trade increases during the remainder of the year.

1. Imports.

During the first 3 months of 1954 Soviet imports from the Free World amounted to \$150 million compared with \$76 and \$141 million for the respective periods of 1953 and 1952. Very large increases were registered over the comparable 1953 period in Soviet trade with Denmark, the Netherlands, Australia, and New Zealand. On the other hand, Soviet imports from the UK, Sweden, Iran, and Pakistan were down compared with 1953.

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2. Exports.

Soviet exports to the Free World during the first quarter of 1954 stood at \$110 million compared with \$67 million and \$132 million for 1953 and 1952 respectively. A large increase over the 1953 period was evidenced during 1954 in the USSR's trade with France, the Netherlands, Denmark, and Sweden. USSR exports to the UK and Finland also increased over 1953.

VII. Other Aspects of Special Interest.

In the period from January 1953 to April 1954, certain aspects of Soviet trade tactics developed which appear worthy of separate mention. These developments are discussed below by subject.

A. Ministerial Reorganization.

1. January-March 1953.

Trade was one of the fields in which the new Soviet leadership introduced broad organizational changes. On 6 March 1953, the day after Stalin's death, it was announced that the Ministry of Foreign Trade and the Ministry of Trade had been merged. The new Ministry of Foreign and Domestic Trade was headed by Anastas Mikoyan, a member of the Party Presidium and a former Minister of Foreign Trade (1938-49). I.G. Kabanov, former Chairman of the State Committee for the Material Technical Supply of the Economy (GOSSNAB), was named First Deputy Minister. P.N. Kумыkin and V.G. Zhavoronkov, displaced Ministers of Foreign and Domestic trade respectively, remained on as Deputy Ministers.

2. April-September 1953.

The merger of the trade ministries lasted about six months. On September 15 and 16 1953, additional ministerial changes were announced by the Soviet government. The Ministry of Foreign and Domestic Trade was once again divided into its 2 component parts. Mikoyan was appointed Minister of Domestic Trade, and Kabanov was elevated to the post of Minister of Foreign Trade. The appointment of a person of Mikoyan's experience tended to emphasize the role of domestic trade and therefore the role of domestic production in the announced increase in the availability of consumer goods.

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B. Malenkov's Speech.

In a long speech to the Supreme Soviet of the USSR on 8 August 1953, Malenkov sounded the keynote to the new Soviet trade policy. In a section dealing with the international situation he stressed the importance of strengthening relations between the USSR and neighboring states. He also pointed out that the number of states with which the USSR entertained trade relations was growing, and indicated that business circles in Free World countries were striving to remove discriminatory measures restricting international trade. <sup>65/</sup> The speech, therefore, was consistent with the Soviet trade tactics which were then prevalent. It gave the Kremlin an opportunity to advertise its tactics and at the same time to help promote their successful implementation.

C. Petroleum Exports.

One of the outstanding features of Soviet foreign trade tactics during the latter half of 1953 was the abrupt increase in the shipment of petroleum and petroleum products to the West as well as increased offers to ship these products.

During July and August 1953 the USSR negotiated trade pacts which included unusually high quotas for Soviet export of petroleum and petroleum products. Agreements with Argentina, France, Greece, and Iceland, as indicated in Table 7\*, included quotas for 500,000; 400,000; 300,000; and 200,000 tons, respectively. These quotas totaled 1.4 million tons, or more than 3 times the estimated total petroleum exports to the Free World from the USSR in 1953.

It is estimated that actual volume of Soviet exports of petroleum products to the Free World was about 80 percent greater in 1953 than in 1952, amounting to 449,000 tons and to 250,000 tons, respectively. At the same time Soviet Bloc exports of petroleum to the Free World increased about 45 percent, from 1,905,000 tons in 1952 to 2,780,000 tons in 1953. It is estimated that approximately 75 percent of all 1953 Soviet exports of petroleum products to Free World countries occurred in the last 6 months of the year, and that about 50 percent took place in the last quarter alone. <sup>66/</sup> Favorable market conditions notwithstanding, such an abrupt increase in

\* Table 7 follows on p. 39.

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Table 7

Possible Soviet Exports and Actual Bloc Exports of Petroleum and Petroleum Products to Selected Free World Countries 67/ 1953-54

(Thousand Tons)

Free World Countries	Possible Shipments <u>a/</u> * 1953-54		Volume of Actual Shipments 1953	
	Volume	Delivery Period	Bloc <u>b/</u>	USSR
Argentina	500	August 1953-August 1954	c/	c/
Belgium	100	1954	87	c/
Denmark	200	1954	9	c/
Egypt	350	1954	c/	c/
Finland	774	1954	608	68
France	400 <u>d/</u>	July 1953-July 1954	20	c/
Greece	300	July 1953-July 1954	17	c/
Iceland	200	August 1953-August 1954	51	51
India	40	1954	c/	c/
Israel	200 <u>e/</u>	1954	0	0
Italy	500	October 1953-October 1954	330	121
Japan	223	1954	0	0
Sweden	600	1954	289	135
Turkey	77	1954	c/	c/
West Germany	200 <u>f/</u>	1954	130	24
UK	100	1954	0	0
Total for indicated selected countries	<u>4,764</u>		<u>1,541</u>	<u>399</u>
Estimated total to all Free World Countries			<u>2,780</u>	<u>449</u>

\* Footnotes for Table 7 follow on p. 40.

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Table 7

Possible Soviet Exports and Actual Bloc Exports of Petroleum  
and Petroleum Products to Selected Free World Countries 67/  
1953-54  
(Continued)

- 
- a. Includes trade and barter agreements, contracts, and offers.
  - b. Includes USSR.
  - c. Not available.
  - d. Deleted from trade agreement in February 1954 but some shipments had already been made and others might be made.
  - e. Includes a 100,000-ton option.
  - f. Volume estimated from a given value figure of \$5 million.

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petroleum exports could be interpreted as the result of a change in Soviet trade tactics because the availability of many types of petroleum for export is not subject to seasonal variations.

Concurrent with the increase in actual exports, the USSR made overtures to continue petroleum exports at a high level in 1954. Table 7 presents data on possible and actual exports of petroleum and petroleum products to the Free World. In examining Table 7, however, it must be borne in mind that offers and trade agreement quotas are not contracts. The USSR is not, therefore, firmly committed to export petroleum products in the amounts specified and, in fact, probably will not. It should be further pointed out that although most of the agreements with and offers to the Free World have been made by the USSR, it is estimated that less than 20 percent of the shipments actually originate in the USSR. Nevertheless, it is readily apparent that since mid-1953 the USSR has shown a far greater eagerness to export these products.

D. Soviet Gold Shipments.

1. October-December 1953.

A sharp rise in the volume of Soviet gold exports was another feature of the new trade tactics. During the last quarter of 1953, unusually large shipments of gold moved from the USSR to the Free World. These shipments brought the 1953 Soviet gold exports to the Free World to an estimated total of between \$100 million and \$150 million. In value terms this amount would have represented a large increase over estimated average annual sales of from \$50 to \$100 million.

In part, these large exports of Soviet gold were apparently made in order to offset an accruing trade deficit unfavorable to the USSR. Because of the large volume of goods exported by the USSR to Western countries in the last quarter of the year, however, the estimated 1953 Soviet trade deficit with that area approximated only \$38 million (Tables 5 and 6). Roughly \$69 million to \$110 million\* worth of Soviet gold was therefore exchanged directly for Western currencies or credits which could be used by the USSR for a variety of purposes including payment for clandestine trade transactions,

\* Plus or minus net additions or subtractions for other balance-of-payments items.

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financing Communist organizations and activities, and the establishment of a foreign exchange reserve.

2. January-April 1954.

The level of Soviet gold shipments to the Free World in the first 4 months of 1954 indicated continued heavy sales. For this period, Soviet sales are estimated to have been between \$60 million and \$100 million.

Offers and subsequent sales of large amounts of Soviet gold to the Free World should not be unexpected. The USSR has continued to indicate a willingness to increase commodity imports even though it appears to be having difficulties in finding export commodities acceptable to the Free World. Therefore, the activity in Soviet gold sales to the Free World, noted during the latter part of 1953, continued at least through the first four months of 1954.

E. Soviet Platinum Sales.

1. 1953.

The rising gold sales were paralleled by a marked increase in the amount of Soviet platinum appearing in Free World markets. During 1953 the USSR exported 94,900 troy ounces of platinum, valued at \$8,797,600, to the UK. 68/ These facts are significant for several reasons. Platinum, in certain forms, is a strategic commodity, and 1953 was the first year since 1947 that the USSR exported platinum to the UK. Moreover, the indicated amount sold to the UK approaches a rough estimate of the total annual platinum production in the USSR (100,000 to 125,000 troy ounces). 69/

2. January-March 1954.

In March 1954, the bulk market price for platinum dropped from \$90 to \$84 per troy ounce. The reappearance of Soviet platinum on the world market in substantial quantities was listed as a factor contributing to the fall in price. 70/ Thus the large shipments of Soviet platinum to the UK witnessed in 1953 and the appearance of that commodity in several trade pacts concluded by the USSR with Free World countries in 1954 point up the Russians' attempt to substitute certain commodities for traditional exports in order to balance trade.

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F. Trade Minister's Report.

The value of recent Soviet offerings of petroleum, gold, and platinum has represented a definite break with the previous export pattern of the USSR, and suggests an increased interest in securing goods in Free World markets. The widely publicized consumer goods program and the continuing Soviet commitments to heavy industry and defense production are at least partially responsible for this interest.

In Soviet decrees and speeches during the last quarter of 1953, the role of foreign trade in the domestic consumer goods program of the USSR received only secondary attention, with the possible exception of Mikoyan's report at the All-Union Conference of Trade Workers on 17 October 1953. Mikoyan stated: 71/

A few words must be said about the import of consumer goods. During recent years we have been making use of this additional source of supply for the population. Having become better off we can now allow ourselves to import such foodstuff as rice, citrus fruits, bananas, pineapples, herring, and such manufactured goods as high standard woolens and silk fabrics, furniture and certain other goods supplementing our range. These goods are in good demand by the population. Although we are buying 4 billion rubles worth of consumer goods from abroad this year, two-thirds of this sum will be spent on goods from the People's Democracies. In turn we are exporting certain consumer goods of which we have a sufficiency, and are helping the People's Democracies.

Here then is a direct statement regarding foreign trade. There is a complication, however, which affects a complete understanding of what was meant, namely, that the type of rubles was not specified. If official rubles (4 rubles: 1 US dollar) were meant then consumer goods imported during 1953 were valued at \$1 billion, two-thirds of which were to come from Soviet Bloc countries and the remainder -- \$333 million -- from the Free World. If this indicated 1953 Soviet import figure for consumer goods from the Free World (\$333 million) is related to the subsequent actual 1953 total import figure (\$416 million) from that area, almost 80 percent of total Soviet imports from the Free World would have consisted of consumer

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goods. Though complete commodity trade statistics for the year 1953 are not yet available, such a high percentage of consumer goods imports\* appears out of the question.

It has been estimated that for 1950, 1951, and 1952 the percentage of total Soviet imports from the Free World accounted for by consumer goods was 8, 13, and 16 percent respectively. 72/ In view of these estimates, and because there has been no evidence of a radical shift in the commodity composition of Soviet imports from the Free World, Mikoyan's statement now appears to have been purposefully misleading, extremely optimistic, or perhaps based on an exchange rate other than 4 to 1.

#### G. Soviet Ship Procurements.

One indication of continuing Soviet interest in items other than consumer goods was the effort to increase the number of ships which would be imported by the USSR from Western European nations. Under trade agreements signed during the period from July 1953 to April 1954, the USSR planned to import approximately 193 ships (excluding an unknown ship quota from the Netherlands). The USSR signed contracts with the UK and West Germany for the purchase of 30 additional ships. 73/ The quota for ships in the 1954 Soviet-Finnish trade agreement was essentially the same as in the 1953 agreement 74/ but the order for 25 ships from Sweden was the first Soviet order for vessels from that country since the expiration of the 1946 credit agreement on 8 December 1952. 75/ Although no contracts for French vessels were negotiated between the nations in 1952, the Soviet-Franco trade agreement of July 1953 provided for the USSR to import ships. 76/ The renewal in 1953 of the Soviet-Italian agreement provided for a list of goods which included the delivery of ships to the USSR. 77/ The agreement signed with Belgium in January 1954 provided for the delivery of refrigerator and cargo ships to the USSR. 78/ In October 1953, under the 1953 Danish-USSR trade agreement, 5 refrigerator ships were contracted for delivery to the USSR, 79/ and in April 1954 the Soviets were reportedly ready to contract for the construction of 5 additional such ships. 80/

\* Based on the definition of "consumer goods" as used in source 72/.

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H. USSR-UK Trade Negotiations.

Recent Soviet overtures have revealed a particularly strong interest in encouraging trade with certain key Western European countries. The important part played by the UK in current Soviet trade tactics is indicated by the large number of negotiations which the USSR has carried on with British businessmen in 1954. It is claimed that about 100 representatives of 54 British firms have visited Moscow since the beginning of the year. These firms are mainly engaged in the production of power station, forge, and press equipment; machine tools; and equipment for the textile and food industries and for shipbuilding. 81/

Moscow's overtures of increased trade to the UK (British businessmen) reached their climax on 4 February 1954. On that date Soviet Foreign Trade Minister Kabanov handed a group of British businessmen a list of items specified for import from the UK in the years 1955-57. The total value of these goods was estimated to be 4.5 billion rubles (\$1,125 million), which would average 1.5 billion rubles (\$375 million) per year.

An extract from Minister Kabanov's statement follows: 82/

Given proper conditions in respect of normalization of Anglo-Soviet trade, Soviet Foreign Trade Organizations might place orders for ships and equipment to be fulfilled in 1955, 1956, 1957 for about 3 billion rubles including: ships, 1,500 million rubles; power equipment, 600 million rubles; forging and press equipment and machine tools, 400 million rubles; textile and food industrial machinery, 375 million rubles; and miscellaneous equipment, 125 million rubles; as well as purchase within the same period of raw materials, food and industrial goods for an approximate amount of 1.5 billion rubles, thus making a total of 4.5 billion rubles, or over £ 400 million sterling.

It is evident in the above quotation that the usual Soviet hedges were present -- "Given the proper conditions ... Trade Organizations might place orders. ..."\* Indefiniteness was also indicated in the very general description of the last-mentioned

\* Emphasis inserted by analyst.

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category. Raw materials, food, and industrial consumer goods, although accounting for 1.5 billion rubles or one-third of the total value of indicated trade, are not broken down in terms of value of relative importance. Furthermore, in subsequent comments pertaining to the implementation of this particular trade offer, the Russians have continually repeated the qualifying phrase -- "given the establishment of the necessary conditions ...". These necessary conditions are never fully spelled out but most certainly imply the removal of Western trade controls.

If this trade offer were carried out, its significance could be grasped by realizing that Soviet imports from the UK during each of the years 1955-57 would average \$375 million or about 3½ times the 1952 postwar peak of \$105 million. Moreover, the normally exported goods which the USSR stated it would ship to the UK during 1955-57 to pay for imports would have to increase more than 100 percent by value over 1952, when Soviet exports to the UK totaled \$163 million.

Unless gold and other precious metal exports from USSR can be increased, it is presently doubtful whether the USSR can directly balance expanded imports from the UK. Soviet grain shipments to the UK in 1952 accounted for about 60 percent of total Soviet exports to that nation. Partially because of a Soviet supply problem which incorporates the domestic consumer goods program, and also because trade in Britain has been returned to private hands, the ability of the USSR to satisfy any large potential demand by the British for Soviet grain in the near future presently appears doubtful. Faced with such a situation, Moscow would undoubtedly attempt to substitute other products, such as petroleum, in place of grain. Soviet success in such a venture would be conditioned more by Western demand than by Soviet domestic availability.

On 29 April, Sir Greville S. Maginness, President of the Associated British Machine Tool Makers Ltd., and president of the Russo-British Chamber of Commerce, stated that firm orders to the value of between \$84 and \$112 million had been placed in Britain by the USSR since the beginning of 1954. 83/ He neglected to mention, however, that of this total value probably only half would be free from strategic trade controls. Because of Sir Greville's position his statement on Soviet-British trade would undoubtedly reflect optimism. Nevertheless, impending relaxation of Western trade controls, coupled with the high pitch of British businessmen's enthusiasm for increasing trade with the USSR, does set the stage for a possible expansion of trade between the nations.

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Soviet imports from the UK during the first quarter of 1954 were valued at \$13 million, compared with \$15 million during the comparable 1953 period; and Soviet exports to the UK reached \$23 million in the similar 1954 period, against \$19 million in 1953. Thus, total trade turnover between the countries through the first 3 months of the current year represented only a minor increase over 1953. Because recent trade negotiations have included many goods which require relatively long production periods, however, ultimate deliveries would not yet be reflected in trade statistics.

I. USSR-West German Trade Relations.

A very important aspect of Soviet trade tactics with the Free World has emerged in the form of increasing activity in the USSR's trade relations with West Germany. Highly industrialized, West Germany is a potential supplier of industrial and technical equipment to the USSR. Moreover, increasing competition between Western nations for world markets enhances the susceptibility of Western businessmen to Soviet trade stimuli. The increased trade turnover between the USSR and West Germany, indicated in Tables 5 and 6, therefore will probably continue and could reach major proportions.

Such a situation could be advantageous to the USSR. The USSR might procure desired equipment, and the likelihood of business animosities developing between West Germany and other Western nations would be enhanced. In addition, there would be a strong possibility that any sharp improvement in the economic or political status of West Germany might arouse the suspicions of other Western European nations to the detriment of programs for Western international cooperation.

Events in the last quarter of 1953 and early 1954 indicated an expansion of trade between the USSR and West Germany. In December 1953 a Foreign Office official stated that West Germany had decided to proceed with final contracts for 10 of the 30 fishing vessels which the USSR had requested to be built. <sup>84/</sup> At the end of January 1954 it was revealed that the items the USSR agreed to exchange for the West German vessels consisted of nickel, \$700,000; manganese and chrome ore, \$4,800,000 to \$6,000,000; mixed petroleum products, \$5,000,000; silver, \$1,000,000; platinum, \$150,000; and timber, \$4,000,000. <sup>85/</sup>

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The first ship is scheduled to be delivered in February 1955 and the last in December 1955. An order for five more vessels and a floating fishery processing factory equipped with cannery machinery may also be concluded.

A Hamburg businessman returned from Moscow in early March 1954 after having concluded a contract with the USSR. He purchased 8,000 tons of naphthalene valued at \$540,000 in exchange for delivery to the USSR of aniline dyes, \$254,490; citric acid, \$51,500; and calcium chloride, \$160,000. The arrangement was a barter transaction because neither party was willing to pay in free dollars, pounds, or Swiss francs. Notes made by this businessman indicated that Soviet requirements for imports were merchant ships, fishing vessels, dredges, and 1,000 to 3,000 tons of lead. In exchange, the Soviets were ready to offer gold, silver, platinum, palladium, and iridium. The businessman felt that the USSR was also able to deliver chrome and manganese ores, timber, vegetable oil cakes, drugs, and castor oil. 86/

In the latter part of March 1954 a direct barter agreement was concluded between a Frankfurt grain trading firm and Soviet export agencies. The agreement provided that 10,000 tons of Russian bread grain was to be supplied in exchange for German shoe leather. The price of the Russian grain was reported to be below the world market level. This Frankfurt grain trading firm has so far received about 32,000 tons of Russian grain under other similar barter agreements. 87/

Although West Germany does not have a trade and payments agreement with the USSR, there is a strong demand for some such type of agreement. German-Soviet talks were held recently in Geneva to explore the possibilities of putting trade on a firm legal basis. Following the preliminary trade talks in Geneva, a group of German industrialists and bankers, representing the "Eastern Trade Committee of German Industry," prepared to go to Moscow to continue trade talks and to investigate the ramifications for establishing some type of trading arrangement. 88/ Recent information indicates, however, that the planned visit has been cancelled by the intervention of Adenauer. 89/

J. Soviet Technical and Financial Assistance and Loans.

Soviet offers of technical assistance were originally made last July at a UN Economic and Social Council (ECOSOC) session in Geneva with a qualified offer of 4 million rubles, and later in February 1954 at the tenth meeting of the UN Economic Commission for

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Asia and the Far East (ECAFE) in Ceylon. Subsequent events imply that the type of technical assistance planned by the USSR involves the sending of Soviet technicians abroad rather than outright grants of money. The December 1953 Soviet trade agreement with India and the January 1954 agreement with Afghanistan both include aspects of technical assistance. The possibility of some type of Soviet technical assistance to Egypt also was indicated during early 1954. 90/

It appears that the technical assistance program of the USSR aside from attempting to woo underdeveloped countries toward the Communist camp is basically designed to serve as a propaganda platform for international meetings, and to enhance the prestige of the USSR both at home and abroad.

In August 1953 the USSR extended a credit in the amount of \$30 million to Argentina. This credit was followed in January 1954 by a \$3.5-million credit 91/ and a later \$600,000 credit to Afghanistan. 92/ On 6 February 1954 the USSR granted Finland a \$10-million loan which, unlike the previous "loans," was not for specific Soviet goods but rather an account on which Finland could draw gold dollars or any other foreign currency agreed upon. This grant was apparently the first gold or convertible currency loan made by the USSR to a Western country.

The Argentine credit may be viewed as a corollary to the signing of the Soviet-Argentine trade agreement. Because the agreement itself would assist the USSR in any planned economic penetration of Latin America, the extension of the loan contains implications other than economic expediency. Furthermore, the Soviet grant puts the USSR in competition with Germany, the UK, and the US in supplying capital goods to Argentina on credit.

The Finnish loan agreement appears to be the culmination of a long series of negotiations designed to convert Finland's clearing ruble accounts into a more readily spendable form. Consequently, the Soviet loan to Finland is better viewed as a compromise between Finland's desire to convert her ruble balances and the USSR's reluctance to make them convertible.

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K. Trade Consultations.

In 1954, Soviet trade tactics have continued to reflect political as well as economic overtones. At the ECE-sponsored East-West trade consultations held in Geneva from April to May 1954, the Russians left the Free World delegates uncertain as to Soviet intentions. 93/ Following the concerted build-up given to East-West trade possibilities by Soviet press and radio services, many representatives from the Free World approached the meetings full of optimism. By the close of the consultations, however, optimism over the immediate prospects of increasing East-West trade was dampened considerably.

Beginning with multilateral discussions of the broader obstacles to trade, consultations followed the pattern established at last year's meeting. During this year's multilateral talks, the Soviet delegate disappointed West European proponents of East-West trade development when he appeared completely unprepared to offer any constructive suggestions despite the fact that at earlier plenary sessions the USSR had recommended the discussion of specific structural problems impeding an increase in trade. The major structural problems were considered to be the differences between Soviet Bloc and Free World trading organizations and techniques, and the new trade patterns which had developed since World War II.

One of the few positive actions on the part of the Soviet delegate was his support for discussion of a possible East-West clearing arrangement. During the subsequent discussion, however, although he did appear attentive, he offered nothing constructive. Concerning the possibility of a multilateral clearing, it was anticipated that a working group would be formed to consider the problem when and if the ECE Committee on Trade Development meets in October 1954.

The Russians also aroused great consternation among the Free World experts when they failed to transact any substantial business during this year's bilateral talks. In fact, fewer possibilities for trade were developed at these talks than at last year's meetings. Discussions of problems arising under existing agreements and contracts were inconclusive. Soviet Bloc representatives apparently were not prepared to discuss suggestions that the level of East-West trade could be raised if their countries would export more goods the price and quality of which could compete with Free World products.

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Neither were the Bloc delegates willing to discuss the settlement of adverse balances by transfers of gold or acceptable currencies.

The USSR thus has attempted to use the prospect of increased trade to political advantage, but has been slow to remove some of the principal obstructions to this trade.

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APPENDIX A

GAPS IN INTELLIGENCE

Information used for this memorandum revealed two major gaps in intelligence: the lack of firm values for Soviet exports of precious metals and the unavailability of current commodity trade statistics.

Estimates of Soviet exports of precious metals are available, but the range is large. This is primarily the result of limited source reporting. In order to increase the volume of reporting on this subject, requirements have been submitted to numerous potential sources from whom a more complete coverage is expected in the future.

The unavailability of current commodity trade statistics for Soviet trade with the Free World is and will undoubtedly continue to be a major gap in intelligence. This is because of the nature of the subject. The USSR publishes no complete trade statistics for commodity turnover, and such information must be obtained from all the Free World trade partners of the USSR. Computation by each individual country of its trade turnover with other nations is a time-consuming process. Submission of trade statistics by the individual Free World country to the US Department of Commerce and the final tabulation of all these statistics increases the time lag so that many months elapse before such statistics are available for CIA use.

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APPENDIX B

SOURCES AND EVALUATION OF SOURCES

1. Evaluation of Sources.

The information contained in this report was drawn from a variety of sources. Data concerning international meetings and bilateral tactics were taken largely from information contained in numerous Department of State periodicals, especially Soviet Affairs. Figures for the chart on the frequency of Soviet radio propaganda were supplied exclusively by FBIS and were based on published reports or unpublished data. The trade pact information contained in Tables 1, 2, 3, and 4, was derived from numerous documents maintained in the trade agreements file of ORR. The statistical data on the level of Soviet trade with the free world in Tables 5 and 6 were constructed primarily from value series information prepared by the International Economic Analysis Division, Bureau of Foreign Commerce, Department of Commerce. In Table 7, figures concerning actual petroleum exports were constructed from information contained in a CIA document, and figures on possible petroleum exports were derived from various documents contained in the trade agreements file of ORR. Estimates on Soviet gold sales in 1953 were extracted from a published CIA report, and the figures for sales in 1954 are taken from a recent estimate by ORR which has not yet been published. For the purposes of this report, which is intended to show changes and trends in recent Soviet trade tactics, the statistical data presented are believed to be reliable. Because information was taken from a variety of sources, errors in specific details may have occurred, but not to such a degree as to impair the over-all accuracy of the report.

2. Sources.

Evaluations, following the classification entry and designated "Eval.," have the following significance:

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<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

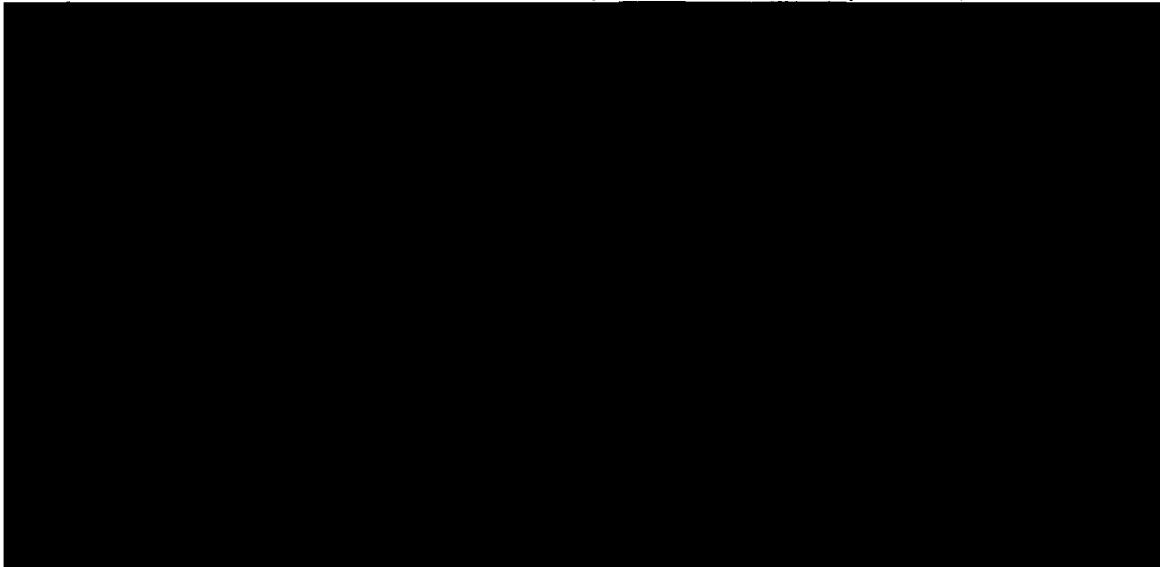
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  2. State, OIR Report No. 4800.51, Soviet Affairs, Mar 1953. S.
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  4. State, OIR Report No. 4800.55, Soviet Affairs, Jul 1953. S.
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