

**BUSINESS AND FINANCE****Newsweek, March 13, 1967****SOVIET UNION:****Report From the CIA**

The Soviet capital of Moscow, a city of 6 million people, has a grand total of eight gas stations. Leningrad, with 3.6 million people, has just three. There are, in fact, fewer than 2,000 stations in the whole country vs. 211,000 in the U.S. Because auto facilities are so scarce, fully one-fifth of Russia's 1 million cars are usually out of service at any one time awaiting repairs.

This new statistical intelligence about the status of the auto in the Soviet Union came last week from an authoritative but normally secretive source: the U.S. Central Intelligence Agency. CIA reports surface rarely (the agency admits cautiously to having made six public in the last five years), but this one was released with its permission by the international trade subcommittee of the House Banking Committee. The subcommittee used the CIA findings in approving a proposal that the U.S. Import-Export Bank lend \$50 million to Italy's Fiat to help build an auto-assembly plant in Russia. If consummated, the loan would be a significant step in President Johnson's drive to

d. promote East-West trade, but predic-  
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2. other congressmen.  
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The CIA, which actually conducts a continuing study of the Russian economy, noted that the Fiat plant would bring "the U.S.S.R. one step nearer to the automotive age." That age, though, is evidently still far off. Even if a Russian has a car, the CIA reported, there are only 87,000 miles of paved roads for him to use—about equal to the mileage in the state of Michigan.

The \$800 million plant, to be located 500 miles east of Moscow, is supposed to be producing 100,000 cars a year by 1970 and help boost annual Soviet output to between 700,000 and 800,000. The CIA, however, doubted that this goal could be reached because of "the usual slippage in Soviet construction plans." A more reasonable goal, the agency said, would be 460,000 cars by 1970 and 1.1 million by 1975. Even so, the CIA noted, the Soviets would only have "an automobile stock roughly equal to that of the United States in 1917."

# Is the U. S. on the Long Road to Minsk?

WASHINGTON POST, March 5, 1967  
Approved For Release 2005/11/23 : CIA-RDP80B01495R001200130014-3

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A RUSSIAN MOTORING from Moscow to Minsk would be well advised to take heed should he see a "last-chance-to-fill-up" sign.

The road is one of the Soviet Union's major east-west highways and along its entire length of 437 miles there are just five gas stations and one garage.

Projecting this paucity of automotive waystations into national terms supports indications that about one-fifth of the estimated one million cars in the Soviet Union are normally laid up waiting for the attentions of a mechanic.

This information is contained in a remarkable Central Intelligence Agency assessment of the Soviet auto industry. The study was made in connection with a huge East-West trade deal which could have significant repercussions on the present highly restrictive trade policies of the United States toward the Communist countries of Europe.

## Fiat for Ivan

THE DEAL IS THE widely publicized agreement under which the Fiat motor company of Italy will build an \$800 million automobile plant for the Soviet Union at Togliatti, a town on

the middle Volga River formerly known as Stavropol. Related investments will boost the initial cost to the Kremlin to \$1.2 billion.

When it gets into full production, the plant will have a capacity of 600,000 cars a year. This alone would quadruple present Soviet production to 800,000 cars a year. Other expansion plans are calculated to raise production to 1.1 million units by 1975.

The United States is slated to supply at least \$50 million worth of machine tools for the Fiat plant. The financing is to be handled by the Export-Import Bank. The bank would lend the money to the Istituto Mobiliare Italiano, an Italian financial institution, which would lend it to Fiat to buy the machinery. There would be no direct sales by the United States to the Soviet Union.

## Political Thicket

WHY AMERICAN tools? The equipment could be supplied from European sources. The answer is that Fiat uses considerable United States equipment in its Italian plants, knows how to work with it and appreciates its quality.

This gets into the political thicket of whether the United States should expand its limited trade with the Soviet Union and the other Communist countries directly or indirectly.

The Administration's answer is "yes." In the speech last Oct. 7 in which he expounded his policy of "building bridges" to the East, President Johnson gave specific approval to the Export-Import Bank's participation in the Soviet-Fiat arrangement.

If the deal goes through — and it would take congressional action to stop it — it could, according to some qualified observers, make passage of the President's controversial East-West trade bill a virtual certainty. At present, the bill is given little chance of getting through in the present session of Congress and there have been some indications that Mr. Johnson is reluctant to push it in these circumstances.

Congress could react to the Fiat deal almost any time. It could be when the first orders are placed, or when the Export Control Office approves them, particularly if the orders are for machinery which could be used in defense. Reaction could also come in the form of an amendment to an appropriate money bill which would prohibit the Export-Import Bank from financing exports destined for the Soviet Union.

The argument of those who think that American participation in the Fiat project would help passage of the bill is as follows: If the United States supplies machine tools for automobile

production to the Soviet Union through indirect channels, why not give the President authority to negotiate direct trade with the Communists?

Last week, four members of the subcommittee on international trade of the House Committee on Banking and Currency issued a report endorsing the Fiat plan. The committee has legislative jurisdiction over the Export Control Act and over operation of the Export-Import Bank.

The four, two Democrats and two Republicans, under the chairmanship of Rep. Thomas L. Ashley (D-Ohio), released the CIA study as part of its report. It noted that "to our knowledge, the CIA has voiced no objections" to the endorsement.

Ashley made it clear, however, that the report, based on three months of study and a 12-day tour of Italy, Yugoslavia, Czechoslovakia, Hungary and the Soviet Union, represented the views of only the four members.

#### For Soviet Defense?

**O**N THE KEY QUESTION of whether the \$50 million in United States machine tools would be useful to the Soviet defense industry, the report quoted the following testimony by Secretary of State Dean Rusk:

"It is the judgment of the Defense Department, shared by Gen. (Earle G.) Wheeler of the Joint Chiefs of Staff, that a loan that would induce the So-

viet Union to devote greater resources to the production of consumer goods at the expense of applying those resources to military purposes is in our national interest."

In its study, the CIA took a somewhat different view. "Through 1970," it said, "the investment (in the plant) will represent less than one-half of 1 per cent of all Soviet investment in industry and 4 to 5 per cent of machine building investment. Even these data overstate the burden, for repayment on the Fiat contract will stretch into the 1970s."

This seemed to suggest that the amount of industrial potential to be diverted from the defense sector was so small as to be irrelevant.

The subcommittee panel noted that some of the machinery required could be used in defense industries, but said that the vast majority of it was suitable only for the production of automobiles. The tone of its report was distinctly that of a soft-sell in favor of the deal.

#### Well, Not Really for Ivan

**W**HAT WILL IT ALL mean to the Soviet Union if present plans are carried out? And what about that drive from Moscow to Minsk?

The last thing the deal means is that the average Russian will suddenly be able to buy a family car or that a vast

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#### FIAT, From Page B1

new network of roads or gas stations will be built. In 1964, according to the CIA study, "the length of paved roads in the U.S.S.R. about equaled the paved highway system in the state of Michigan." According to the study, there will be no radical changes in highway policy or in the ratio of service stations to cars.

Service facilities are scarce in cities as well as along highways. In Moscow, there are only eight gas stations and eight garages, according to the CIA. In 1962, when I was a correspondent in Moscow, there was only one gas station in the city available to Westerners. To use it, one had to buy coupons

from the diplomatic service bureau of the Foreign Ministry.

As for who will get the automobiles, the intelligence agency said there are indications that the Kremlin is catering to the new bureaucratic and technological elite. It quoted a speech by Premier Alexei Kosygin as follows:

"Everything has been done to deprive even the leaders of big enterprises and economic organizations of the right to use passenger cars. Is this correct? The result has been that many leaders have been compelled to use trucks unlawfully for their official rides . . . damage was inflicted on our economy."

In any case, the CIA report con-

tinued, if the Soviets achieve the production goals they have set for 1975, they will then have about the same number of automobiles the United States had in 1917. On a per capita basis, this would give them about 5 per cent of the current United States stock.

The CIA's conclusion about the overall significance of the Fiat and related projects is that the Soviet Union "has only a toehold in the automotive age." The subcommittee panel agrees with this but adds:

"Nevertheless, this is a huge undertaking and one that could lead to further expansion of Soviet consumer goods industries at a later time."