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Approved For Release 2006/09/26 : CIA-RDP85T00875R001900010188-0

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S-5945

CIA/OER/S-05945-74

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20 February 1974

MEMORANDUM FOR: Major Robert Eames
DAMI-SD
Department of the Army

SUBJECT: Soviet Trade with Latin America

Attached is the information you requested on Soviet trade with Latin America.

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Chief
Trade and Aid Branch
Office of Economic Research

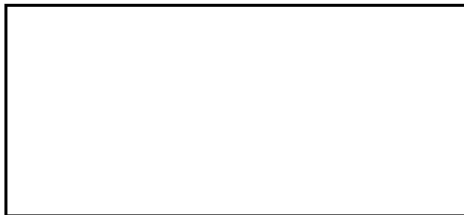
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Soviet Trade with Latin America

Preliminary estimates indicate that Soviet trade with Latin America in 1973 may have increased by about 25 percent over the \$200 million turnover for 1972. ^{1/} Soviet imports may have amounted to about \$220 million and exports to roughly \$30 million. The increase in total trade reflected unusually large Soviet purchases of sugar from Brazil and higher prices for that commodity. We have no evidence that the approximately 35% increase in Moscow's imports from Latin America in 1973 was compensated for by a similar expansion in exports. Thus, the large deficit that it has run in its trade balance with Latin America in recent years was accentuated in 1973. In spite of the increase in trade, Moscow still accounts for less than 1% of Latin America's global trade, this percentage has declined slightly over the past ten years.

Trade consists primarily of traditional Latin American products -- coffee, copper, leather, sugar, and wool -- being exchanged for Soviet equipment and machinery, with Brazil being the largest trading partner. In 1973, trade between Moscow and Brazil probably exceeded \$150 million. Argentina and Chile are the other major trade partners. To help reduce the persistent and increasing imbalance in its trade with Latin America, Moscow has made available 8-10 year credits to finance equipment purchases,

1. This estimate is based on preliminary press reporting. Nineteen seventy-two data are from the Soviet Foreign Trade Handbook. 25X1

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but until now little has been drawn under these credits. Recently Soviet marketing efforts in Latin America have begun to offer the possibility of major sales, particularly for hydro-electric equipment in several countries.

The outlook for Soviet-Latin American trade in 1974 is not clear. It seems likely, however, that the pattern of 1973 will continue and the imbalance in trade will grow. The Soviet Union appears interested in concluding long term contracts for raw materials and it is possible that these might introduce greater stability in their trade, which traditionally has fluctuated from year to year. Sales contracts already concluded for 1974 indicate that Moscow will increase its imports from several Latin American nations. Brazil again should register large gains because of sugar sales and prospective diesel oil deliveries. On the other hand Chilean copper sales probably will decline.

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