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## ECONOMIC INTELLIGENCE REPORT

# SOVIET FOREIGN TRADE IN 1956



CIA/RR 111

30 October 1957

## CENTRAL INTELLIGENCE AGENCY

### OFFICE OF RESEARCH AND REPORTS

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ECONOMIC INTELLIGENCE REPORT

SOVIET FOREIGN TRADE IN 1956

CIA/RR 111

(ORR Project 42.1716)

CENTRAL INTELLIGENCE AGENCY  
Office of Research and Reports

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SOVIET FOREIGN TRADE IN 1956\*

Summary

In 1956, Soviet foreign trade reached a peak for the postwar years estimated to be almost US \$6.9 billion\*\* -- a growth rate in foreign trade far in excess of leading Free World nations. In response to acute shortages of foreign exchange and consumer goods within the Soviet Bloc,\*\*\* the USSR in 1956 launched an extensive and well-publicized campaign of economic assistance to the European Satellites which resulted in a Soviet credit commitment of more than \$750 million. The modest but ingeniously designed Soviet efforts in the underdeveloped areas, already reaping a bountiful harvest of pro-Soviet and anti-Western sentiment, were still further expanded during the year. Soviet credit extensions to underdeveloped areas in 1956 were more than five times the value of Soviet credits extended in 1955. The Soviet propaganda campaign for "peaceful competitive coexistence" was also pressed with renewed vigor -- in both the United Nations Economic Commission for Europe (ECE) and the General Assembly the USSR presented elaborate proposals for a new world economic conference in 1957 in an attempt to cause further dissension in the Free World and nullification of strategic export controls.

In spite of the rapid increase in the volume of Soviet trade and Soviet propaganda activity in Free World areas, there is little to suggest that the USSR is giving up its policy of autarky and taking on any radically new attitudes and patterns of trade. On the contrary, European Satellite manifestations of political and economic independence

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\* The estimates and conclusions contained in this report represent the best judgment of ORR as of 1 September 1957.

\*\* Dollar values are given in terms of current US dollars throughout this report unless otherwise indicated. Ruble values may be converted at the official rate of 4 rubles to US \$1.

\*\*\* The Soviet Bloc includes the USSR and the European Satellites -- Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and China unless otherwise indicated. The Free World includes all countries outside the Sino-Soviet Bloc.

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have undoubtedly shaken the growing Soviet confidence in the strength and unity of the "Socialist camp" and may have served to reinforce the specter of "capitalist encirclement" -- always a major determinant of Soviet foreign economic policy. Any significant alteration of Soviet economic policy with relation to the Satellites as a consequence of the 1956 political upheavals is at present obscure. In the case of Poland the degree of political autonomy granted carries with it certain economic freedom, and Polish trade has displayed an increasing bias toward the Free World. On the other hand, the Hungarian uprising has resulted in the return of some degree of Stalinist control in Eastern Europe, and the loans and promises of increased trade and aid manifest in 1956 would seem to indicate that economic ties also are being fairly firmly maintained.

Perhaps the one salient fact which emerges from a review of Soviet trade activity during 1956 is that it continues to reflect the growing economic capability of the USSR. The USSR has exhibited an effective versatility in directing its trade resources to markets singled out for special attention by diplomacy and propaganda. Its much vaunted capability for the export of machinery, unimpressive by Western standards, has nevertheless found a ready market in the expanding economies of the lesser developed European Satellite and Free World countries. The Soviet economic aid program, representing a commitment of considerably less than 1 percent of Soviet gross national product (GNP) in 1956, does not yet appear to have caused the USSR any serious economic strain. Soviet gold reserves, second only to those of the US, are apparently adequate to satisfy the most pressing demands for foreign exchange on the part of the USSR and the Satellites.

Thus Soviet foreign trade, of relatively marginal importance for domestic economic growth, derives its effectiveness abroad less from its size than from its selectivity. Soviet foreign economic activity will undoubtedly become a matter of progressively greater concern to the Free World as the Soviet concept of foreign trade is increasingly merged, within the limits of Soviet capabilities, with an expanded use of trade to achieve specific objectives of current foreign policy -- the political and economic domination of the Satellites, the economic penetration of underdeveloped areas, and the creation of dissension in the Free World.

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I. Foreign Trade Policy.

In spite of the obvious expansion of Soviet trade in the postwar period, there is little evidence to suggest that the USSR is discarding its policy of autarky and taking on any radically new attitudes and patterns of trade. The Soviet quest for security apparently lost none of its urgency in 1956, when Soviet confidence in the strength and unity of the "Socialist camp" was shaken by Satellite manifestations of economic and political independence.

It would be erroneous to conclude that Soviet economic philosophy has viewed the attainment of self-sufficiency as desirable in itself. Neither in the writings of Soviet economic theoreticians nor in the official pronouncements of the Soviet government is autarky advocated as a valid basis for economic organization. On the contrary, the opposite is commonly asserted, and the advantages and desirability of an international division of labor and worldwide exchange of goods have been stressed by Soviet leaders from Lenin to Khrushchev. In both the pre-World War II and postwar periods, Soviet commercial policy has incorporated two principal goals: the desire for expansion of trade with the Free World and the quest for an economically self-sufficient state. These goals, far from being mutually exclusive, serve to complement each other. Selective trade with the Free World is a major instrument for more rapidly achieving the greater self-sufficiency which the Soviet leaders desire. Although the actual policies of the Soviet government have been consistently directed toward rendering the USSR economically independent of the outside world, they have been motivated less by a slavish acceptance of autarky as an integral element of Socialist economy than by a relentless quest for security against another economic blockade and a determination to insulate the country more effectively from the economic fluctuations of the "crisis-ridden" capitalist Free World.

With the establishment of a Satellite trading bloc in the postwar period and with Soviet productive capacity and reserves apparently considered adequate to meet any contingencies, an element of change was evident in the official attitude of the USSR toward foreign trade. A Soviet economist wrote in 1956:

Whereas before the war the USSR found itself in a capitalist encirclement and the capitalist monopolies were still successful in obstructing the development of our foreign trade, after the second world war the

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situation changes radically with the formation of the Peoples Democracies in Europe and Asia . . . . Vast manpower reserves, natural resources, and the growing might of the socialist camp are enabling them to produce almost everything they need. The world socialist market has all the basic types of goods. Hence the rapid growth of the trade of the socialist countries, including the foreign trade of the USSR. 1/\*

The Soviet concept of trade as primarily an instrumentality for promoting industrialization and self-sufficiency was now merged with that of an expanded use of foreign trade to achieve specific objectives of current foreign policy. The foreign economic activity of the USSR has become increasingly political in purpose, directed toward the political and economic domination of the Satellites, the economic penetration of underdeveloped areas, and the nullification of Free World export controls. This emergence of Soviet foreign economic activity as a powerful adjunct of Soviet foreign policy bears testimony not only to an increasing Soviet economic capability, but -- perhaps of even greater significance -- to a new Communist appreciation of the role of foreign trade as a tactical weapon in its struggle with world capitalism.

The Twentieth Party Congress in February 1956 (characterized by First Deputy Premier Mikoyan as "the most important Party Congress since Lenin") was notable, among other things, for important pronouncements on foreign trade. The restrictive implications for foreign trade contained in Stalin's concept of "two parallel world markets" as enunciated in his Economic Problems of Socialism in the USSR were subject to tacit modification by the Congress. Mikoyan urged Soviet economists "to make a deep study and critical review . . . from the point of view of Marxism-Leninism" of certain postulates in this work and stated that the existence of two world markets did not preclude trade "between all countries":

We firmly believe that stable, peaceful coexistence is unthinkable without trade, which can be a good basis for this in spite of the establishment of two world markets. The existence of two world markets -- those of socialism and capitalism -- not only does not preclude, but, on the contrary, presupposes a developed, mutually profitable trade between all countries. The correct understanding of

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this question is of fundamental importance from the point of view of the coexistence of the two worlds and is also of practical, economic importance. 2/

Mikoyan went on to maintain a position, unique in recent Soviet pronouncements, that there was much to be gained from the universal division of labor:

We proceed from the belief that our trade with capitalist countries is profitable to both sides and has objective premises for further development. This is conditioned by the very necessity of the social division of labor, that universally known tenet that it is not equally profitable to turn out all forms of production in all countries. In one country it is easier to produce certain items; in another, others. The differences in degree of development of various branches, working class habits, production traditions, and so forth are all influencing factors. In this sense, international trade has been and remains to an ever-increasing degree an expression of the rational division of labor between the peoples. 3/

The USSR gave the utmost priority to strengthening its relations with Communist China and the European Satellites. The concept of a monolithic, increasingly coordinated bloc was given further official sanction by Khrushchev when he stated:

Today it is no longer necessary for each socialist country to develop all branches of heavy industry as had to be done by the Soviet Union, which for a long time was the only socialist country and existed in a capitalist encirclement. Now, when there is a powerful community of socialist countries whose defense potential and security is based on the industrial might of the entire socialist camp, each European Peoples Democracy can specialize in developing those industries and producing those goods for which it has the most favorable natural and economic conditions. 4/

This division of labor within the Sino-Soviet Bloc was advocated not only as a means of increasing the strength and security of the "Socialist camp," but also as a necessary prerequisite "for releasing considerable resources to develop agriculture and the light industries

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and on this basis to satisfy more fully the material and cultural requirements of the peoples." 5/

Khrushchev also had some encouraging words at the Twentieth Party Congress for the lesser developed areas of the world. He warned the Free World that "imperialists can no longer regard the underdeveloped countries solely as potential sources for the extraction of maximum profits" and assured them of Soviet readiness to help with their industrial development "on terms of equality and mutual benefit":

These countries, although they do not belong to the socialist world system, can draw on its achievements to build up an independent national economy and to raise the living standards of their peoples. Today they need not go begging for up-to-date equipment to their former oppressors. They can get it in the socialist countries, free of any political or military obligations. 6/

Soviet economic diplomacy was given further impetus at the meeting of the 11th session of the ECE in April 1956. In a major policy speech, Ivan G. Kabanov, head of the Soviet delegation and Soviet Minister of Foreign Trade, urged greater economic cooperation among the European states and declared that the USSR, "proceeding from the principle of peaceful coexistence of states with different socialist systems," was vigorously pursuing a policy of extending mutually advantageous economic relations with all countries. Directing his remarks toward Western Europe, Kabanov held out glowing vistas of an expanding Soviet economy willing and able to satisfy Europe's pressing demand for coal and petroleum imports.

Repeating the slogan "Let us trade" proclaimed by Khrushchev at the Twentieth Party Congress, the Soviet delegate submitted three proposals to the ECE, obviously with the purpose of undermining the institutional framework and policies of economic cooperation among Free World countries and the Atlantic alliance. The proposals included the draft of an all-European agreement of economic cooperation within the framework of the ECE, the establishment of an ECE committee for the peaceful uses of atomic energy, and increased contacts between Eastern and Western Europe.

Although the Soviet proposals in the ECE elicited little positive response, the USSR apparently remained undaunted in its determination

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to pose as the champion of increased East-West trade.\* Similar proposals were submitted to the Economic and Social Council of the UN in the summer of 1956, and on 26 November the USSR proposed to the General Assembly that a new world trade organization be established within the framework of the UN and that a world economic conference be called for 1957. These persistent Soviet efforts in the UN and in the ECE may reflect Soviet disappointment in the trade promotion committees which grew out of the 1952 Moscow Economic Conference and a decision to use the UN as a convenient forum for this type of trade promotional propaganda.

II. Value and Direction.

In 1956, Soviet foreign trade reached a peak estimated to be almost \$6.9 billion, in contrast with the prewar peak of \$1.8 billion. This postwar expansion was in large measure a result of rapid strides in industrialization, intra-Sino-Soviet Bloc specialization, and the increasing use of foreign trade to achieve specific objectives of Soviet foreign

\* There is little doubt that the USSR has to some degree successfully identified itself with the campaign for increased East-West trade. A public opinion survey published in June 1956 by the United States Information Agency 7 received the following responses to the question "As far as you know, does Soviet Russia favor or oppose East-West trade?"

	Percent				
	<u>Great Britain</u>	<u>West Germany</u>	<u>France</u>	<u>Italy</u>	<u>Netherlands</u>
Favors	59	60	49	39	68
Opposes	11	7	2	15	5
Qualified	2	1	1	1	2
No opinion	28	32	48	45	25
Total	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Net, "favors" minus "opposes"	48	53	47	24	63
Net, upper socio-economic level	53	78	57	28	67

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policy. Between 1938 and 1955 the USSR passed from 22d to 6th place in world trade, and its share of total world trade registered similar gains. The estimated share of the USSR in world trade in 1938, 1948, and 1956 is shown in Table 1. The foreign trade of the USSR in 1956 was almost 170 percent greater than in 1948. By comparison, France registered a gain of 88 percent; the US, 59 percent; and the UK, only 34 percent (see Figure 1\*).

Table 1

Estimated Share of the USSR in World Trade  
1938, 1948, and 1956

<u>Trade</u>	<u>1938</u>	<u>1948</u>	<u>1956</u>
World (billion current US \$)			
Exports	26.1	57.7	102.9
Imports	27.7	64.2	107.9
USSR (billion current US \$)			
Exports	0.3	1.3	3.4
Imports	0.3	1.3	3.4
USSR (percent of total)			
Exports	1.2	2.3	3.3
Imports	1.1	2.0	3.2

The growth in postwar Soviet foreign trade is almost entirely to be attributed to the expansion of Soviet trade with the Satellites. Soviet trade with the rest of the Sino-Soviet Bloc in 1956 was about 300 percent greater than in 1948, but trade with the Free World was

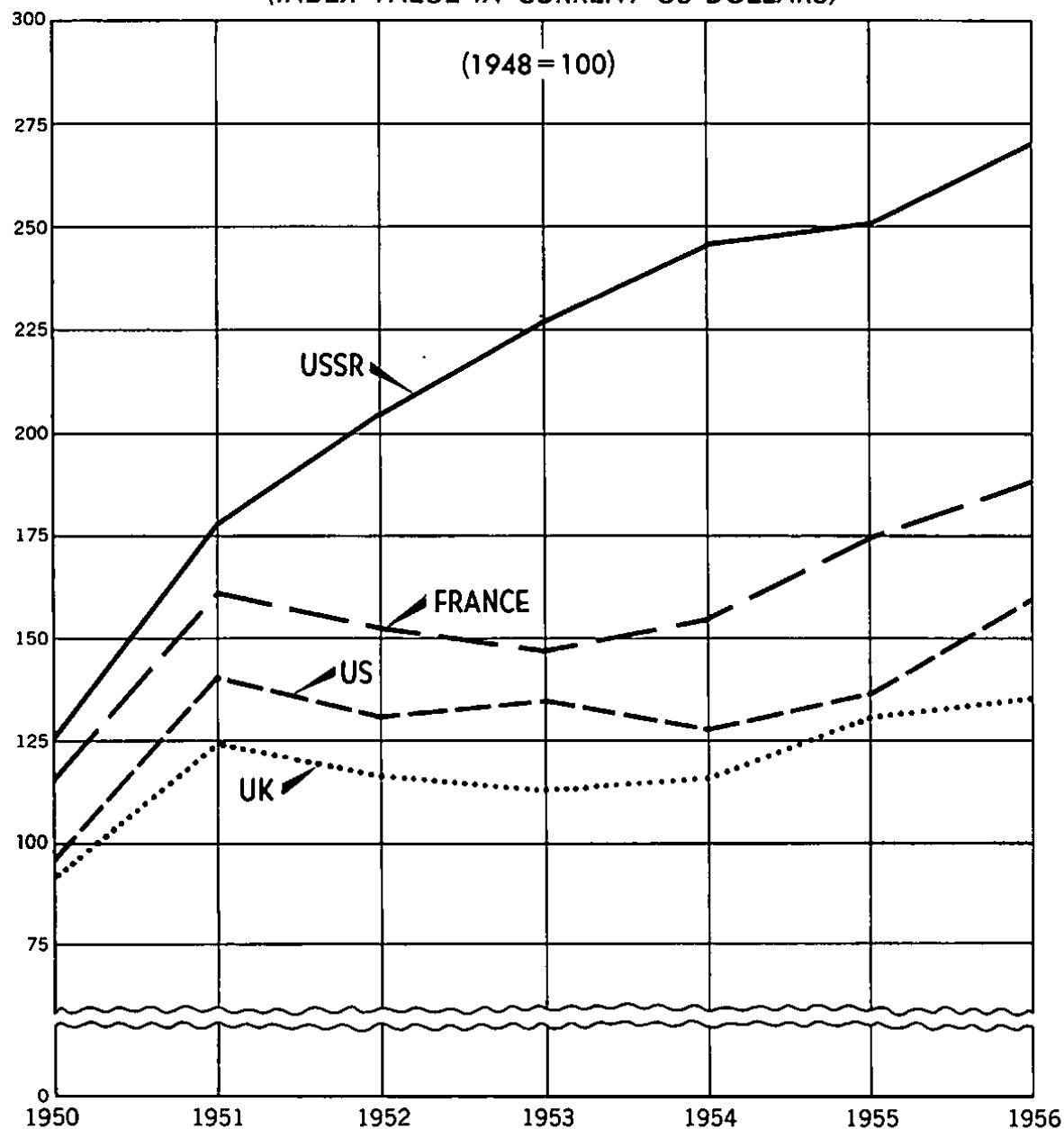
\* Following p. 8.

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Figure 1

## DEVELOPMENT OF THE FOREIGN TRADE TURNOVER OF SELECTED COUNTRIES, 1950-56

(INDEX VALUE IN CURRENT US DOLLARS)



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less than 40 percent greater (see Figure 2\*). For further data on Soviet trade with the Free World and with the Sino-Soviet Bloc, see Tables 11, 12, 13, 14, and 15, Appendix A.\*\*

A. Free World.

Free World trade statistics indicate that Soviet trade turnover with the Free World rose from \$1,233 million in 1955 to an amount estimated to be \$1,588 in 1956. This increase of 29 percent is to be compared with the expansion of Sino-Soviet Bloc trade with the Free World, which increased from \$4,495 million in 1955 to an amount estimated to be \$5,429 million in 1956.\*\*\*

Soviet trade with the Free World in 1955 and 1956 generally maintained the geographical pattern of recent years -- approximately 80 percent was with the countries of Western Europe (see Figure 3\*). Large-scale Soviet purchases of Canadian wheat and Malayan rubber in 1956 served to increase the relative shares of North America and the Far East in Soviet trade. The absence in 1956 of large Soviet purchases of Cuban sugar, which accounted for the relatively large share of Latin America in Soviet - Free World trade in 1955, resulted in a significant decrease in the trade of that area with the USSR in 1956.

The UK, having become the chief Free World trading partner of the USSR in 1955 (receiving about 28 percent of Soviet exports to the Free World and accounting for about 16 percent of total Soviet imports from the Free World) continued to dominate the Soviet trade picture in 1956. Although Soviet exports to the UK have suffered a decline, Soviet imports from the UK were 75 percent higher than in 1955, giving rise to a unique (although small) Soviet import surplus. Other Western European nations of some significance in Soviet trade with the Free World, in order of importance, were Finland, France, West Germany, the Netherlands, Belgium-Luxembourg, Italy, and Norway. As a consequence of the normalization of their political relations in 1955, the USSR and Yugoslavia rapidly expanded their trade, which reached \$32 million in 1955 compared with \$2.5 million the year before. Preliminary figures

\* Following p. 10.

\*\* Pp. 50, 51, 52, 53, and 54, respectively, below.

\*\*\* In spite of its substantial increase, Free World trade with the Sino-Soviet Bloc accounted for only 2.7 percent of total Free World trade in 1955.

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for 1956 which disclose a mutual trade turnover of almost \$112 million indicate that this rapid expansion of Soviet-Yugoslav trade has not been inhibited by strained political relations.

Exports from the USSR to the Free World in recent years have maintained a steady expansion of approximately 25 percent annually and in 1956 were more than twice the level of 1953. On the other hand, Soviet imports from the Free World vary from year to year with the changing requirements of the USSR for raw materials. The increased purchases of Canadian grain and Malayan rubber, together with substantial purchases of copper wire from the UK (more than one-fourth of all Soviet imports from the UK), resulted in a considerable increase in Soviet imports from the Free World in 1956. The absence of its customary export surplus with the UK, on which the USSR has hitherto relied for sterling with which to settle its deficit with other nondollar countries, was probably a major contributing factor to the record Soviet gold sales in 1956 and early 1957.

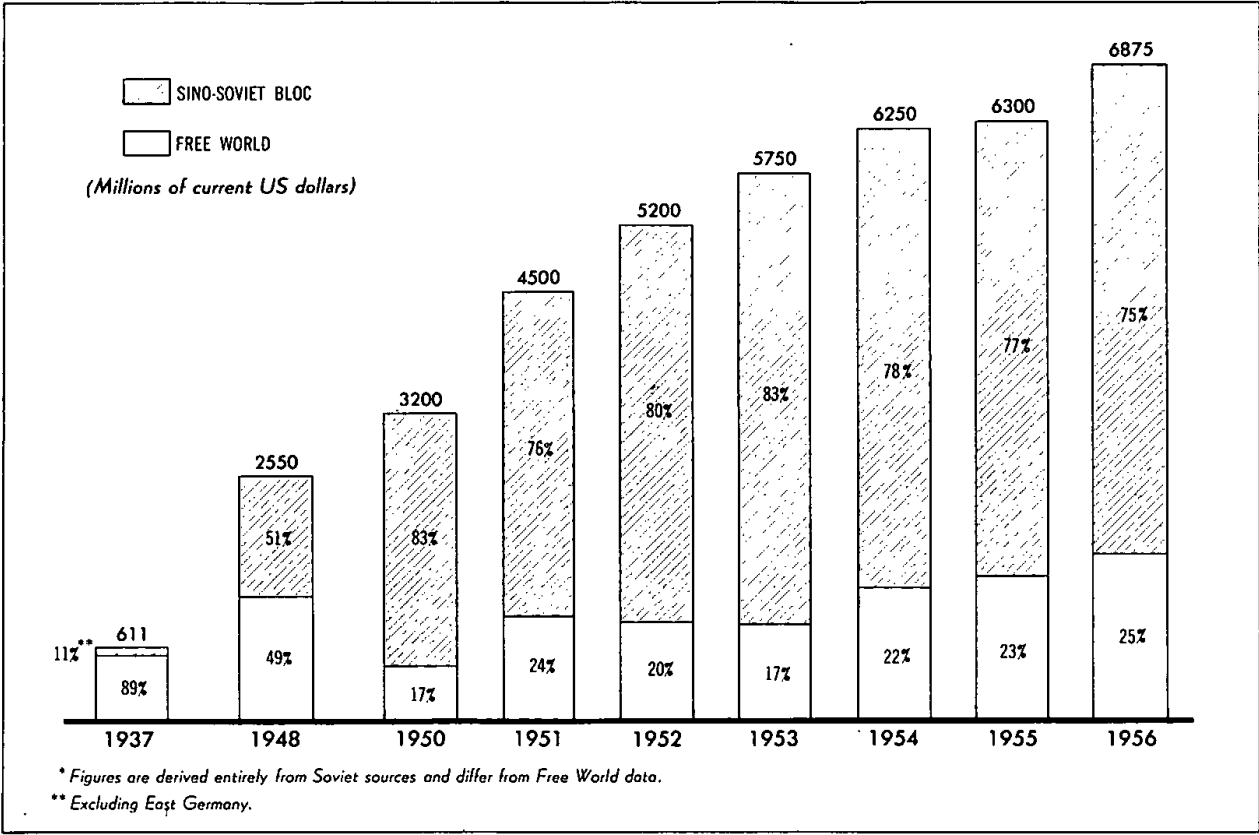
The most striking aspect of the new Soviet economic diplomacy is the entry of the Soviet Bloc into the foreign lending field, especially in the underdeveloped areas. After years of denouncing foreign aid as an instrument of Free World imperialism, the USSR and the European Satellites have, through 31 December 1956, signed agreements to extend to underdeveloped countries about \$1.4 billion in credit for the purchase of Bloc goods and technical services, including arms.\* The largest single beneficiary is to be Yugoslavia, with \$464 million. With the exception of Yugoslavia, the emphasis of this lending drive has been on the underdeveloped nations of the Near East and South Asia. Egypt with \$283.6 million, India with \$281.9 million, Afghanistan with \$161.9 million, and Indonesia with \$112.3 million account for the bulk of the remaining credits. The USSR is providing a little more than half of the credits extended and the European Satellites the remainder. Credits accepted and under consideration by underdeveloped countries of the Free World from the Soviet Bloc in 1954-56 are shown in Table 2.\*\*

Although the initiative in the economic offensive has come from the USSR, the European Satellites have become the spearhead of the offensive insofar as it involves trade rather than aid. Although the USSR is now the world's second greatest industrial power, it is still a net importer of capital equipment. The planned rates of Soviet economic expansion and production of armaments apparently require a

\* See Table 15, Appendix A, p. 54, below.

\*\* Table 2 follows on p. 11.

### USSR ESTIMATED TRADE WITH THE SINO-SOVIET BLOC AND THE FREE WORLD\* 1937, 1948, AND 1950-56



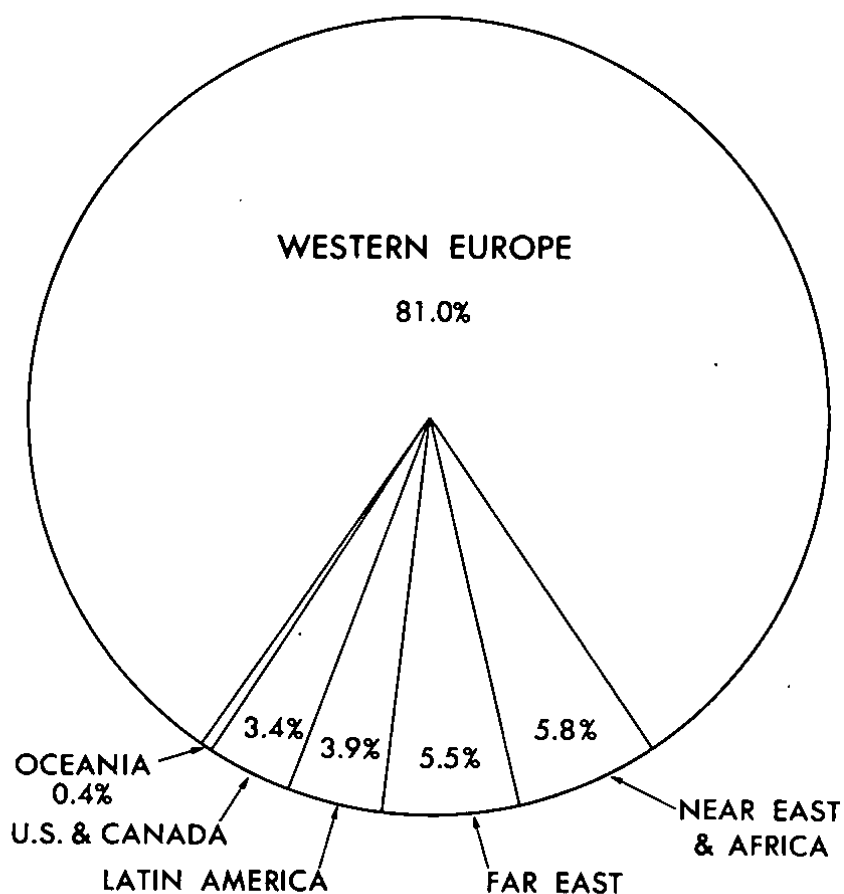
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Figure 3

USSR  
ESTIMATED DISTRIBUTION OF TRADE  
WITH THE FREE WORLD, BY AREA, 1956



*Compiled from Free World sources.*

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Table 2

Credits Accepted and Under Consideration  
by Underdeveloped Countries of the Free World from the Soviet Bloc a/  
1954-56

Area and Country	Million Current US \$		
	Credits Accepted (1 January 1954 - 31 December 1956)	Credit Offers Under Consideration (31 December 1956)	Total
Middle East and Africa			
Egypt	283.6	236.0	519.6
Ethiopia	3.0	0	3.0
Iran	3.0	0	3.0
Lebanon	0	1.0	1.0
Saudi Arabia	0	5.0	5.0
Sudan	0	0.7	0.7
Syria	80.2	24.8	105.0
Turkey	16.9	220.5	237.4
Yemen	9.0	0	9.0
Subtotal	<u>395.7</u>	<u>488.0</u>	<u>883.7</u>
South and Southeast Asia			
Afghanistan	161.9	0	161.9
India	281.9	22.0	303.9
Indonesia	112.3	0	112.3
Subtotal	<u>556.1</u>	<u>22.0</u>	<u>578.1</u>
Europe			
Iceland	1.7	9.5	11.2
Yugoslavia	464.0	0	464.0
Subtotal	<u>465.7</u>	<u>9.5</u>	<u>475.2</u>

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Table 2

Credits Accepted and Under Consideration  
by Underdeveloped Countries of the Free World from the Soviet Bloc  
1954-56  
(Continued)

Million Current US \$

<u>Area and Country</u>	<u>Credits Accepted (1 January 1954 - 31 December 1956)</u>	<u>Credit Offers Under Consideration (31 December 1956)</u>	<u>Total</u>
Latin America			
Argentina	21.5	15.0	36.5
Brazil	2.6	11.5	14.1
Cuba	0	3.0	3.0
Mexico	0.1	0	0.1
Subtotal	<u>24.2</u>	<u>29.5</u>	<u>53.7</u>
Total	<u>1,441.7</u>	<u>549.0</u>	<u>1,990.7</u>

higher rate of industrial investment than the engineering industries of the country can support from their own production. On the other hand, the industrial progress of the European Satellites since the war has made them less dependent on imports of Free World capital goods and more anxious to find markets where they can sell the products of their own industries and procure raw materials for them. The Satellites historically have maintained important connections with the underdeveloped areas, whereas prewar Soviet trade with these areas was insignificant and Soviet engineering products virtually unknown. These factors partly explain why in 1956 the total trade of the Satellites with the Near East, Africa, Asia, and Latin America amounted to more than 600 million, but the trade of the USSR with these areas amounted to less than \$250 million.

Soviet Bloc credits cover a fairly wide variety of projects for developing industry, power, transport, and mineral resources as well as facilities for scientific research and education. In each case, projects have been skillfully devised to have a particular appeal to the recipient country, and initially at least, the psychological impact of

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the assistance has been substantial. The USSR has impressed most of the recipients by the speed with which it has completed loan negotiations and implemented agreements and by the quality of equipment and technical service furnished. There seems little doubt that Soviet efforts in underdeveloped areas have reaped significant political and economic rewards. Although exports of capital goods tend to intensify Soviet domestic economic problems, the imports in return, especially agricultural commodities, have a countervailing effect. The total aid program is less than 1 percent of Soviet GNP, and there is every evidence that the USSR has the capability to carry on indefinitely with an economic program of this type.

B. Sino-Soviet Bloc.

At the Twentieth Party Congress, Premier Bulganin announced that Soviet trade with the Sino-Soviet Bloc was 19.5 billion rubles, or \$4.87 billion, in 1955. This figure, when compared with a total for 1954 estimated to be \$4.90 billion, represents a decrease of about \$30 million, the first such decline since the development of the so-called "Socialist world market" (see Table 6\*). This stabilization of Soviet trade with the rest of the Sino-Soviet Bloc was only temporary (see Figure 4\*\*) -- \$5.2 billion is estimated for 1956 (see Figure 5\*\*), and a planned goal of \$5.8 billion has been reported for 1957. 9/

1. European Satellites.

Soviet trade with the European Satellites failed to maintain the large annual increases of the immediate postwar years. Conversely, the Satellites have shown both a marked shift in trade to the Free World\*\*\* and a corresponding decrease in the share of this total trade which is directed to the USSR. The trade of the European Satellites with the USSR, by countries, in 1953-56 is shown in Table 3.\*\*\*\* One apparent reason for the relative stability in Soviet trade with the Satellites is the failure of the USSR to maintain its previous level of export of consumer goods, particularly grain exports, to the Satellites, where two bad harvests had raised import requirements. For example, out of total Satellite imports of 3.9 million

\* P. 23, below.

\*\* Following p. 14.

\*\*\* The trade of the European Satellites with the Free World was \$1.5 billion in 1953, \$1.8 billion in 1954, and \$2.4 billion in 1955 and is estimated to have been \$2.8 billion in 1956.

\*\*\*\* Table 3 follows on p. 14.

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Table 3

Trade of the European Satellites with the USSR, by Country  
1953-56

Percent of Total for Each Country				
<u>Country</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Bulgaria <u>a/</u>	57	45	46	50
Czechoslovakia <u>b/</u>	35	36	35	33
East Germany <u>c/</u>	46	44	38	45
Hungary <u>d/</u>	32	29	22	30
Poland <u>e/</u>	33	38	32	27

- a. 10/  
b. 11/  
c. 12/  
d. 13/  
e. 14/

metric tons\* of grain in the year 1 July 1955 to 30 June 1956, no more than 1.7 million tons were supplied by the USSR. 15/ The Satellite quest for foreign exchange with which to purchase needed goods in the Free World necessarily led to a forced expansion of exports to that area. Another contributing factor has been the apparent difficulty faced by the Satellites (already heavily in debt to the USSR) in financing their import surpluses from the USSR by drawing on Soviet credits. The long-term credit extensions of the USSR to the Satellites in 1956 were the first such major loans since 1950 (excluding those to East Germany in 1953) and were apparently motivated in part by a belated recognition of Satellite difficulties in their trade and payments relations with the USSR.

The moderate increase in Soviet trade with the European Satellites in 1956 may be attributed to three factors. (a) The excellent Soviet harvest in 1956 has probably removed the difficulties in meeting Satellite import needs for 1957. (b) The payments position of Poland, East Germany, Rumania, and Hungary in relation to the USSR has been considerably improved by the economic agreements in late 1956.

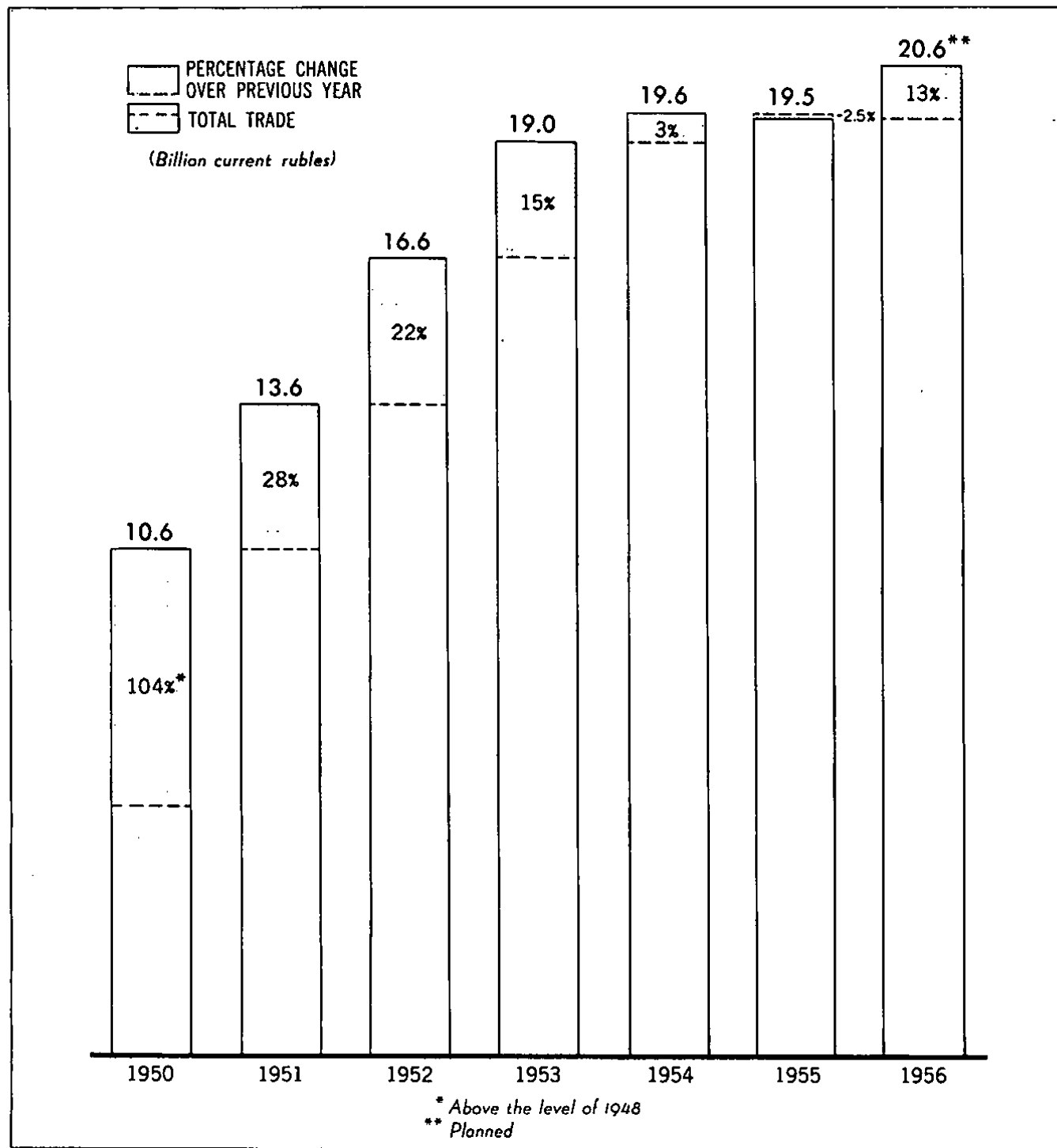
\* Tonnages are given in metric tons throughout this report.



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Figure 4

### USSR: ESTIMATED TOTAL TRADE WITH OTHER MEMBERS OF THE SINO-SOVIET BLOC, 1950-56



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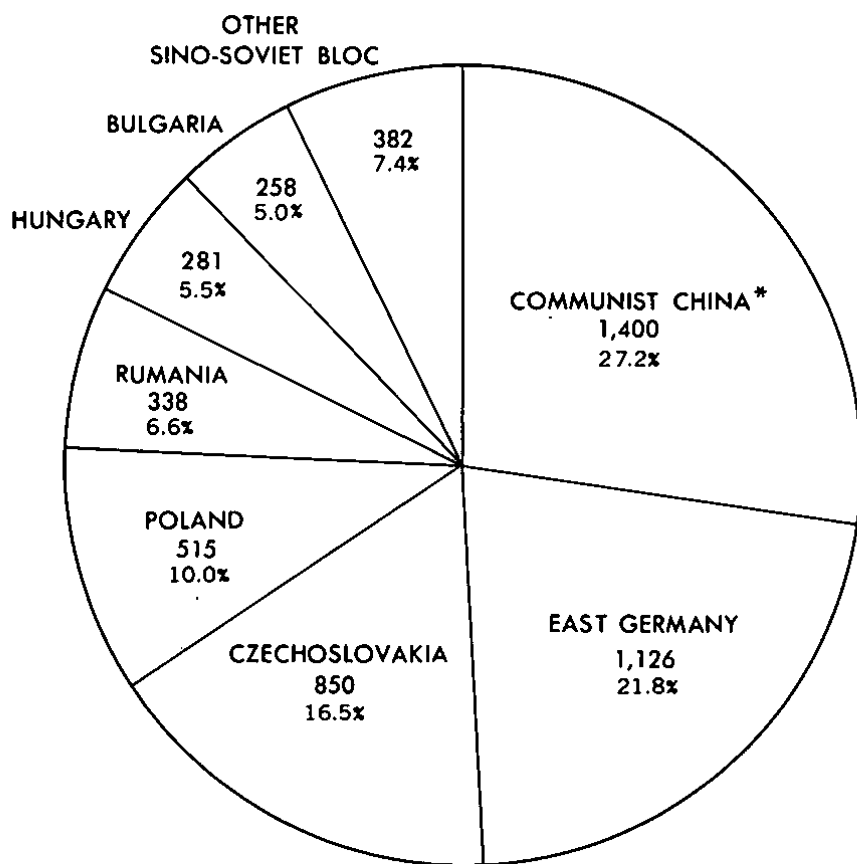
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Figure 5

# USSR ESTIMATED TRADE WITH OTHER MEMBERS OF THE SINO-SOVIET BLOC, 1956

*(Million current US dollars)*



*\*Communist China data place Chinese trade with the USSR somewhat higher than announced Soviet figures.*

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These arrangements include new credits, the canceling of some old debts, and the postponement of repayments of others. (c) The conclusion of trade agreements in 1956 calling for a "significant increase" in mutual deliveries and the signing of supplementary trade protocols in mid-1956 with Czechoslovakia, East Germany, Hungary, and Poland suggest an expansion of Soviet-Satellite trade in 1956 and a considerable increase in 1957 (see Figure 5\*).

The rate of growth of trade between the USSR and the European Satellites after 1956 will probably depend on the extent to which industrial and agricultural specialization and manifestations of economic and political independence in the Satellites result in a reorientation of their trade toward the Free World. Any modification of Soviet economic policy toward the Satellites because of the political upheavals in 1956 is, at this point, difficult to determine. In the case of Poland, the degree of political autonomy granted carries with it a certain economic freedom and, in point of fact, Poland's trade has displayed an increasing bias in favor of the Free World. On the other hand, it would be difficult to argue that the Hungarian uprising has not resulted in the revival of some degree of Stalinist control in Eastern Europe, and the loans and promises of increased trade and aid to the Satellites both before and after the rebellion would seem to indicate the economic ties, too, are being rather firmly maintained.

2. Communist China.

Soviet trade with Communist China in 1956 is estimated to be less than \$1,400 million. The USSR indicated that China accounted for about 20 percent of its foreign trade during 1956. No information is available on the balance of Sino-Soviet trade during 1956, although the USSR has continued to stress that its trade with the Sino-Soviet Bloc is planned to balance in each year. During 1956, Communist China may have utilized about \$50 million under the industrial loan of \$130 million which was extended by the USSR in October 1954, and it probably made a repayment of \$30 million to the USSR as required by the terms of the industrial loan of 1950. If remaining trade movements were in approximate balance, the Chinese would have shown an import balance of about \$20 million on the Soviet account, with imports from the USSR of \$710 million and exports to the USSR of \$690 million.

\* Following p. 14, above.

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C. Gold Sales and Policy.

In recognition that "short-term discrepancies between income and expenditure are not impossible even in the balance of payments of the USSR," 16/ Soviet gold resources are an integral part of Soviet foreign exchange reserves and operate as a fund out of which temporary disequilibriums in the Soviet balance of external payments with the Free World can be met. Soviet sales of gold, however, remain an uncertain factor in Free World markets, as these sales appear to be dependent upon the level of Soviet gold and foreign exchange reserves, Soviet willingness to employ gold as payment for net commodity imports, and the extent to which the USSR will assume the foreign exchange obligations of the European Satellites. The apparent reluctance with which the USSR has employed gold to settle its international accounts shows that it prefers to balance imports with merchandise exports. This position was reaffirmed in a recent textbook on foreign trade which states: "The Socialist state aims at balancing imports with exports, since only such a balance can, in the long run, provide a healthy basis for international trade." However, "gold and foreign exchange have sometimes been used if the need arose for urgent imports of certain commodities, and if export commodity resources could not be mobilized fast enough for such imports." 17/

Estimated gold sales and balances of trade of the USSR in 1950-56 are shown in Table 4.\* Sales of gold by the USSR have declined from \$150 million in 1953 and \$93 million in 1954 to \$70 million in 1955, which may indicate that the increasingly favorable Soviet trade position with the Free World (evident since 1953) has militated against any further large-scale flows of Soviet gold to the Free World. Data available for 1956, however, suggest a rather pronounced change in the Soviet trade position with reference to both the Free World and the sterling area.

The sizable sales of Soviet gold in 1956, estimated to be \$150 million, cannot be accounted for merely in terms of the normal replenishment of sterling reserves. In spite of trade surpluses with the sterling area in the past, Soviet sterling reserves are not believed to be large, and the demand for transferable sterling with which to settle the net deficit of the USSR with other nondollar countries has not measurably diminished. The abnormally heavy Soviet purchases of raw materials and semiprocessed materials in the sterling area during 1956, however,

\* Table 4 follows on p. 17.

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coupled with the increasing assumption by the USSR of Satellite foreign exchange obligations, appear to be the major motivations of the recent Soviet sales.

Table 4

Estimated Gold Sales and Balances of Trade of the USSR a/  
1950-56

Million Current US \$

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Balances of Trade

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<u>Year</u>	<u>Gold Sales</u>	<u>Total Free World</u>	<u>UK</u>	<u>Other Sterling Areas</u>
1950	0	-90	+44	-83
1951	0	-35	+80	-65
1952	0	-91	+37	-39
1953	150	-107	+65	-56
1954	93	-147	+63	-73
1955	70	-62	+65	-41
1956	150	-57	-25	-23

50X1

Although considerations of doctrine apparently do not prevent the USSR from using gold either to settle moderate import surpluses or to extend economic assistance to friendly nations, it appears unlikely that the country will resort to gold financing on any large and permanent scale. If this assumption is correct, it is still necessary to account in some way for the inordinately large Soviet gold reserve, far larger than the prescribed 25-percent gold backing for the ruble would appear to require. One possibility is that the USSR has thus far refrained from any large-scale diminution of its gold reserve because of its belief in the inevitability of a major capitalist crisis during which Soviet gold stocks could be employed with telling effect. It has often been suggested that the USSR may dump gold on the world market in an attempt to disrupt further the already dislocated Free World economies. If the USSR does intend to employ its gold reserves as a weapon of

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economic warfare, Soviet economic writers are obviously reluctant to discuss the matter. It appears unlikely, however, that the USSR seriously harbors any such plan. Any economic dislocations which would result from Soviet dumping would be merely temporary, at most, in view of existing national and international devices to insulate Free World economies from such contingencies. Furthermore, if such a policy were vigorously pursued, it could stimulate faltering economies of the Free World through a reinforcement of foreign exchange reserves and might depress the price of gold to the great disadvantage of the USSR, itself a major gold producer.

The rationale for the large gold reserves of the USSR might be found in the peculiar, almost mercantilist preeminence which it attributes to its store of precious metals, most particularly to its gold reserve. This psychological attachment to gold, however, may be motivated by several more practical considerations. In the light of recent Satellite manifestations of political and economic independence, it may be assumed that the emphasis on large and growing state reserves as a protective buffer against the economic encroachments of Free World capitalism has not measurably abated. Soviet gold reserves, according to the Soviet economist A. Notkin, still "provide the insurance necessary to protect the USSR from major shifts in international market conditions, the possibility of partial or general economic and financial blockade, the possibility of crop failure within the country and the possibility of direct armed assault upon the USSR." 18/ To a lesser extent, Soviet gold reserves have provided useful grist for its propaganda machine. This identification of wealth with gold has enabled the USSR not only to demonstrate its extreme solvency to hesitant Free World businessmen, but also to prove to both neutralist Asians and faltering Satellites the efficacy of the Communist system.

III. Commodity Composition.

The first usable percentage data on the commodity composition of Soviet foreign trade in the recent period is contained in The National Economy of the USSR, a statistical compilation reflecting the economic development of the USSR between 1913 and 1956. Data from this work on the structure of imports and exports of the USSR for selected years, 1938-56, are shown in Table 5.\* For further data, see Tables 13 and 14, Appendix A.\*\*

\* Table 5 follows on p. 19.

\*\* Pp. 52 and 53, respectively, below.

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Table 5

Structure of Imports and Exports of the USSR a/  
 Selected Years, 1938-56

	Percent of Total				
	<u>1938</u>	<u>1950</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
<b>Exports</b>					
Machinery and equipment	<u>5.0</u>	<u>16.3</u>	<u>21.5</u>	<u>24.3</u>	<u>19.5</u>
Fuel, raw materials, and stock					
Coal	1.0	0.3	1.1	1.4	1.8
Petroleum and petroleum products	7.8	1.5	4.2	6.2	7.1
Ferrous and nonferrous metals	1.6	12.6	18.2	15.0	14.2
Lumber	14.1	2.0	2.6	3.3	2.6
Other timber products	6.0	0.9	1.0	1.5	1.0
Cotton	1.9	11.7	12.1	11.5	8.6
Fiber-flax products	1.7	0.5	0.1	0.2	0.4
Furs	9.4	3.3	1.2	1.4	1.2
Subtotal	43.5 <u>57.7</u>	32.8 <u>50.7</u>	40.5 <u>58.5</u>	40.5 <u>57.4</u>	36.9 <u>66.1</u>
Grain	<u>21.3</u>	<u>18.5</u>	<u>12.2</u>	<u>10.5</u>	<u>7.1</u>
Consumer goods					
Meat and dairy products, eggs	0.3	4.6	0.1	0.3	1.1
Sugar	2.5	1.0	0.9	0.8	0.6
Fabrics	4.8	2.7	1.6	1.6	1.0
Subtotal	7.6 <u>16.0</u>	8.3 <u>14.5</u>	2.6 <u>7.8</u>	2.7 <u>8.0</u>	2.7 <u>7.3</u>
Total exports	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>Imports</b>					
Machinery and equipment	<u>34.5</u>	<u>27.1</u>	<u>32.6</u>	<u>35.3</u>	<u>26.6</u>
Fuel, raw materials, and stock					
Coal		2.3	3.7	3.4	1.8
Petroleum and petroleum products	1.2	5.5	3.3	3.4	2.1

a. 19/

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Table 5

Structure of Imports and Exports of the USSR  
 Selected Years, 1938-56  
 (Continued)

	Percent of Total				
	<u>1938</u>	<u>1950</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Imports (Continued)					
Fuel, raw materials, and stock (Continued)					
Ores and concentrates	2.6	1.7	3.6	4.1	11.1
Ferrous and nonferrous metals	25.9	9.3	5.8	5.2	5.9
Natural rubber	3.5	3.8	0.4	0.8	3.0
Cotton	1.8	0.2	0.2	0.5	1.6
Other textile raw materials	7.9	5.5	6.8	5.6	4.8
Peanuts, soybeans, and other oilseeds	0.1	3.1	3.6	3.7	3.0
Subtotal	<u>60.7</u>	<u>56.6</u>	<u>46.2</u>	<u>44.6</u>	<u>55.1</u>
Consumer goods					
Meat and dairy products, eggs	0.3	1.9	6.0	4.4	2.8
Sugar	0	3.8	1.9	3.3	0.8
Fruit and vegetables	1.9	1.0	1.6	1.6	1.6
Fabrics	0.4	4.7	4.3	3.4	4.1
Subtotal	<u>4.8</u>	<u>16.3</u>	<u>21.2</u>	<u>20.1</u>	<u>18.3</u>
Total imports	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The emergence of industrial equipment as a major component of Soviet exports is the most significant change in the commodity composition of Soviet foreign trade since the end of World War II. The Soviet government reported that machinery and equipment made up 19.5 percent of its



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exports to all markets in 1956. In 1938, the last reported prewar year, only 5 percent of Soviet exports consisted of goods in the machinery category, worth approximately \$13 million in prices of that year.

Another major change shown by the latest Soviet data on trade is the decline of grain as a dominant export item. In 1956, grain accounted for only 7.1 percent of total exports compared with 21.3 percent in 1938.

Apart from these two categories, raw materials continue to make up the core of the Soviet export potential. This broad group of commodities accounted for 57.7 percent of total Soviet exports in 1938, and it accounted for 66.1 percent in 1956. Within this area, however, a number of notable changes have occurred. Exports of semiprocessed metal and raw cotton have increased, while coal and petroleum exports remained substantially the same. At the same time, exports of raw furs and lumber declined in relative importance.

A. Free World.

The commodity pattern of Soviet imports from the Free World during 1955 showed a marked shift toward increased procurement of industrial equipment and ships (see Table 13, Appendix A\*). There was an increase of 27 percent in shipments to the USSR in 1955 above the level of 1954 in the broad category of machinery and transport equipment, or a total of \$184.7 million compared with \$145.1 million. As a proportion of total Soviet imports from the Free World, this category rose to 30.8 percent in 1955 compared with 25.3 percent in 1954. Ships were the largest item in this category of goods, totaling \$105 million compared with \$71 million in 1954. Imports of metal into the USSR in 1955 were double the value of 1954, \$57 million compared with \$28 million. The largest element in this expansion was the heavy Soviet purchases of copper wire, \$36.6 million in 1955 and \$6.4 million in 1954. Soviet imports of foodstuffs declined somewhat in 1955 from the level of 1954 in spite of an increase in imports of sugar and rice. The absolute decline was due in part to reduced purchases of meat and the cessation of butter imports.

The Soviet export structure with the Free World in 1955 continued to show a sharp decline in grain exports and a rise in the

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\* P. 52, below.

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export of petroleum products (see Figure 6\* and Table 14, Appendix A\*\*). The category "Mineral fuels, lubricants, and related materials" increased from \$8.2 million in 1950, or 3.3 percent of total Soviet exports to the Free World, to \$110.2 million in 1955, or 17.4 percent of this total. Since mid-1954, this component of Soviet exports has replaced grain as one of the major earners of Free World currencies (see Figure 6\*).

B. European Satellites.

Although precise information on the composition of Soviet trade with the European Satellites is lacking, there is little evidence to suggest any major change in the general pattern of Soviet-Satellite commodity trade in 1956. On the basis of published trade agreements and other data the USSR apparently still remains, with the Satellites as with the Free World, a net importer of capital equipment, and the bulk of Soviet exports to the Satellites consists of raw materials, fuel, and foodstuffs. The trade of the European Satellites with the USSR, by commodity groups, is shown in Table 6.\*\*\*

C. Communist China and the Asian Satellites.

1. Communist China.

More than 90 percent of the exports of Communist China to the USSR in 1954 and 1955 moved by rail and river routes, but no detailed intelligence is available on their composition. Chinese rail shipments to the USSR consisted of commodities of low and medium value, such as grains and foodstuffs, pig iron, minerals, and cement, and also of products having a much higher value per ton, such as silk, wool, bristles, nonferrous ores, and leather products. River shipments consisted of such low-value products as timber, grain, and cement. 21/

The USSR has announced that assistance to Communist China in the construction of 211 industrial projects (originally 156 but increased to 211 in April 1956) will involve the export of equipment and machinery worth slightly more than \$2 billion. 22/ Although the exact time period involved is not known, it probably covers the period of the Chinese First Five Year Plan (1953-57) and several years of the Second Five Year Plan (1958-62). The value of the industrial equipment

\* Following p. 22.

\*\* P. 53, below.

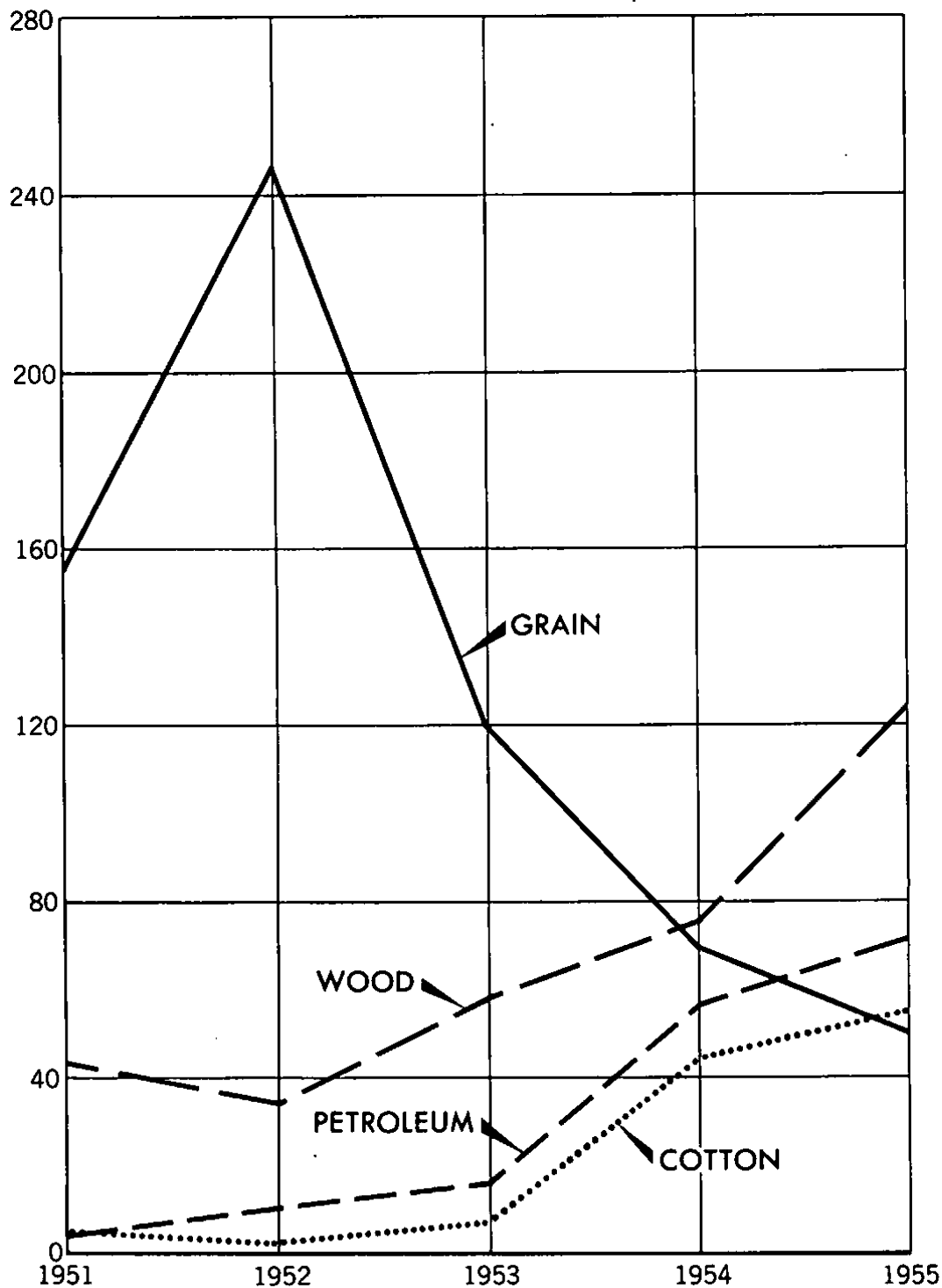
\*\*\* Table 6 follows on p. 23.

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Figure 6

USSR  
PRINCIPAL EXPORTS TO THE FREE WORLD  
1951-55

(Million current US dollars)



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Table 6

Estimated Trade of the European Satellites with the USSR  
 by Commodity Group a/

Commodity Group	Percent of Total			
	Poland (Planned 1957)	East Germany (Planned 1956)	Czecho- slovakia (1955)	Hungary (1956)
<b>Exports</b>				
Machines	41.0	76.3	75.1	58.8
Raw materials	49.0	20.0	15.0	41.2
Food and consumer goods	10.0	3.7	9.1	
Total	<u>100.0</u>	<u>100.0</u>	<u>99.2</u>	<u>100.0</u>
<b>Imports</b>				
Machines	24.0	1.6	25.0	11.0
Raw materials	N.A.	70.8	44.0	87.0
Food and consumer goods	N.A.	27.6	28.0	2.0
Total	<u>100.0</u>	<u>100.0</u>	<u>97.0</u>	<u>100.0</u>

a. 20/

which China receives from the USSR under this program is estimated to average from \$250 million to \$300 million annually during 1953-60, with an acceleration of deliveries toward the end of the period.\* In addition,

\* This estimate of the annual value of imports of equipment from the USSR is from Soviet sources and is approximately confirmed by Chinese Communist statements. The Chinese have said that the total cost of the industrial projects built during 1956 under the First Five Year Plan will be 11 billion yuan, of which it is estimated from other Chinese statements that about 45 percent (or 5 billion yuan) will be for mechanical equipment. The Chinese have stated that 50 to 70 percent of footnote continued on p. 247

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during 1953-55 the USSR also exported to China vehicles, metals, agricultural machinery, military goods (on current account), essential raw materials and supplies, and miscellaneous products, with an annual value of \$425 million. The estimated commodity composition of Chinese Communist imports from the USSR in 1954-55 on barter account is shown in Table 7.

Table 7

Estimated Commodity Composition of Chinese Communist Imports  
from the USSR a/  
1954-55

Commodity	1954		1955	
	Volume (Thousand Metric Tons)	Value (Million Current US \$)	Volume (Thousand Metric Tons)	Value (Million Current US \$)
POL	870	44	1,165	60
Steel	200	30	200	30
Military end items (imports on current account only)	30	150	30	150
Other (industrial equipment and supplies and miscellaneous)	225	321	400	560
Total	<u>1,325</u>	<u>545</u>	<u>1,795</u>	<u>800</u>

a. 23/

the mechanical equipment for these projects will be delivered by the USSR, and it will be worth from 2.5 billion to 3.5 billion yuan. This is equivalent (at the present yuan-dollar exchange rate) to about \$1 billion to \$1.5 billion, or an annual average for the 5 years of \$200 million to \$300 million.

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2. North Korea.

The planned commodity composition of North Korean exports to the USSR in 1950 is shown in Table 8.

Table 8

Planned Commodity Composition of North Korean Exports to the USSR a/  
1950

<u>Commodity</u>	<u>Value (Million Current US \$)</u>	<u>Percent of Total</u>
Nonferrous metals and minerals	30.2	42
Ferrous metals and minerals	27.5	38
Chemicals	11.0	15
Other	3.4	5
Total	<u>72.1</u>	<u>100</u>

a. 24/

The reported commodity composition of North Korean imports from the USSR in 1948 (the latest year for which data are available) is shown in Table 9.\*

In the period following the Korean War, Soviet trade with North Korea on barter account developed slowly and probably did not exceed \$25 million in 1955 and \$35 million in 1956. The USSR delivered materials to North Korea under a grant-in-aid program, however, which amounted to \$97.5 million in 1954, \$85 million in 1955, and is estimated to be \$67.5 million in 1956. Soviet deliveries of aid material to North Korea in 1954 consisted of consumer goods such as food, shoes, drugs, cloth, and wool (representing 23 percent of identified commodities); flow capital goods such as cement, iron and steel, POL, building materials, and chemicals (representing 40 percent of identified commodities); and fixed capital goods such as railroad equipment, vehicles, farm

\* Table 9 follows on p. 26.

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Table 9

Reported Commodity Composition of North Korean Imports from the USSR a/  
1948

<u>Commodity</u>	<u>Value (Million Current US \$)</u>	<u>Percent of Total</u>
Machinery and raw materials for nonconsumer goods industries	14.6	57
Raw materials for consumer goods industries	5.1	20
Consumer goods	5.7	22
Medical supplies	0.2	0.7
Other	0.1	0.3
Total	<u>25.7</u>	<u>100.0</u>

a. 25/

machinery, industrial machinery, and tools (representing 37 percent of identified commodities). The composition of aid deliveries in 1955 and 1956 was approximately the same as in 1954. 26/

3. North Vietnam.

The commodity composition of Soviet exports to North Vietnam in 1955 is not available in detail, but it included \$15 million of rice which the USSR purchased from Burma and delivered to North Vietnam under the Soviet grant-in-aid program for North Vietnam. Additional Soviet deliveries to North Vietnam were POL and possibly fertilizer. North Vietnamese exports to the USSR were relatively insignificant in 1955, probably consisting of such native products as spices, rattan, and fruits.

D. Selected Commodities.

1. Grain.

Before World War I, Russia was a leading exporter of grain, shipping abroad about 10 million tons per year. Grain exports in this

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period accounted for about 50 percent of the Russian agricultural exports by value, and animal products constituted another 25 percent. Grain exports declined sharply during the interwar years. After World War II, exports to non-Soviet Bloc nations were resumed, but on a comparatively small scale, reaching a peak of about 2 million tons of 1951/52. From 1951/52 to 1954/55, exports to the Free World declined steadily, falling to less than 800,000 tons in 1954/55. In 1955/56, there was a slight increase in grain shipments to non-Bloc countries. In February 1956 the USSR signed a trade agreement with Canada in which the USSR contracted to purchase 1.2 million to 1.5 million tons of wheat over a 3-year period in annual quantities of from 400,000 to 500,000 tons. 27/ In 1956 the specified 400,000 tons were imported by the USSR. 28/

Since World War II the USSR has had to supply grain to the European Satellites, countries which before the war had been surplus grain producers. Net grain exports to the Satellites reached a high of about 2.5 million tons in 1953/54, but in the last 2 years they have declined to less than 2 million tons. It is expected that in 1956/57 grain exports to the Satellites will be increased substantially -- a record grain crop in 1956 in the USSR together with a rather poor harvest in the Satellites makes this likely. A report on Rumanian imports of grain from the USSR stated: "Apart from its exports to the Rumanian Peoples Republic the Soviet Union supplies wheat to other Socialist countries, among which are Czechoslovakia, Albania, Hungary, Yugoslavia, the German Democratic Republic, Poland, Bulgaria, and other countries. Only this year [apparently referring to 1956/57] the Soviet Union is exporting to these countries, under very advantageous conditions, up to 5 million tons of wheat."\* Long-term loans have been announced between the USSR and Poland, Rumania, and Bulgaria in which the USSR contracted to export in 1957 1.4 million tons of wheat to Poland, 30/ 450,000 tons of wheat and 60,000 tons of feed grain to Rumania, 31/ and an unspecified amount of grain to Bulgaria. In view of these grain loans and of estimates of Satellite needs in relation to the current Soviet policy of increased aid to the Satellites, it is possible that as much as 5 million tons of grain may be exported to them in 1956/57.

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\* The reference is to "wheat," but the 5 million tons may refer to total grain exports. A very large share of the grain exports to the European Satellites will be wheat, however, because this grain is of greatest value to the Satellites, and a favorable year in the "new lands" has given the USSR an increased supply of wheat.



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Because of the expected increase in Soviet exports to the European Satellites, it is unlikely that there will be any significant increase in Soviet exports to Free World countries. The trade agreement recently signed with Finland, a major importer, calls for an increased amount of rye, with no significant change in the total.

2. Wood Products.

In terms of net trade in wood products, the USSR rose from a \$10-million import position in 1952 to a \$124-million export position in 1955.\* This change in the Soviet market position was primarily the result of an increase in exports of lumber and a decline in imports of prefabricated houses. Although the wood shipments in 1955 amounted to less than 2 percent of Soviet production of wood, 33/ they were sufficient to rank the USSR along with other principal wood-exporting countries such as Finland, Sweden, and Canada. Although the exports of other principal wood-exporting countries declined in 1956, net exports of wood from the USSR continued at the same high level as in 1955. 34/ The USSR has been greatly interested in using wood as a means of payment this year and has made attractive price concessions on certain specifications. The successful timing of these concessions indicates that the Soviet export organization is in a position to take advantage of limited market opportunities more effectively than the numerous individual exporters of the Free World. 35/

In 1955 the USSR exported pulpwood to the Free World for the first time since 1950, and pulpwood exports are expected to amount to \$8 million in 1956.\*\*

Soviet imports of prefabricated houses from Finland, which ranged from \$23 million to \$28 million during 1951-54, dropped to less than \$8 million in 1955. The Finnish prefabricated industry, which exports 70 percent of its products to the USSR, suffered accordingly. Although the Soviet-Finnish trade agreement called for \$23 million worth of prefabricated buildings in 1956, the USSR discontinued buying prefabricated houses entirely in 1956, and the Finnish prefabricated industry is having difficulty locating new markets. 37/ When Finland

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\* Dollar values in this section are in terms of 1955 US dollars. Net exports of wood from the USSR amounted to almost \$500 million in 1937, including exports from the Baltic countries. 32/

\*\* Soviet exports of pulpwood amounted to more than \$50 million in 1937. 36/

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ceded territory to the USSR in 1944, a portion of the woodworking capacity of Finland was separated from its raw material base, and Finnish wood transportation costs increased proportionately. 38/ Amelioration of this situation was initiated in 1955 by the shipment of wood from the USSR to Finland. In 1955 the USSR exported \$500,000 worth of pulpwood to Finland, and it is expected to ship \$1.5 million worth of pulpwood and \$5 million worth of timber to Finland in 1956.

In recent years, trade in wood products between the USSR and other Soviet Bloc countries has been in rough balance. It is estimated that the USSR imports from \$5 million to \$10 million worth of wood from Rumania and exports about the same quantity to Hungary. Most of these imports and exports are merely exchanges on paper -- wood is shipped directly from Rumania to Hungary and is credited to the USSR under trilateral trade agreements. 39/ The USSR plans to send about \$500,000 worth of lumber and timber to Hungary this year above its usual commitments and free of charge. About \$300,000 worth of this relief lumber had been shipped from the Ukraine to Hungary as of 15 November 1956. 40/

3. Petroleum.

Soviet exports of crude oil and refined petroleum products (net of foreign exports on Soviet account) in 1956 may have increased to about 5.76 million tons (70 percent refined products and 30 percent crude oil), having a value of about \$140 million compared with Soviet exports in 1955 of about 4.57 million tons (71 percent refined products and 29 percent crude oil), having a value of about \$105 million.\* Soviet

\* If estimates of exports in 1955 from Austria by (1) the SMV (Soviet Oil Administration) and later by (2) Austria on the Soviet reparations account are included, the estimate of Soviet exports in 1955 would rise to approximately 5.91 million tons (64 percent refined products and 36 percent crude oil), having a value of about \$132 million.

The foregoing does not take account of any intra-Austria sales made by the SMV during 1955. If intra-Austria sales, which are roughly calculated to have been about 1.2 million tons and to have a value of about \$25 million, are included, the estimate of total Soviet petroleum exports in 1955 is raised to approximately 7.11 million tons, having a value of about \$157 million.

On the basis of Soviet data in Table 5 (p. 19, above), 41/ however, the value of Soviet petroleum exports in 1955 is computed to be \$204 million.

the validity of the latter estimate /footnote continued on p. 30/50X1

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imports of petroleum in 1956 may have declined very slightly to about 4.38 million tons (virtually all refined products), having a value of \$130 million, compared with Soviet imports in 1955 of about 4.40 million tons (virtually all refined products), having a value of about \$129 million.\* On balance, therefore, the Soviet foreign trade account (net of foreign shipments on Soviet account) in petroleum for 1956 may have shown a net export balance of 1.38 million tons, having a value of \$9.99 million,\*\* compared with 1955, when total export and import quantities were virtually equal (4.57 million tons and 4.40 million tons, respectively). In terms of value, however, there remained a net import balance in 1955 of approximately \$25 million (imports, \$130 million, and exports, \$105 million).

Soviet exports to the Free World increased in 1956 above the level of 1955 more sharply than those to the Sino-Soviet Bloc -- that is, from \$70.6 million to \$93.8 million for the Free World, and from \$41.6 million to only \$46.3 million for the Bloc. Western Europe received the major portion of Soviet exports to the Free World in 1955 and 1956, or \$40.2 million and \$68.5 million, respectively, and Finland and Sweden were the largest importing nations in that group for both years. Soviet exports to the Near East and Africa rose in 1956 compared with 1955. The majority for 1955 (\$10.7 million) was divided almost equally between Israel and Egypt. In 1956, however,

cannot now be established. It appears that the major portion of the discrepancy may derive from the Soviet practice of reporting as Soviet exports those made on Soviet account from East Germany, Albania, Hungary, and Rumania. A case in point is an official Polish claim of petroleum imports from the USSR in 1955, 43/ from which Soviet exports to Poland in 1955 are calculated to be about \$10 million to \$12 million, contrasted with the estimate of \$2.12 million. 50X1  
50X1

\* Net of imports from Austria during the period of SMV ownership and operation. A sharp discrepancy exists between this estimate and an estimate of \$89 million based on Soviet data. 44/ The basis for the discrepancy is not known, and the validity of the lower estimate has not been finally established.

\*\* Including Austrian reparations exports on Soviet account in 1956, the net import balance may have been about 2.58 million tons, having a value of \$32 million.

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Soviet exports to Egypt may have risen very sharply to approximately \$16.2 million, and exports to Israel declined to \$4.67 million because of Soviet curtailment of exports at the time of the Middle East crisis.

Communist China was the major importer of Soviet petroleum during 1955 and 1956. Chinese imports rose slightly, from \$31.9 million in 1955 to \$34.2 million in 1956. Although Soviet exports to the European Satellites rose sharply from 1955 to 1956 (\$8.23 million to \$12.1 million), their share of total Soviet petroleum exports remained relatively small, rising from about 8 percent in 1955 to only about 9 percent in 1956.

4. Cotton.

Soviet exports of cotton increased steadily during the post-war years, reaching a peak in 1954/55 and dropping slightly in 1955/56. Most of this cotton was sent to the European Satellites, but a considerable amount was returned in the form of finished products. In 1953/54, about 20,000 tons (7 percent of total exports of cotton) were exported to the Free World, and in 1954/55 and 1955/56, exports to the Free World increased to 65,000 tons (20 to 25 percent of total exports of cotton). 45/

Soviet imports of cotton are small in relation to exports and have fluctuated considerably in postwar years. These imports are mainly from the Free World. Soviet imports of cotton from Egypt, its major source of supply, totaled approximately \$5.3 million in 1954 and \$16.6 million in 1955, accounting for 1.6 percent and 5.4 percent, respectively, of total Egyptian cotton exports in these years.

5. Coal.

The USSR had a net import balance in its coal trade every year since World War II, but the deficit was less in 1956 than in previous years (in spite of a sizable increase in exports to Yugoslavia), mainly because of reduced imports from Poland and Communist China. It is estimated that imports of coal in 1956 exceeded exports by about 6.5 million tons compared with 9.8 million tons in 1955. Indications are that the USSR imported in 1956 about 9.3 million tons, which is 2.2 million tons less than the estimate for 1955. Estimates for both years include 2.5 million tons of brown coal briquettes supplied by East Germany to the Soviet armed forces.

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Polish shipments to the USSR, which amounted to 8 million tons or more annually during 1949-55, were probably reduced in 1956 to about 6.5 million tons. Because Polish coal requirements have been expanding faster than production, the country expected to have only 19.5 million tons available for export in 1956, or 4.8 million tons less than in 1955. In 1956 as in 1955, Poland supplied roughly one-third of its export coal to the Free World, one-third to other European Satellites, and one-third to the USSR. The USSR is reported to have been buying coal from Poland at prices which were about 20 percent under current world market prices, but Premier Gomulka, on a recent visit to Moscow, obtained agreement from the Soviet government to abolish these concessions. The reduction in Polish coal availabilities came at a time when the USSR was experiencing difficulties in raising output in the important Donets Basin coalfields sufficiently to meet increasing requirements. As a result, there have been shortages of coal in the western USSR, in spite of the movement into those areas of a large volume of coal from central Kazakhstan and western Siberia.

Coal production in the Soviet Far East appears adequate, and imports from Communist China apparently have been reduced from an estimated total of 800,000 tons in 1955 to 300,000 tons in 1956.

If the USSR met its commitments in 1956 -- and insofar as the Free World was concerned it apparently intended to do so -- its coal shipments reached an all-time peak of approximately 2.8 million tons and exceeded those in 1955 by more than 1 million tons and the previous peak in 1935 by almost 500,000 tons. Soviet export commitments to the Free World in 1956 were about 2.6 million tons, and it is estimated that at least 155,000 tons were furnished to the European Satellites. The most significant change in 1956 involved Yugoslavia, which was to receive 700,000 tons of coking coal and 80,000 tons of anthracite, representing a large increase from a total of about 125,000 tons supplied in 1955. About 130,000 tons were to be shipped to Austria, which had obtained less than 1,000 tons the previous year, and exports to Finland were to be raised from 207,000 tons in 1955 to about 350,000 tons in 1956. Most of the countries were to receive as much as or more coal in 1956 than in 1955, with the notable exceptions of Belgium and Italy. Whereas Italy was to obtain a little less coal in 1956, exports to Belgium were to drop from 114,450 tons in 1955 to about 67,000 tons in 1956. France, the largest importer of Soviet coal in 1955 (556,395 tons), apparently was to get a little more in 1956.

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Shortages and high prices of coal in Western Europe along with the easy accessibility of Donets Basin coal to Black Sea ports have been an inducement to the USSR to exploit the foreign market in spite of the fact that there is a need for the coal in the USSR. Exports of coal are presumably advantageous as a means of acquiring necessary goods from the Free World.

6. Coke.

The USSR is estimated to have exported in 1956 approximately 350,000 tons more coke than it imported. Shipments out of the country are estimated to be 757,000 tons compared with slightly more than 800,000 tons in 1955. Approximately 80 percent of the exports in each year went to the European Satellites, and the balance, with the exception of a small quantity to Iceland, was supplied to the Free World countries in Europe. Among the European Satellites, Hungary and Rumania depend rather heavily on the USSR to provide coke for their metallurgical industries, receiving about 300,000 and 225,000 tons, respectively, in 1956. It is believed that East Germany obtained 75,000 tons and Bulgaria about 5,000 tons. The USSR agreed to supply 152,000 tons to 5 Free World countries in 1956, including 76,600 tons to Finland, 50,000 tons to Austria, and 19,000 tons to Sweden. Exports of coke to Finland amounted to 135,000 tons in 1955, but Austria received none.

The USSR imported 434,000 tons of coke from Poland in 1955, but it is believed that the quantity was reduced somewhat in 1956 because of Polish difficulties with production of both coking coal and coke. It is estimated, therefore, that Poland furnished only about 400,000 tons in 1956.

7. Ferrous Metals.

The USSR is a net exporter of iron and steel and of almost all metallic raw and alloying materials used in their production for which trade data are available. The only exceptions are tungsten and molybdenum ores and concentrates, the production of which is supplemented by imports from Communist China. Exports of the commodities used by the iron and steel industry have increased substantially since 1950 and, except for finished steel, represent growing proportions of domestic production. Net exports of finished steel have more than doubled since 1950 but continue to represent only about 2 percent of production in the USSR. Exports of manganese ore, iron ore, chromite, and nickel represent from 10 to 15 percent of domestic production.

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Soviet trade in ferrous minerals and metals is largely with the European Satellites. Tentative estimates indicate that exports to these countries in 1956 accounted for about one-half of the finished steel, one-third of the pig iron, almost one-half of the manganese ore, most of the alloying materials, and all of the iron ore exported by the USSR in that year. The Satellites also obtained a portion of their coke requirements and possibly some iron and steel scrap and crude steel from the USSR, but the available data do not warrant an evaluation of the magnitude or relative importance of these exports.

There is little evidence of significant changes in the pattern of Soviet trade with the European Satellites in 1956. East Germany remained the largest Satellite importer of Soviet finished steel and pig iron. Of these countries, Rumania is probably the second largest importer of finished steel from the USSR. The USSR continued to supply about one-half of the iron ore requirements of the Satellites, the principal importers being Czechoslovakia and Poland. Manganese ore is exported to East Germany, Poland, and Czechoslovakia, which are dependent on Soviet supplies for 75 to 90 percent of their manganese imports. The USSR probably continued to export nickel to the Satellites on a restricted basis; much of it is returned to the USSR in alloy steels or as components of manufactured articles.

There is little information on Soviet trade in ferrous metals with Communist China and the Asian Satellites. Soviet exports consist primarily of shipments of finished steel, which are estimated at a minimum of 200,000 tons in 1956. The principal imports from China are pig iron, tungsten, and molybdenum. The quantity of pig iron imported in 1956 is not known but in previous years was reported to have amounted to several hundred thousand tons. Imports from China provide about 70 percent of the Soviet tungsten supply and about 6 percent of the apparent Soviet requirements for molybdenum.

The incomplete data that are available reveal no significant shifts in Soviet trade in ferrous metals with the Free World in 1955-56. Soviet efforts to penetrate markets in some of the underdeveloped countries were continued in 1956. Shipments of finished steel to India occurred in 1956 under the agreement calling for Soviet exports of 1 million tons of steel in 1956-58. Probably of greater significance, however, is the Soviet agreement to construct an integrated steel plant in India. This plant will have a capacity of 1 million tons of crude steel and is scheduled to begin production by the end of 1958. Full capacity operations, as presently planned, will not be reached until the end of 1959.

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Other principal Free World importers of Soviet steel in 1956 were Argentina and Finland. Smaller quantities were shipped to Greece, Belgium-Luxembourg, Pakistan, Austria, and Iceland. Almost one-half of the apparent exports of pig iron to the Free World in 1956 were to the UK. These shipments, which approximated 300,000 tons, together with exports of 150,000 tons to Belgium-Luxembourg and 100,000 tons to West Germany, accounted for most of the Soviet exports of pig iron to the Free World in 1956.

8. Ships.

The value of imports of ships into the USSR increased from \$140 million\* in 1950 to \$363 million in 1956. The ratio of Sino-Soviet Bloc to Free World imports by the USSR varied in a range from about 3 to 1 in 1950 and 1953 to about 1 to 1 in 1956. Total imports increased in every year except 1953, when they declined by more than \$50 million from the level of 1952. This decline was caused in large part by the decrease in imports from East Germany because of the popular uprisings of that year.

The major Free World supplier of ships to the USSR in 1950-56 was Finland. Imports from West Germany have been sizable since 1955 as were those from Finland throughout the entire period 1950-56. Sweden contributed important amounts in 1951-52 and 1956. Imports from the Netherlands have been modest but consistent since 1954. Denmark and Belgium contributed small amounts for most of these years. Poland and East Germany predominate among the European Satellite suppliers of ships to the USSR. The contribution of East Germany ranged from \$61 million in 1950 to a high of \$94 million in 1952. Poland has been an important source of ships since 1952, and to a lesser extent Hungary has also contributed. During 1950-56 the trend has been for the USSR to utilize more countries of the Free World as suppliers of ships while simultaneously increasing purchases from the Satellites.

IV. Soviet Aid to the Sino-Soviet Bloc.

A. European Satellites.

Khrushchev's disclosure at the Twentieth Party Congress that the USSR had thus far extended to the European Satellites credits totaling

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\* Dollar values in this section are in terms of 1955 US dollars and represent the cost of building the ships in the US in 1955.



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21 billion rubles (\$5.25 billion), together with subsequent announcements of similar long-term credit extensions to each of the Satellites (excluding Czechoslovakia and Albania) in 1956, began a new and well-publicized Soviet program of economic aid to the Satellites. The rationale for this move appears to be that the USSR must either help alleviate the acute shortage of foreign exchange and consumer goods which plagues the European part of the Soviet Bloc or suffer a recurrence of the political unrest to which it has already contributed in East Germany, Poland, and Hungary. The USSR may also have felt it politically expedient to appear more sympathetic to the economic needs of the Satellites in view of its announced policy of economic assistance to underdeveloped countries of the Free World. Soviet credits to the European Satellites in 1956 are shown in Table 10.\* See also Table 15, Appendix A.\*\*

1. Bulgaria.

With the exception of a credit made available to East Germany in 1953, the Soviet loan to Bulgaria in February 1956 was the first sizable grant to a European Satellite since 1950. The Soviet credit provides Bulgaria with 370 million rubles (\$92.5 million) over a 10-year period with which to finance a program of agricultural development. The major share of the credit is to be used to finance Bulgarian imports in 1956-59 of Soviet tractors, combines, other agricultural machinery, and purebred livestock in an amount up to 300 million rubles (\$75.0 million). The remaining 70 million rubles (\$17.5 million) will be used to pay for technical assistance and unspecified equipment supplied by the USSR for the construction of an ammonium nitrate and superphosphate plant. The credit bears interest at 2 percent and is to be repaid by Bulgarian deliveries of agricultural products and other goods. 46/

2. East Germany.

On 17 July 1956 a joint Soviet - East German communiqué announced the conclusion of a comprehensive economic agreement. Ostensibly designed to "raise the material well being of the East German populace," the agreement provides the following:

a. A reduction in the cost of maintaining Soviet troops in Germany from 1.6 billion to 800 million East German marks (Deutsche Mark East -- DME).\*\*\*

\* Table 10 follows on p. 37.

\*\* P. 54, below.

\*\*\* Nominally, 2.2 DME equal US \$1.

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Table 10

Major Soviet Credits to the European Satellites a/  
1956

Country	Date Signed	Provisions
Bulgaria	3 February	A credit of \$92.5 million is to be extended in 1956-59, \$75 million of which is to finance a program of agricultural development and \$17.5 million is to finance Soviet technical assistance and equipment in the construction of two fertilizer plants. Repayment is to be made in part through Bulgarian exports of agricultural products during a 10-year period at 2 percent interest. <u>47/</u>
East Germany	17 July	A credit estimated to be \$258 million, of which \$85 million is freely convertible foreign exchange, is to be extended in 1957 for the purchase of "essential goods on the open world market." Repayment is possibly to be made during a 10-year period at 2 percent interest. <u>48/</u>
Hungary	4 October	A credit of \$25 million is to be extended in 1957, \$15 million of which is in Soviet goods "especially needed" by the Hungarian economy and \$10 million is in free currency. Repayment is to be made in Hungarian goods in 1960-65 at 2 percent interest. <u>49/</u>
Poland	18 September	A credit of \$25 million is to be extended in 1956 in gold and in supplies of goods "necessary" to the Polish economy. Repayment is to be made in Polish goods in 1957-60 at 2 percent interest. <u>50/</u>

a. Dollar values in this table are given in terms of current US dollars.

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Table 10

Major Soviet Credits to the European Satellites  
1956  
(Continued)

Country	Date Signed	Provisions
Poland (Continued)	18 November	A credit of \$175 million is for delivery of goods to Poland in 1958-59, and repayment is to be made in 1963-65. The USSR will also furnish Poland in 1957 1.4 million tons of grain valued at \$100 million, and repayment is to be made in 1961-62. <u>51/</u>
Rumania	3 December	A long-term industrial credit of \$67.5 million is to be extended for the construction of 5 industrial plants, and repayment is to be made over a 10-year period in goods produced by the above enterprises. The USSR also granted Rumania a loan of wheat and fodder during the first half of 1957 valued at approximately \$35 million, and repayment is to be made in wheat or other goods in 1959-61. <u>52/</u>

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b. A "considerable increase" in the mutual exchange of goods in 1956 over and above trade agreement levels and a grant by the USSR to East Germany of free currency for the purchase of "essential goods on the open World Market."\*

c. An unspecified Soviet grant of long-term commodity credits to East Germany on "favorable terms" later disclosed to be for 10 years at 2 percent interest.

d. A Soviet commitment to help East Germany construct a 50,000- to 100,000-kilowatt atomic reactor sometime before 1960. 54/

It has been estimated that assistance from the USSR during 1957-60 will total approximately 7.5 billion rubles (\$1.87 billion), including the sum accruing to East Germany as a result of the reduction in occupation costs.

3. Poland.

Presumably in an effort to quell latent Polish unrest and to forestall any recurrence of the recent Poznan demonstrations, the USSR announced on 18 September 1956 that it had granted to Poland a credit of 100 million rubles (\$25 million) in gold and supplies of copper, rubber, and fats. The credit is to be repaid by supplies of Polish goods during 1957-60 in equal annual parts at 2 percent interest. As added evidence of its desire to "contribute toward the further development of the economy of the Polish Peoples Republic," the USSR granted to Poland an extension of 4 to 5 years on payments for credits which had been previously granted to Poland in the form of supplies of equipment for building industrial enterprises. The USSR also agreed to accept the remainder of the debt of Poland on loans in gold granted by the USSR in 1947-49, to be paid not in gold or convertible currency but in supplies of Polish goods to the USSR. 55/

This economic agreement, however, apparently proved inadequate either to solve the serious economic dislocations in Poland or to stifle increasingly vocal Polish demands for some measure of political independence from Moscow. Impelled by new anti-Soviet demonstrations in late October, a Soviet-Polish conference was hastily convened

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\* An announcement in January 1957 of a Soviet credit to East Germany in gold and convertible currency of 340 million rubles (\$85 million) probably makes specific the foreign currency commitment of July 1956. 53/

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in Moscow in November and resulted in some notable Soviet economic concessions to Poland. The text of the joint Soviet-Polish statement, issued on 18 November, reads in part:

Both sides, on the basis of mutual interests, agreed to regard as settled as from November 1956 the Polish debts arising out of the use of credits granted by the Soviet Government to Poland in payment of the full value of coal delivered by Poland to the Soviet Union in 1946-1953 on the basis of the agreement of August 16, 1945. Agreement was also reached on the settlement of financial accounts in connection with railroad transport and noncommercial payments. The Soviet Government is ready to deliver to the Polish Peoples Republic 1,400,000 tons of grain in 1957. The above deliveries will be made on credit. The Soviet Government has also agreed to grant to the Polish Peoples Republic long-term credits to the amount of 700,000,000 rubles for the payment of commodities delivered by the Soviet Union to Poland in accordance with a mutually agreed list. 56/

Subsequent information further revealed the extent of the Soviet-Polish agreement:

- a. Polish debts to the USSR totaling approximately 2 billion rubles (\$500 million) as of 1 November 1956 were canceled. 57/
- b. The USSR will furnish Poland in 1957 1.4 million tons of grain valued at \$100 million. Repayment is to be made in 1961 and 1962. 58/
- c. The USSR agreed to grant a loan of 700 million rubles (\$175 million) for delivery of goods to Poland during 1958-59. Repayment is to be made in 1963-65. 59/
- d. A commission was established to settle claims due Poland for low rates charged Soviet commercial transit through Poland in the period 1946 through July 1954. The sum was estimated by one Polish official to total "many hundreds of millions of rubles." 60/

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The Soviet-Polish agreement will probably have two immediate and salutary effects upon the international payments position of Poland. The Soviet grain loan should provide substantial foreign exchange relief in 1957 and possibly 1958 by eliminating the necessity for employing Free World currencies in the purchase of large amounts of grain from the Free World (Polish imports of grain from Free World sources totaled \$44.4 million in 1955 compared with \$20.1 million in 1954). The credit of 700 million rubles enables Poland further to import both consumer goods and basic raw materials from the USSR such as iron ore, crude oil, fats, fertilizers, and cotton.

Notwithstanding Polish enthusiasm over the USSR for "making up arrears" from Stalin's more exploitative policy, the net effect for Poland, as a result of the recent cancellation of old debts, has been the assumption of more than 1 billion rubles of new debts and the continuation of a debtor status with relation to the USSR. The granting to Poland of grain from the Soviet bumper grain crop; the credit of 700 million rubles to be used for goods on "mutually agreed lists" (that is, which the USSR can well afford to spare); and the cancellation of debts whose repayment in the predictable future was highly unlikely are perhaps considered by the USSR a moderate price to pay to relieve the pressure on Poland to seek Free World credits and also to forestall the possibility of any repetition of the developments in Hungary.

4. Hungary.

On 4 October 1956 it was announced that the USSR had followed its first loan to Poland with a credit of 100 million rubles (\$25 million) to Hungary. The USSR made available to Hungary 60 million rubles in coke, cotton, synthetic rubber, and lead; and the remaining 40 million were to be a "free currency" loan. Repayment is to be made over a period of 5 years, 1960-65, in goods, at an interest rate of 2 percent. 61/

5. Rumania.

Rumania also has apparently benefited from the recent Soviet credit offensive in the Soviet Bloc. Following a conference in Moscow from 26 November to 3 December 1956, a joint Soviet-Rumanian statement disclosed the following:

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a. The USSR agreed to deliver, in the form of a loan in the first half of 1957, 450,000 tons of wheat and 60,000 tons of fodder, valued at approximately \$35 million. Repayment is to be made over a 3-year period beginning in 1959.

b. Payment by Rumania to the USSR of the installments due in 1957-59 on certain long-term credits was postponed, and problems regarding reciprocal financial exchanges were solved.

c. The USSR agreed to give technical aid in the building of plants in the chemical and petroleum industries. The USSR will carry out the planning of the chemical plants and will supply the equipment on credit. Rumania will repay the credit by deliveries of products made by these plants to the USSR. 62/

the industrial credit granted to Rumania amounts to 270 million rubles (\$67.5 million) and is to be repaid in goods from the Soviet-aided enterprises over a period of 10 years. It was also disclosed that Rumanian debts to the USSR arising out of Rumanian purchases of Soviet shares in joint stock companies are to be reduced by 4.3 billion lei (approximately \$716 million). The repayment of remaining sums due the USSR on credits given Rumania during 1949-56 was suspended for 4 years. 63/

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If all these offers of aid materialize, the USSR, since the beginning of 1956, will have extended to the European Satellites credits totaling approximately \$778 million\* to be drawn upon in 1956-59 (exclusive of canceled debts for Rumania and Poland and the reduction in East German military expenditures). The commodity aid to the Satellites in 1957 alone represents an unforeseen commitment of roughly \$500 million, equivalent in value to about one-seventh of total Soviet exports in 1956.

The conflicting demands on the Soviet economy between these new claims of the European Satellites and those of the Soviet trade drive in the underdeveloped areas may aggravate the already considerable problems of priorities within the Soviet Bloc. Nevertheless, it is considered probable that the economic offensive of the Bloc will be maintained in 1957 and that the Satellite contribution to it is more

\* This figure contrasts with the approximately \$640 million worth of Soviet credit extensions to Free World countries in 1956.

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likely to suffer from the recent upheavals in Poland and Hungary than is the Soviet effort.

B. Communist China and the Asian Satellites.

1. Communist China.

In April 1950 the USSR extended an industrial loan of \$300 million to Communist China at 1 percent interest, which was utilized by China during 1950-54. China is now making annual repayments of \$30 million to the USSR on this loan; the first such payment was to be made prior to 31 December 1954. In October 1954 the USSR granted China a second industrial loan amounting to \$130 million, the terms of which were not announced. It is possible that China drew as much as \$50 million on this credit in each of the years 1955 and 1956. 64/ In October 1954 the Chinese announced that the USSR had granted a loan to China to cover Chinese acquisition of the Soviet share in assets of four Sino-Soviet joint stock companies, the value of which has been estimated at roughly \$75 million. Chinese repayment will be made "over a period of years" through the export of traditional Chinese products to the USSR. 65/

Other loans from the USSR to Communist China, assumed to be primarily for military assistance, have been revealed in statements by the Chinese at the National Peoples Congresses in 1955, 1956, and 1957. The value of the military loan in 1955 is estimated to be \$545 million. It is believed that a great amount of military equipment acquired under these loans was physically located in China and represented a transfer of ownership from the USSR to Communist China. 66/

2. North Korea.

The USSR extended a 3-year grant of 1 billion rubles (\$250 million) to North Korea in 1953. The Soviet aid includes deliveries of physical equipment as well as allocations for designs and blueprints, technical data, services of technicians, and training for North Korean personnel. 67/ The USSR extended a loan of \$40 million to North Korea in 1949 for the purchase of industrial equipment and raw materials and in technical assistance for industry and agriculture. The USSR canceled half of this debt in 1953 and extended repayment for the remainder. 68/



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3. North Vietnam.

The USSR extended a grant of \$100 million to North Vietnam in 1955 for rehabilitation and construction, to extend over a 2-year period. 69/

V. Economic Coordination in the Soviet Bloc.

The existence of a central, Soviet-directed plan behind the current trends in Soviet Bloc economic development was difficult to detect until a few years ago, in spite of Soviet assertions to the contrary. Industrialization appeared to proceed in each European Satellite country in accordance with independent national plans, and the USSR showed little initiative toward promoting any long-range division of labor and economic interdependence within the Bloc. The heightened activity of the Council for Mutual Economic Assistance (CEMA) early in the latter part of 1955 and early 1956 raised the possibility of an enlarged and more active role for it both in coordinating Bloc planning and in putting into effect Soviet economic policies for the Satellites.

Reports on two CEMA conferences in February and May 1956 indicate that the Soviet Bloc had already made impressive strides toward the coordination of production and trade plans. A monitored Soviet broadcast reported that "For the first time the development of the most important sectors of the economies of all participating countries was coordinated." 70/ In recognition of the "international division of labor between the Socialist countries," specific areas of production responsibilities were allocated in accordance with the principle of comparative economic advantage. The production of coal combines was assigned to Poland, cement factory and knitting machinery equipment to East Germany, aluminum-manufacturing equipment to Hungary, and leather and chrome-manufacturing equipment to Czechoslovakia. The USSR in turn consented to double its deliveries of Krivoy Rog iron ore to the Satellites by 1960 in order to help divert capital expended on developing poorer European Satellite ore deposits to more productive investment, specifically the reconstruction and mechanization of existing metallurgical works. 71/

The rationale for this increased emphasis on coordination in the Soviet Bloc was stated by E. Szyr, Chairman of the State Economic Planning Commission of Poland, as follows:

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First, it insures a fuller and more rational utilization of the natural wealth and power resources of individual countries in their own interest and in the interest of developing the entire camp of peace and socialism. Secondly, specialization and cooperation of production on an international scale make it possible to reduce the range of goods output in each country, which enables a substantial cut in production costs and rapid technical progress. Thirdly, coordination helps to spread the latest techniques. 72/

European Satellite manifestations of political and economic independence in the latter part of 1956, however, apparently necessitated a reconsideration of the role of CEMA in the economic activity of the Soviet Bloc. Soviet statements on the extension of CEMA operations, very evident during the early part of the year, were conspicuously absent during and after the Satellite unrest. The procession of Satellite delegations which followed one another to Moscow in search of trade and aid agreements returned with promises of greater mutual economic cooperation -- but significantly on a direct, bilateral basis in contrast with the trend toward multilateral economic coordination within the Bloc shown since 1949 and particularly since the inauguration of the more ambitious program in early 1956.

Although the future role of CEMA is still obscure, clearly the rate of expansion of both intra-Soviet Bloc trade and Bloc trade with the Free World will ultimately depend on the degree to which European Satellite Five Year Plans will be tailored to provide for greater industrial and agricultural specialization in individual Bloc countries. If the principle of the "Socialist division of labor" is emphasized in deed as well as word, the development could provide the economic basis for a steadily expanding intra-Bloc trade.

VI. Conclusions.

Whether or not Soviet foreign trade has undergone any real transformation in 1956 may be indicated in the trends of this trade with the European Satellites and Western Europe (toward which the great bulk of it is directed) rather than the highly propagandized Soviet trade with underdeveloped countries. In spite of substantial gains in recent years, the volume of Soviet trade remains unimpressive. With a total foreign trade turnover comparable to that of the Netherlands, the USSR accounts for less than 3.5 percent of total world trade. Within the Soviet Bloc the USSR is a net importer of capital

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equipment, absorbing nearly one-half the capital goods exported by the European Satellites, and the bulk of Soviet exports is made up of raw materials, fuels, and food. The composition of Soviet trade with Western Europe is similar -- exports are dominated by raw materials and semiprocessed goods. A recent development is the emergence of POL as a major earner of foreign exchange. Soviet imports continue to be predominantly manufactured goods -- imports of machinery and equipment in particular have been growing steadily, and exports in this category, though expanding at a rapid rate, remain quite small. Thus there is little, if any, significant shift away from the traditional pattern.

A number of conclusions can be drawn from the current position of the USSR in world trade:

1. In the light of critical shortages in the USSR and the increasing economic demands of the European Satellites, shortfalls in planned production can be countered to a somewhat greater extent than hitherto by imports. This is most likely to concern foodstuffs, where, in spite of good crops in 1956 and anticipated higher levels of agricultural production, fluctuations in weather may cause temporary shortages which have to be met by increased imports.

2. The fundamental order of Soviet priorities is not likely to be altered in the near future; certain raw materials and machinery for industry are still more likely imports than consumer goods. Soviet export capability in heavy industry will probably be devoured by the ambitious growth rates of the Sixth Five Year Plan and the heavy demands of the developing economies of the European Satellites and particularly Communist China and will probably make no serious inroads in world markets outside the areas singled out for special attention by Soviet diplomacy and propaganda.

3. There seems little doubt that the modest but ingeniously designed Soviet efforts in underdeveloped areas have reaped significant political and economic rewards. Although exports of capital goods may tend to intensify Soviet domestic economic problems, the goods which the USSR receives in return, especially agricultural commodities, have a countervailing effect. Because its total aid program is only a small fraction (less than 1 percent) of Soviet GNP, there is every evidence that the USSR has the capability to carry on indefinitely with an economic program of the type undertaken in the Near and Far East during the past 2 years.

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4. Any move toward significant expansion of Soviet trade with the Free World would appear to be inhibited by the continuing reluctance of the USSR to tolerate more than a minimum degree of dependence on external sources of supply. The apparent difficulty of finding goods for export to the Free World is as much a political phenomenon as it is an economic one. The USSR, with a large and diversified economy, could certainly enjoy more of the advantages of foreign trade if it only wanted to do so. There does appear to be some official recognition of the advantages of international specialization, and some efforts have been made to promote an intra-Bloc division of labor, but the Soviet quest for self-sufficiency must exercise an important limiting influence on the magnitude and growth of Soviet foreign trade.

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APPENDIX A

STATISTICAL TABLES

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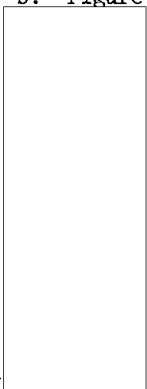
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Table 11  
 Estimated Foreign Trade Turnover of the USSR a/  
 1948 and 1950-56

Billion Current Rubles								
Area	1948	1950	1951	1952	1953	1954	1955	1956
Sino-Soviet Bloc	5.2 <u>b/</u>	10.6 <u>c/</u>	13.6 <u>d/</u>	16.6 <u>e/</u>	19.0 <u>b/</u>	19.6 <u>b/</u>	19.5 <u>c/</u>	20.6 <u>f/</u>
Free World	5.0 <u>g/</u>	2.2 <u>b/</u>	4.4 <u>b/</u>	4.2 <u>b/</u>	4.0 <u>h/</u>	5.4 <u>h/</u>	5.7 <u>b/</u>	6.9 <u>b/</u>
Total	<u>10.2 i/</u>	<u>12.8 j/</u>	<u>18.0 k/</u>	<u>20.8 l/</u>	<u>23.0 m/</u>	<u>25.0 n/</u>	<u>25.2 o/</u>	<u>27.5 p/</u>

a.  the figures for Soviet-Free World trade differ from those in Free World statistics.  
 b. Figure obtained by subtraction.



50X1  
 50X1

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Table 12  
Geographical Distribution of Trade  
Between the USSR and the Free World a/  
1948 and 1950-56

Area	1948		1950		1951		1952		1953		1954		1955		1956 b/	
	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total
Soviet Imports																
US and Canada	28	5.3	1	0.3	Negligible		Negligible		Negligible		5	0.9	3	0.5	29	3.7
Europe (excluding Soviet Bloc countries)	314	58.9	185	61.5	289	75.5	387	80.0	336	79.4	405	70.6	426	71.0	619	79.2
Near East and Africa	64	12.0	33	11.0	40	10.3	67	13.8	34	8.0	56	9.8	70	11.7	48	6.1
Far East	81	15.2	55	18.3	42	10.8	30	6.2	8	1.9	9	1.6	23	3.8	49	6.3
Oceania	34	6.4	26	8.6	17	4.4	Negligible		33	7.8	40	7.0	6	1.0	6	0.8
Latin America	12	2.3	1	0.3	Negligible		Negligible		12	2.8	58	10.1	73	12.2	32	4.1
Total	531	100.0	301	100.0	388	100.0	484	100.0	423	100.0	571	100.0	600	100.0	781	100.0
Adjusted total	560		316		407		508		444		602		630		787	
Soviet Exports																
US and Canada	87	17.6	38	15.1	28	7.2	19	4.1	12	3.1	13	2.6	18	2.8	25	3.1
Europe (excluding Soviet Bloc countries)	339	68.6	178	70.6	316	80.8	384	82.9	333	87.2	420	83.2	537	84.8	667	82.7
Near East and Africa	50	10.1	28	11.1	41	10.5	56	12.1	24	6.3	28	5.5	32	5.1	44	5.5
Far East	17	3.4	6	2.4	4	1.0	3	0.6	11	2.9	6	1.2	10	1.6	38	4.7
Oceania	Negligible		1	0.4	3	0.8	1	0.2	2	0.5	2	0.4	2	0.3	1	0.1
Latin America	1	0.2	Negligible		Negligible		Negligible		Negligible		37	7.3	32	5.1	30	3.7
Total	494	100.0	252	100.0	351	100.0	461	100.0	382	100.0	502	100.0	621	100.0	807	100.0
Adjusted total	445		227		352		417		344		455		570		730	

a. *b/*. Because of the rounding of all data after computation, totals and percentages may not agree with the component parts as given.

b. Figures for 1956 are preliminary and are adjusted for shipping costs of approximately 10 percent of the c.i.f. value of Soviet exports and 5 percent of the c.i.f. value of Soviet imports.

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Table 13

Imports from the Free World by the USSR, by Commodity Group a/  
1950-55

Commodity Group	1950		1951		1952		1953		1954		1955	
	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total
Food	10.5	3.5	40.3	10.4	47.6	9.8	86.0	20.3	139.3	24.3	126.3	21.0
Beverages and tobacco	1.0	0.3	8.0	2.1	3.5	0.7	3.3	0.8	6.9	1.2	4.7	0.8
Inedible raw materials, except mineral fuels	118.7	39.4	130.7	33.7	203.7	42.1	120.9	28.6	117.4	20.5	129.8	21.6
Mineral fuels, lubricants, and related materials	Negligible		Negligible		Negligible		Negligible		Negligible		1.0	0.2
Animal and vegetable oils and fats	4.9	1.6	7.7	2.0	5.4	1.1	10.1	2.4	18.6	3.2	22.0	3.7
Chemicals	2.3	0.8	3.3	0.9	6.2	1.3	6.1	1.4	8.9	1.6	5.3	0.9
Manufactured goods classified chiefly by material	25.6	8.5	28.9	7.5	42.8	8.9	58.5	13.8	81.5	14.2	90.6	15.1
Machinery and transport equipment	122.8	40.8	133.0	34.3	129.3	26.7	106.7	25.2	145.1	25.3	184.7	30.8
Miscellaneous manufactured articles	12.2	4.1	29.3	7.6	34.4	7.1	29.0	6.8	25.2	4.4	10.9	1.8
Miscellaneous transactions and unspecified merchandise	3.1	1.0	6.3	1.6	10.6	2.2	2.8	0.7	29.8	5.2	24.9	4.1
Total	<u>301.1</u>	<u>100.0</u>	<u>387.5</u>	<u>100.0</u>	<u>483.5</u>	<u>100.0</u>	<u>423.4</u>	<u>100.0</u>	<u>572.7</u>	<u>100.0</u>	<u>600.2</u>	<u>100.0</u>

a. 88/. Because of rounding, percentages may not total exactly 100.0.

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Table 14  
Exports from the USSR to the Free World, by Commodity Group a/  
1950-55

Commodity Group	1950		1951		1952		1953		1954		1955	
	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total	Value (Million Current US \$)	Percent of Total
Food	112.1	44.5	190.0	48.6	291.7	63.0	157.3	41.2	103.0	20.4	94.1	14.9
Beverages and tobacco	2.7	1.1	2.3	0.6	1.1	0.2	2.7	0.7	1.1	0.2	1.2	0.2
Inedible raw materials, except mineral fuels	91.3	36.2	117.7	30.1	95.2	20.6	128.6	33.7	188.0	37.2	259.8	41.0
Mineral fuels, lubricants, and related materials	8.2	3.3	15.5	4.0	26.9	5.8	31.8	8.3	82.4	16.3	110.2	17.4
Animal and vegetable oils and fats	Negligible	0.1	Negligible		Negligible		Negligible	0.1	1.0	0.2	1.0	0.2
Chemicals	6.7	2.6	6.6	1.7	5.1	1.1	7.4	1.9	14.4	2.8	16.8	2.7
Manufactured goods classified chiefly by material	22.1	8.8	45.4	11.6	36.8	7.9	47.3	12.4	78.6	15.6	117.3	18.5
Machinery and transport equipment	1.7	0.7	1.6	0.4	1.7	0.4	3.6	0.9	11.4	2.3	15.9	2.5
Miscellaneous manufactured articles	1.0	0.4	1.0	0.3	1.0	0.2	1.0	0.3	1.3	0.3	1.3	0.2
Miscellaneous transactions and unspecified merchandise	6.3	2.5	10.5	2.7	3.6	0.8	1.8	0.5	24.2 b/	4.8	15.3	2.4
<b>Total</b>	<b>252.1</b>	<b>100.0</b>	<b>390.6</b>	<b>100.0</b>	<b>461.1</b>	<b>100.0</b>	<b>381.5</b>	<b>100.0</b>	<b>505.4</b>	<b>100.0</b>	<b>632.9</b>	<b>100.0</b>

a. 89/ Because of rounding, percentages may not total 100.0.  
b. Includes imports of gold by Finland valued at \$5,022,000.

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Table 15  
Selected Trade Pacts of the USSR  
1955-56

Country	Type of Agreement	Date Signed	Date Effective	Duration (Months)	Deliveries		
					Country	Amount (Million Current US \$) <sup>a/</sup>	Remarks
Free World							
Austria	Protocol to agreement of 17 October 1955	4 October 1956	1 January 1957	12	USSR	33	
					Austria	33	
Belgium-Luxembourg	Protocol to agreement of 18 February 1948	2 August 1956	1 January 1956	12	USSR	40	
					Belgium-Luxembourg	28	
Canada	Protocol	29 February 1956	29 February	36	USSR		1.2 tons of unspecified goods during 3-year period 1.2 million to 1.5 million tons of wheat in annual quantities of 400,000 to 500,000 tons
					Canada		
Denmark	Protocol to agreement of 8 July 1946	14 May 1956	15 May 1956	24	USSR	42	
					Denmark	39	
Finland	Protocol to agreement of 17 July 1954	2 December 1955	1 January 1956	12	USSR	110	
					Finland	147.5	
					USSR	132.5 (estimated)	
Finland		28 November 1956	1 January 1957	12	USSR	165 (estimated)	
					Finland		
France	Protocol to agreement of 15 July 1953	31 March 1956	1 January 1956	12	USSR	57	
					France	57	
Iceland	Protocol to agreement of 1 August 1953	23 September 1955	1 January 1956	12	USSR	10.0	
					Iceland	10.6	
					USSR	15	
Iceland		27 September 1956	1 January 1957	36	Iceland	15	

a. Unless otherwise indicated.

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Table 15

Selected Trade Pacts of the USSR  
1955-56  
(Continued)

Country	Type of Agreement	Date Signed	Date Effective	Duration (Months)	Deliveries		
					Country	Amount (Million Current US \$)	Remarks
Free World (continued)							
Italy	Protocol to agreement of 1948	1 June 1956	1 January 1956	12	USSR Italy	25.6 25.6	
Netherlands	Protocol to agreement of 2 July 1948	27 June 1956	1 January 1956	12	USSR Netherlands	40 to 45 40 to 45	
Norway	Protocol to 3-year agreement of 15 November 1955	15 November 1955	1 January 1956	12	USSR Norway	16.8 18.2	
Sweden	Protocol to agreement of September 1948	9 December 1955	1 January 1956	12	USSR Sweden	28.9 17.4	
Yugoslavia	Protocol to agreement of 5 January 1955	6 January 1956	1 January 1956	12	USSR Yugoslavia	35 35	
	Supplementary agree- ment to protocol of 6 January 1956	6 June 1956	6 June 1956	6	USSR Yugoslavia	20 20	
Remarks							
Sino-Soviet Bloc							
Albania	Protocol	11 February 1956	1 January 1956	12	No increase mentioned		
Bulgaria	Protocol	14 January 1956	1 January 1956	12	Calls for increase in trade above "goods previously traded"		
Communist China	Protocol Supplement	27 December 1955 25 July 1956	1 January 1956 25 July 1956	12 5	Provides for "further increase" Provides for a higher level of trade than was indicated in trade agreement of 27 December 1955		

Table 15  
Selected Trade Pacts of the USSR  
1955-56  
(Continued)

Country	Type of Agreement	Date Signed	Date Effective	Duration (Months)	Remarks
Sino-Soviet Bloc (continued)					
Czechoslovakia	Protocol Consumer goods supplement	14 December 1955 July 1956	1 January 1956 N.A.	12 N.A.	Provides for further increase above 1955 exchange N.A.
East Germany	Protocol	3 December 1955	1 January 1956	12	Calls for 24-percent increase above planned 1955 trade
Hungary	Protocol Consumer goods supplement	3 February 1956 16 July 1956	1 January 1956 N.A.	12 N.A.	Provides for "considerable increase in trade above 1955" Turnover \$2.5 million
North Korea	Protocol	26 January 1956	1 January 1956	12	"Protocol envisages a marked increase in trade between the two countries in 1956 as compared with 1955"
North Vietnam	Protocol to agreement of 18 July 1955	5 May 1956	1 January 1956	12	"Trade to increase substantially compared with 1955"
Outer Mongolia	Protocol	16 November 1955	1 January 1956	12	Provides for a "further increase in mutual goods deliveries compared with 1955"
Poland	Protocol Consumer goods supplement	8 February 1956 9 May 1956	1 January 1956 9 May 1956	12 8	No increase mentioned Soviet deliveries 5 Polish deliveries 5
Rumania	Protocol	11 February 1956	1 January 1956	12	"Foresees a further expanding of the volume of mutual deliveries"

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