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Current Support Brief

SOVIET MACHINERY OFFERED TO BRITAIN



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SOVIET MACHINERY OFFERED TO BRITAIN

Early in May the USSR offered to sell to the UK types of machinery, and, in particular, specialized machine tools, that the UK presently buys from Western producers. This move by Soviet officials, which if successful would modify the traditional flow of machinery, was made to a British trade delegation seeking to expand Anglo-Soviet trade and was intended to answer British complaints that trade is limited by the lack of desirable Soviet goods offered for export.

The Soviet offer of machinery included a reduction in prices, resale rights, and the assurance of reliable deliveries through long-term contracts. However, immediate prospects for large exports to the UK are not bright, because the quality of Soviet equipment now offered has not been proved competitively in that market. Two of the types of machine tools specifically offered for sale, copying millers and jig borers, do not meet Western standards of quality. Moreover, some of the equipment in which the USSR sought to arouse interest is still scarce in the Soviet economy. It is therefore doubtful if more than nominal quantities of such equipment would be released for sale outside the Communist Bloc at this time.

A British trade delegation, headed by Lord Ebbisham (Vice Chairman of the London Chamber of Commerce), spent 10 days in Moscow early in May endeavoring to implement the current Anglo-Soviet trade agreement. This agreement, covering the period 1 January 1963 to 30 June 1964, provides quotas for an expansion of Soviet sales of machinery to the UK to a probable maximum value of about \$11 million. 1/ Although Anglo-Soviet commodity trade shows an over-all favorable balance for the USSR in 1961, the UK imported from the USSR machinery and equipment valued at \$183,000 and exported to the USSR machinery and equipment valued at about \$77 million. 2/ The pact includes provisions for Soviet sales of machine tools valued at \$2.6 million (similar sales in 1961 were valued at only \$78,000). Other Soviet machinery products listed in the agreement include earthmoving equipment, cranes, tractors, mining machinery,

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textile machinery, equipment for the food industry, bearings, and radio and electronic components. This list is remarkable because it contains many categories normally imported by the USSR. For this reason, it would be surprising if either the value or the commodity quotas were implemented by Soviet deliveries.

The British delegation visited Soviet plants, inspected Soviet equipment offered for sale, and discussed with Soviet officials a number of problems affecting trade relations between the two countries. J. B. Scott of the British delegation reported that his group was shown a number of machines that in their opinion were "at least the equal of those imported into Britain." 3/ Two machines specifically mentioned were metalcutting machine tools, a copying miller and a jig borer. This was the first time that this equipment has been offered in Western markets by the USSR. The UK now imports jig borers from Switzerland, whose jig borers set the standard of quality for the world. Soviet jig borers rank far below those of Swiss manufacture in quality. Likewise, the UK imports copying millers from the US, whose product greatly excels that of the USSR. In fact, East German and Czechoslovak jig borers, now available through British dealers, also are superior to the Soviet machines, and a Polish copying miller, also available in the UK, is at least the equal of its Soviet counterpart.

It is possible that the USSR may have a competitive advantage in price, which may be as low as two-thirds of the prices of comparable US and Swiss equipment. When allowance is made for differences in quality, however, it is unlikely that the Soviet price advantage would be decisive. It should be noted in addition that the British market for specialized equipment such as jig borers and copying millers is very limited. In 1962 the UK imported 41 "boring" machines from Switzerland, 4/ of which it is probable that only a few were jig borers. The UK also imported only nine copying millers from the US in that year. 5/

It is not entirely surprising that the USSR singled out machine tools for display, for the USSR has placed great emphasis on the development of a comprehensive line of metalworking equipment as part of its campaign to catch up with the US in industrial production. Soviet production

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of metalcutting machine tools in 1962 was officially reported as 176,000, about four times the US output of comparable equipment. Jig borers, for example, are produced in five locations, including a recently converted plant in Moscow. Other types, such as lathes, drilling machines, and grinders, are in some cases produced in serial production. Some of these types can meet more closely the technological standards as well as the prices of conventional Western machines. As the Soviet domestic demand for this equipment is more nearly accommodated, the USSR probably will investigate further the prospect for foreign exports. In this sense the present Soviet offer to sell machine tools in a sophisticated Western market may be the forerunner of more serious overtures to be expected in the future.

The Ebbisham delegation discussed in some detail other factors hindering the implementation of the current trade pact. British complaints about the nonavailability of Soviet goods were met by a series of counterproposals that indicate the willingness of the USSR to take steps to expand mutual trade. The Soviet officials proposed that the two countries conclude a long-term trade agreement and stated that reliable deliveries of Soviet goods would then be assured by making provision in Soviet production plans for the agreed types and quantities of equipment. The Soviet interest in expanding trade with the UK was emphasized further by a willingness to extend reexport rights to the British and by an offer to sell some machines not previously offered in foreign markets.

The Soviet proposals, which are attractive on the surface, give evidence of new avenues of Soviet policy as well as the continuing Soviet need for British plant and equipment. For example, the offer to extend reexport rights to the British would have the practical effect of establishing certain British firms as machinery agents for the USSR and would facilitate sales of Soviet machines in markets not now cultivated by the USSR. The Soviet offer to extend production runs of machinery and equipment to provide additional machines for Western markets implies that the USSR is prepared to adjust production planning and ultimately investment plans to provide for some Soviet participation in the world market for producer goods.

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The British delegation also reported that Soviet regard for British products was still great, and the statements of the delegation revealed that the USSR was especially interested in chemical equipment and other capital goods -- "such as factories." 6/ Of this interest the head of the British delegation remarked, "We should seize the opportunity . . . we need the business." The delegates were reminded by Khrushchev, however, that current trade "would have expanded if Britain had granted the USSR longer credits." 7/

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