

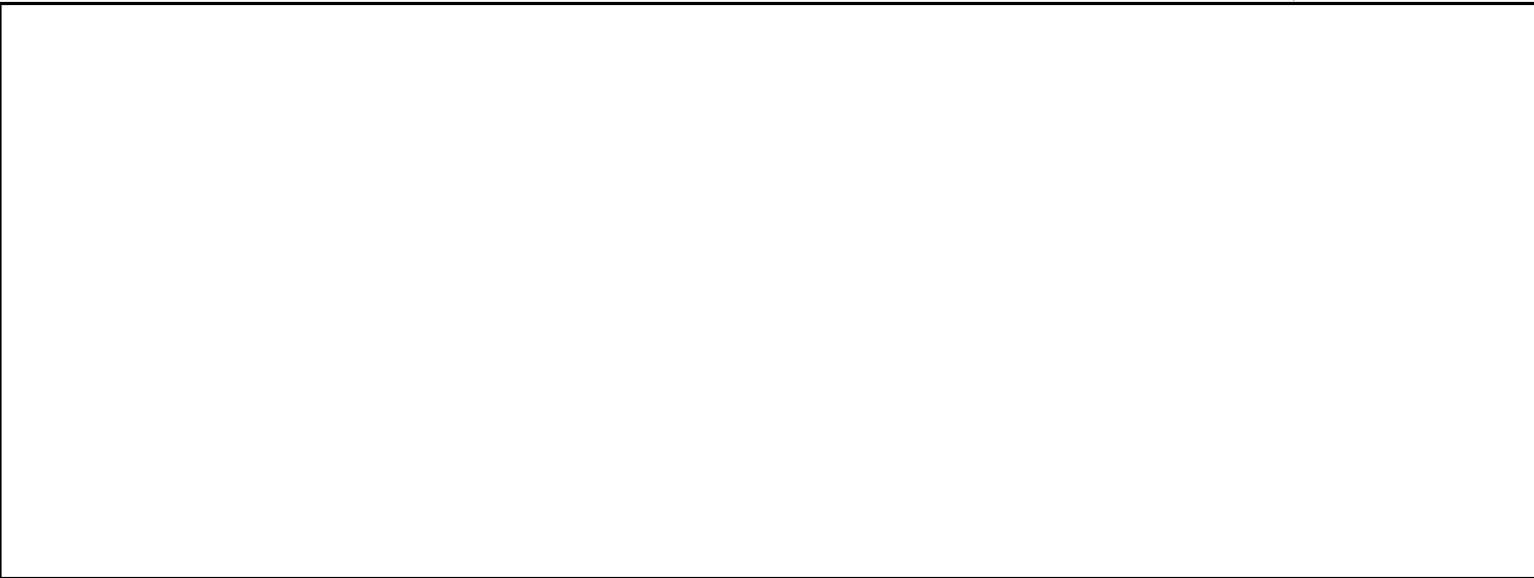
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25X1A ONE ARTICLE FROM OER'S ECONOMIC INTELLIGENCE WEEKLY REVIEW ENDING 15 DECEMBER 1978. REQUEST ARTICLE BE PASSED TO AMBASSADOR, DCM, ECONOMIC SECTION AND OTHER WORKING LEVEL STATE OFFICERS.



USSR: IMPROVED TRADE BALANCE (U)

1. THE USSR MANAGED TO HOLD DOWN ITS THIRD QUARTER HARD CURRENCY TRADE DEFICIT TO \$400 MILLION BY BOOSTING EXPORTS WHILE REDUCING BOTH GRAIN AND NONGRAIN IMPORTS. WE EXPECT THIS TREND TO CONTINUE, PUTTING TRADE ROUGHLY IN BALANCE IN THE FOURTH QUARTER. THE 1978 HARD CURRENCY TRADE DEFICIT WOULD THUS EQUAL THE ACCUMULATIVE THREE-QUARTER FIGURE OF \$3.4 BILLION. THE DEFICIT FOR 1979 SHOULD BE LOWER BECAUSE OF REDUCED IMPORTS AND HIGHER EXPORTS. (U)

HARD CURRENCY IMPORTS.

2. SOVIET IMPORTS THROUGH SEPTEMBER AMOUNTED TO \$12.8 BILLION-- A 20-PERCENT RISE OVER THE SAME PERIOD IN 1977. A JUMP IN GRAIN DELIVERIES AFTER THE DISAPPOINTING 1977 HARVEST CAUSED MOST OF THE INCREASE. FOURTH QUARTER GRAIN IMPORTS ARE EXPECTED TO DROP SHARPLY, REFLECTING IN PART THIS YEAR'S BUMPER CROP. NONGRAIN IMPORTS FOR THE FIRST NINE MONTHS WERE UP SLIGHTLY. DATA FROM MAJOR WESTERN SUPPLIERS SHOW A SMALL INCREASE IN SALES OF MACHINERY TO THE USSR. LAST YEAR'S SUBSTANTIAL DROP IN SOVIET EQUIPMENT ORDERS, HOWEVER, POINTS TO A DECLINE IN MACHINERY DELIVERIES, PERHAPS BEGINNING IN FOURTH QUARTER 1978. (U)

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HARD CURRENCY EXPORTS.

3. EXPORTS IN THE FIRST THREE QUARTERS OF 1978 WERE \$9.4 BILLION, 18 PERCENT MORE THAN IN THE FIRST THREE QUARTERS OF 1977. EXCEPT FOR WEST GERMANY, SOVIET EXPORTS TO ITS MAJOR WESTERN TRADE PARTNERS GREW LITTLE AND IN SOME CASES DECLINED SUBSTANTIALLY. DELIVERIES TO THE UNITED KINGDOM, JAPAN, AND THE UNITED STATES WERE OFF 10 PERCENT WHILE EXPORTS TO THE NETHERLANDS FELL BY NEARLY 30 PERCENT. THE YEAR-TO-YEAR INCREASE IN EXPORTS HAS BEEN SLOWED BY STAGNATION IN THE VOLUME OF OIL EXPORTS; OIL DELIVERIES IN 1978 ARE EXPECTED TO BE ABOUT THE SAME AS IN 1977 (1.1 MILLION B/D). SOVIET EXPORTS TO IRAQ--TRADITIONALLY MACHINERY AND EQUIPMENT--MORE THAN DOUBLED, ACCOUNTING FOR MOST OF THE 65 PERCENT GAIN IN HARD CURRENCY SALES TO DEVELOPING COUNTRIES. EXPORTS TO ETHIOPIA, LIBYA, AND NIGERIA ALSO INCREASED. FOURTH-QUARTER EXPORTS ARE EXPECTED TO RISE OVER THIRD-QUARTER LEVELS BECAUSE OF BOTH SECULAR TREND AND SEASONAL FACTORS. (U)

FINANCING THE DEFICIT.

4. MOSCOW HAS EASILY COVERED ITS 1978 HARD CURRENCY TRADE DEFICIT. EARNINGS THROUGH SEPTEMBER FROM GOLD SALES--ESTIMATED AT MORE THAN \$2 BILLION--ALREADY EXCEED THOSE FOR ALL OF 1977 BY ROUGHLY \$500 MILLION. IN ADDITION, DRAWINGS ON AN AMPLE SUPPLY OF LONG-TERM GOVERNMENT-BACKED CREDITS FOR EQUIPMENT PURCHASES, SUBSTANTIAL SOVIET HOLDINGS OF FOREIGN EXCHANGE, AND ARMS SALES HAVE LEFT THE SOVIETS IN A STRONG PAYMENTS POSITION. (S)

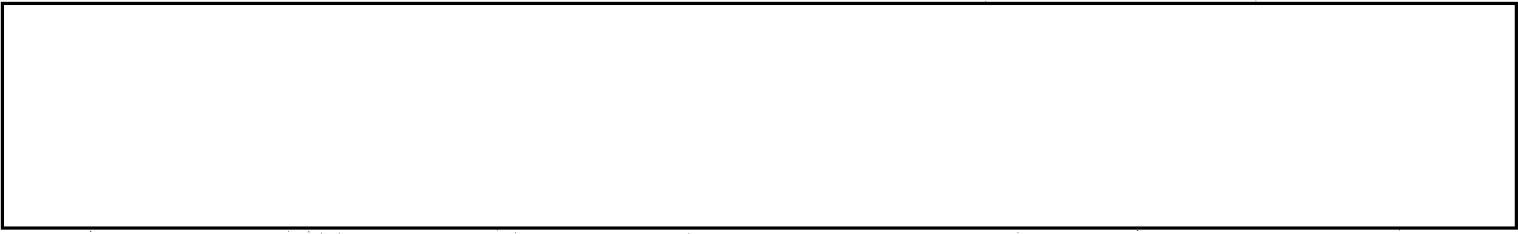
OUTLOOK FOR 1979.

5. THE 1979 SOVIET NATIONAL ECONOMIC PLAN CALLS FOR ENLARGING THE SHARE OF TRADE WITH OTHER SOCIALIST COUNTRIES, AND IMPLIES A CONTINUED SLOWDOWN IN THE GROWTH OF TRADE WITH THE WEST. THE HARD CURRENCY TRADE DEFICIT NEXT YEAR IS LIKELY TO BE LOWER THAN IN 1978. MACHINERY IMPORTS SHOULD BE DOWN AS A RESULT OF THE SUBSTANTIAL CUTBACK IN 1977-78 SOVIET ORDERS FOR WESTERN EQUIPMENT. GRAIN DELIVERIES NEXT YEAR ARE UNLIKELY TO INCREASE BECAUSE OF THIS YEAR'S LARGE HARVEST AND HIGH LEVEL OF IMPORTS. ALTHOUGH THE OUTLOOK FOR

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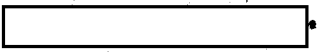


EXPORTS IN 1979 IS LESS CERTAIN, A MODERATE RISE SEEMS  
LIKELY. TOTAL SOVIET OIL EXPORTS NEXT YEAR PROBABLY WILL NOT  
INCREASE AND COULD DROP BY AS MUCH AS 100,000 B/D; THE  
EXPECTED PRICE RISE COULD BRING A SMALL INCREASE IN RECEIPTS.  
(OIL DELIVERIES ACCOUNT FOR ABOUT ONE-HALF OF SOVIET HARD  
CURRENCY EARNINGS.) MEANWHILE, SOVIET EXPORTS OF GAS SHOULD  
INCREASE BY 20 PERCENT, TO ROUGHLY \$960 MILLION, WHILE THE  
GROWTH OF OTHER EXPORTS WILL BE LIMITED BY SLUGGISH ECONOMIC  
CONDITIONS IN THE WEST. (U) (SECRET)R RVW 15 DEC 98 DRV  
MULTIPLE BY 015319 WNINTEL.>

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ORIG & AUTH: ASA/D/OER/NFAC [redacted]; REL: CH. NFAC/CS

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