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ANNEX B

SELECTED DEVELOPMENTS IN
SOVIET FOREIGN TRADE

ANNEX B

Selected Developments in Recent Soviet Trade

This Annex gives the highlights of Soviet trade developments in recent years. Each area covered has a table and/or chart accompanied by a brief narration emphasizing the key relationships in that area. The areas covered are the general distribution and commodity composition of Soviet trade followed by sections on trade with other Communist countries, selected Western countries, and the United States. Trade statistics are official Soviet trade statistics given in rubles and converted to dollars at the official rate of exchange through 1971 of .90 rubles to the dollar.

I. General Distribution

1. Soviet foreign trade has grown nearly 10% annually on the average since 1966. In 1971, Soviet exports to and imports from all areas were valued at about \$14 billion and \$13 billion, respectively. Two-thirds of Soviet trade continues to be conducted with Communist countries. Trade with Eastern Europe continues to account for more than half of total Soviet trade and almost 85% of Soviet trade with Communist countries (See Table 1 and text)

2. Soviet trade with the developed West in the period 1967-71 grew at an annual average rate of 10%, totaling \$5.6 billion in 1971. Trade with the West is conducted largely with West European countries, which account for more than three-fourths of Soviet trade with the developed West. Soviet trade with the less developed countries spurted sharply in 1969 and 1970 after a period of stagnation in 1965-68. Increased aid deliveries by the USSR and the rising flow of aid repayments from these countries were instrumental in the increase. This trade slowed down in 1971, however, growing by about 4% to \$3.5 billion. The leading Soviet trade partners in the less developed areas -- Egypt, India, Iran, and Algeria -- are also the major recipients of Soviet economic aid.

Table 1
Geographic Distribution of Soviet Trade ^{a/}

Area	1966		1966		1969		1970		1971	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
<i>Former</i> <i>Soviet</i> Socialist countries	5,564	5,620	8,811	7,915	11,655	10,327	12,800	11,739	13,200	12,
Eastern Europe	4,211	3,978	5,873	5,264	7,602	6,696	8,367	7,644	9,018	8,
China	3,074	2,795	4,692	4,462	6,198	6,011	6,758	6,634	7,241	7,
Other	817	848	175	143	28	29	25	22	78	78
Free World	320	335	1,006	659	1,456	656	1,584	908	1,409	1,409
Developed West	1,352	1,650	2,968	2,649	3,973	3,631	4,433	4,095	4,700	4,
Less developed countries	983	1,080	1,711	1,742	2,230	2,495	2,345	2,780	2,710	2,
Unspecified	336	565	886	904	1,169	1,119	1,291	1,290	1,374	1,
	33	6	371 b/	4	574	17	797	17	498	1,

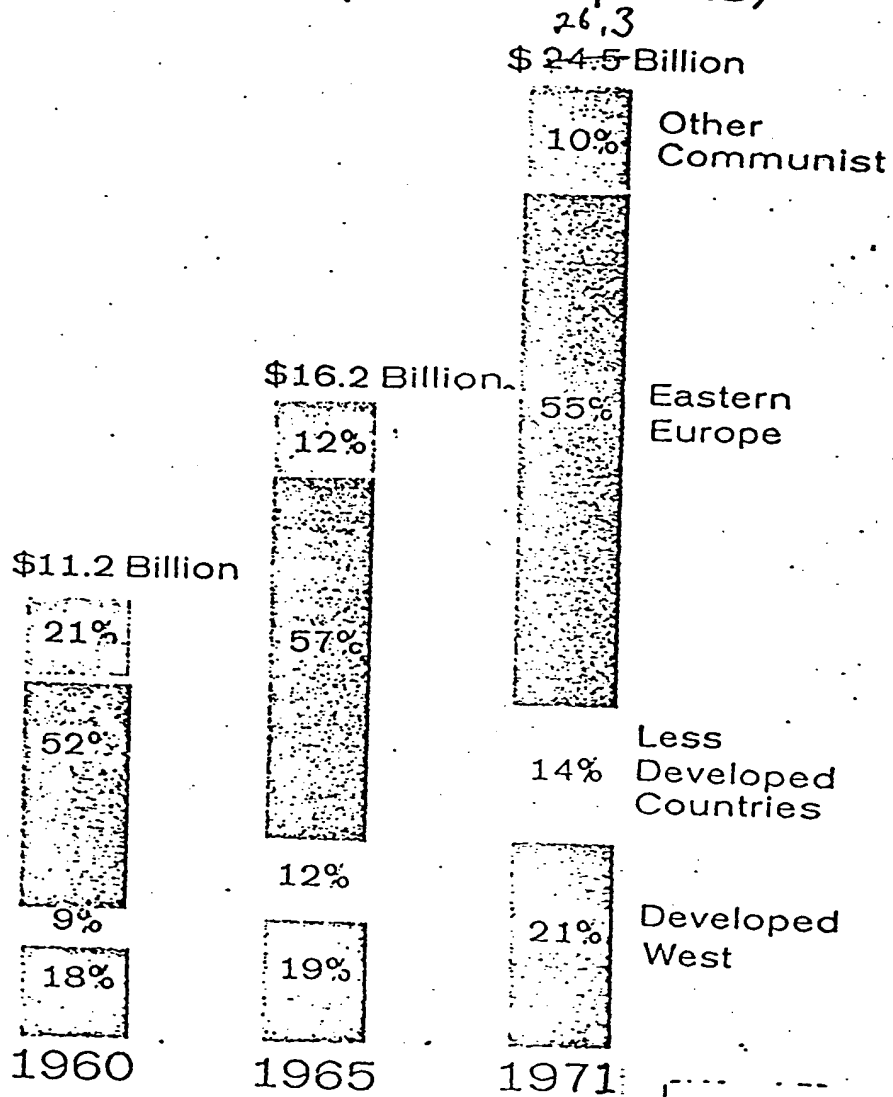
a. Measure of rounding, components may not add to the totals shown.
b. Including Hong Kong.

Million US \$

1971

<u>Exports</u>	<u>Imports</u>
13,807	12,475
9,018	8,178
7,241	7,258
78	78
1,869	848
4,788	4,898
2,712	2,828
1,374	1,377
698	30
453	61

USSR: Foreign Trade by Major Area (Exports plus Imports)



II. Commodity Composition

3. Although Soviet exports are dominated by fuels, raw materials, and semi-finished materials, exports of machinery and equipment have increased significantly in recent years -- from \$1.8 billion in 1966 to \$2.8 billion in 1970. ^(See Table 2) (Soviet commodity data for 1971 is not yet available). Soviet exports of machinery and equipment have gone mainly to Eastern Europe, with most of the remainder going to the less developed countries of the Free World. Growth in oil exports since 1968 has averaged only about 5% a year. Oil exports to the developed West in 1969 declined for the first time since 1965, falling to \$468 million, but they rose again in 1970 to \$528 million and probably exceeded \$600 million in 1971. Food exports regained their former importance in 1967-69 after the sharp decline in grain exports in 1964-66, only to drop again in 1970. Grain exports account for these sharp variations. They averaged almost \$450 million a year in 1967-69, compared with \$250 million in 1965-66. The USSR again became a net exporter of grain in 1967-69, its average net surplus running at almost 5 million tons, in contrast to the deficit of 4.2 million tons in 1966. The net surplus in 1970 was down sharply to 3.5 million tons, the result of reduced exports to CEMA countries and increased imports from Canada.

Table 2

Soviet Trade in Selected Commodities a/

Commodity	1966		1967		1968		1969		1970	
	Million US \$	Per-cent	Million US \$	Per-cent	Million US \$	Per-cent	Million US \$	Per-cent	Million US \$	Per-cent
Exports										
Total	8,841	100.0	9,652	100.0	10,634	100.0	11,655	100.0	12,800	100.0
Machinery and equipment	1,838	20.8	2,036	21.1	2,302	21.6	2,623	22.5	2,758	21.5
Crude oil and petroleum products	1,064	12.0	1,156	12.0	1,307	12.3	1,367	11.7	1,470	11.5
Base metals and manufactures	1,346	15.2	1,339	13.9	1,451	13.6	1,746	15.0	1,981	15.5
Wood and wood products	622	7.0	626	6.5	683	6.4	724	6.2	832	6.5
Food	786	8.9	1,086	11.3	1,031	9.7	1,175	10.1	996	7.8
Other	1,975	22.3	2,133	22.1	2,264	21.3	2,259	19.4	2,527	19.7
Unspecified	1,210	13.7	1,276	13.2	1,596	15.0	1,760	15.1	2,235	17.5
Imports										
Total	7,913	100.0	8,537	100.0	9,410	100.0	10,327	100.0	11,739	100.0
Machinery and equipment	2,565	32.1	2,917	34.2	3,474	36.9	3,873	37.5	4,118	35.1
Consumer goods	2,725	34.4	2,868	33.6	2,962	31.5	3,076	29.8	3,661	31.2
Food	1,444	18.2	1,242	14.5	1,165	12.4	1,185	11.5	1,584	13.5
Other consumer goods	1,281	16.2	1,626	19.0	1,798	19.1	1,891	18.3	2,078	17.7
Other	2,403	30.4	2,528	29.6	2,559	27.2	2,926	28.3	3,123	26.6
Unspecified	220	2.8	225	2.6	415	4.4	453	4.4	837	7.1

a. For detailed data for 1966-70, see Tables 18 and 19. Because of rounding, components may not add to the totals shown.

4. Soviet imports have consisted largely of machinery and equipment and consumer goods. Imports of machinery and equipment -- about 70% of which originate in Eastern Europe and most of the remainder in the developed West -- grew from \$2.6 billion in 1966 to \$4.1 billion in 1970. Imports of consumer goods, which had increased little in recent years because of a decline in food imports, rose almost 20% in 1970 to about \$3.7 billion, with food imports accounting for two-thirds of the increase. Other consumer goods have become more important in Soviet imports in recent years, rising from \$1.3 billion in 1966 to \$2.1 billion in 1970. Eastern Europe supplies most of these products, but the developed West has furnished substantial quantities since 1966.

III. Trade with the Communist World

Eastern Europe

5. Soviet trade turnover with the Communist countries of Eastern Europe grew from \$9.2 billion in 1966 to \$14.5 billion in 1971 -- an average annual rate of roughly 10%. ^(See Table 3) The East European countries continue to meet most of their requirements for raw materials from Soviet deliveries, and in return, supply the Soviet Union with the bulk of its imports of machinery and equipment.

Soviet Trade with East European
Communist Countries a/

Million US \$

		1966	1967	1968	1969	1970	1971
with East European trade	Exports <u>b/</u>	4,692	5,039	5,636	6,198	6,758	7,241
	Imports <u>b/</u>	4,462	5,093	5,644	6,011	6,634	7,258
	Turnover	9,154	10,131	11,280	12,210	13,392	14,499
Poland	Exports	697	763	949	974	938	1,093
	Imports	654	774	891	975	1,081	1,206
	Turnover	1,351	1,537	1,841	1,949	2,018	2,299
Czechoslovakia	Exports	894	967	1,038	1,110	1,203	1,353
	Imports	919	982	990	1,115	1,234	1,338
	Turnover	1,813	1,950	2,028	2,224	2,437	2,691
East Germany	Exports	1,407	1,416	1,506	1,739	1,931	1,907
	Imports	1,238	1,413	1,605	1,629	1,730	1,920
	Turnover	2,645	2,829	3,112	3,368	3,661	3,827
Hungary	Exports	505	586	675	700	843	979
	Imports	512	597	669	719	802	865
	Turnover	1,016	1,183	1,344	1,419	1,644	1,844
Romania	Exports	803	912	1,050	1,199	1,350	1,436
	Imports	733	902	1,032	1,124	1,261	1,364
	Turnover	1,536	1,815	2,082	2,323	2,611	2,800
Bulgaria	Exports	386	395	417	476	494	475
	Imports	405	424	456	449	527	566
	Turnover	792	819	873	926	1,021	1,039

*Because of rounding, components may not add to the totals shown.
Soviet exports to and imports from the indicated trading partner.*

6. The commodity composition of Soviet exports to Eastern Europe has changed little in recent years. Exports of fuels and raw materials -- coal and coke, crude oil and petroleum products, iron ore, ferrous metals, and cotton -- have declined from about 43% of the value of Soviet exports to Eastern Europe in 1965 to less than 38% in 1970, in part because of price changes. Nevertheless, Soviet exports of every major product category, except solid fuels, increased considerably. In particular, ferrous metals increased about 40% and crude oil and petroleum products about 46%. Soviet deliveries of machinery and equipment to Eastern Europe have grown faster than total Soviet exports to this area -- from about \$1 billion in 1966 to more than \$1.4 billion in 1970. Soviet exports of machinery and equipment to East Germany rose threefold during 1966-70.

7. Two-thirds of Soviet imports from Eastern Europe in 1970 consisted of machinery and equipment and manufactured consumer goods; these categories have dominated Soviet imports from this area for years. East Germany has been the largest supplier of machinery to the USSR, providing more than one-third of the value of all Soviet imports of machinery and equipment from Eastern Europe and almost one-fourth of all such Soviet imports. Czechoslovakia also ranks high as a supplier of machinery to the USSR. In recent years, Soviet

imports of machinery and equipment have averaged roughly 45% of total Soviet imports from Eastern Europe. In 1970, consumer goods totaled \$1.9 billion and were close to 30% of total Soviet imports from Eastern Europe. Clothing was the largest category of consumer goods.

Other Communist Countries

8. Trade with other Communist countries represents only about 10% of total Soviet trade, and much of it is a function of Soviet economic aid. ^(See Table 4) Thus, Soviet exports consist mainly of machinery and equipment, particularly complete plants, and other materials (fuels, metals, and food) vital for the economic development of these countries. Except for Yugoslavia, whose exports to the USSR feature ships and manufactured consumer goods, the USSR imports mainly raw materials and semimanufactures, and even handicraft items, from the other Communist countries.

9. Soviet trade results with these countries in 1971 have been mixed. Trade with Cuba fell \$170 million, reflecting the poor Cuban sugar harvest, while trade with China increased more than \$100 million as tensions between the two countries have eased. Similarly, trade with North Korea increased nearly \$140 million, reflecting renewed Soviet aid deliveries as relations with North Korea also have improved. Trade with North Vietnam fell in 1971, but this largely reflects the

Table 4

Soviet Trade with Other Communist Countries a/

Million US \$

		1966	1967	1968	1969	1970	1971
Total		1,181	1,373	95	24	600	1,771
	Exports	1,006	1,288	1,439	1,455	1,584	1,769
	Imports	807,659	853,796	723,687	685,653	1,010,988	919,821
	Turnover	1,664	2,084	2,125	2,112	2,572	2,544
		1,983	2,191	2,221	68	2,619	2,544
Yugoslavia	Exports b/	214	280	289	245	326	32
	Imports b/	193	233	217	228	251	28
	Turnover	407	513	506	473	578	61
Cuba	Exports	480	563	624	624	644	66
	Imports	286	373	278	232	517	32
	Turnover	766	936	902	856	1,161	98
North Vietnam	Exports	68	148	159	189	185	15
	Imports	25	21	18	17	19	1
	Turnover	94	169	177	206	204	16
North Korea	Exports	86	110	172	202	230	3
	Imports	92	108	121	127	143	1
	Turnover	178	218	293	328	373	5
Mongolia	Exports	158	185	194	196	198	1
	Imports	62	62	53	53	58	1
	Turnover	220	249	247	249	257	2

a. Because of rounding, components may not add to the totals shown.

b. Soviet exports to and imports from the indicated trading partner.

PRC	Exports	175	50	59	25	25	7
	Imports	143	57	37	29	22	7
	Turnover	318	107	96	57	47	15

growing volume of "grant aid" which is not recorded in trade statistics.

IV. Trade with the Developed West

10. Soviet trade with the developed West in the period 1967-71 grew at an annual average rate of 10%, totaling more than \$5.6 billion in 1971. ^(Net Able and Grant) Trade with the West is conducted largely with West European countries, which account for more than three-fourths of Soviet trade with the developed West. The major Western trading partners of the USSR have been the United Kingdom, Finland, the three largest Common Market countries (France, West Germany, and Italy), and Japan. Either the United Kingdom or Finland ranked as the USSR's leading Western partner during most of the 1960s, but Japan has been the leading Soviet trade partner among the developed Western nations since 1970. West Germany's importance also has increased. These countries provide the USSR with most of its machinery and equipment imports from the West and take most Soviet exports of raw materials to the West.

11. Soviet trade with the developed West traditionally has featured the exchange of Soviet fuels, raw materials, and semimanufactures for Western machinery and other manufactures. Despite Soviet efforts to diversify the range of products and expand its sales of manufactured goods to the West, Soviet exports still come principally

Table 5

Soviet Trade with Selected Western Countries a/

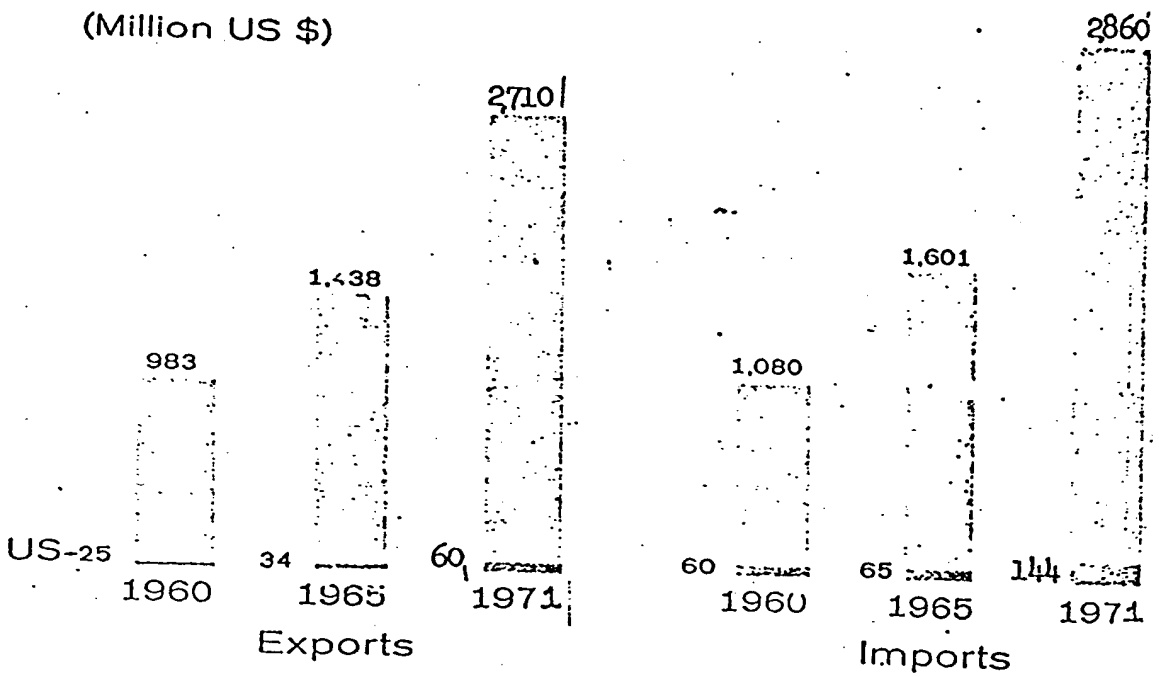
		Million US \$					
		1966	1967	1968	1969	1970	1971
Total Developed West trade	Exports	1,711	1,886	2,051	2,230	2,345	2,712
	Imports	1,742	1,782	2,144	2,495	2,780	2,859
	Turnover	3,453	3,668	4,195	4,725	5,125	5,570
Japan	Exports b/	239	353	391	357	379	419
	Imports b/	224	166	185	264	345	396
	Turnover	463	519	576	621	725	815
United Kingdom	Exports	330	303	367	427	465	452
	Imports	169	197	273	240	248	222
	Turnover	499	501	640	667	713	674
West Germany	Exports	189	196	215	229	257	292
	Imports	144	176	242	350	375	484
	Turnover	333	372	457	579	632	776
Finland	Exports	257	244	244	262	287	359
	Imports	217	269	266	294	303	272
	Turnover	474	513	510	556	590	632
Italy	Exports	155	233	232	232	212	259
	Imports	95	154	208	317	313	291
	Turnover	251	387	441	548	524	550
France	Exports	130	145	137	141	140	216
	Imports	160	188	294	323	319	313
	Turnover	290	333	432	464	459	529
United States	Exports	47	39	43	61	64	60
	Imports	63	63	57	117	115	143
	Turnover	110	102	99	177	179	203
Canada	Exports	15	23	20	12	8	18
	Imports	346	141	126	33	131	151
	Turnover	361	163	146	45	139	169

a. Because of rounding, components may not add to the totals shown.

b. Soviet exports to and imports from the indicated trading partner.

USSR: Trade with the Developed West and the United States

(Million US \$)



from oil, coal and coke, wood and wood products, cotton, metals, diamonds, and other goods of the raw or semi-processed variety. The relatively good export performance in 1971 -- a 16% increase over 1970 -- was aided greatly by the increased price for oil.

12. Soviet imports from the developed West have grown rapidly since 1966, and in 1970 reached a value of \$2.8 billion, an average annual growth rate for 1967-70 of 12.4%. This growth rate slowed in 1971 when Soviet imports from the West grew by only \$80 million. Machinery and equipment have made up a large part of these imports, accounting for more than 40% throughout most of the 1960s. ^(See Table 6) In 1969, Soviet imports of machinery and equipment reached an all-time high of \$1.1 billion, and they were at the same level for 1970. Chemical equipment, which has been one of the leaders in this category of Soviet imports for years (\$140 million annually during 1960-69), declined in 1970 to \$80 million while automotive manufacturing equipment became the new leader at \$221 million. Imports of metals -- principally steel and pipe -- declined sharply in the middle 1960s, reaching a low of \$74 million in 1964. They failed to regain their former importance through 1969, despite a continuing slow rise to a value of \$177 million in 1969, but in 1970 they increased by 33% to \$236 million.

Table 12

Selected Soviet Commodities Traded with the Developed West a/

Commodity	1966		1967		1968		1969		1970	
	Million US \$	Per-cent	Million US \$	Per-cent	Million US \$	Per-cent	Million US \$	Per-cent	Million US \$	Per-cent
Exports										
Total	1,711	100.0	1,886	100.0	2,051	100.0	2,230	100.0	2,345	100.0
Crude oil and petroleum products	366	21.4	446	23.6	506	24.7	468	21.0	528	22.5
Coal and coke	100	5.8	104	5.5	100	4.9	115	5.2	111	4.7
Wood and wood products	298	17.4	322	17.1	338	16.5	346	15.5	386	16.5
Cotton fiber	80	4.7	107	5.7	102	5.0	77	3.5	37	1.6
Dense metals and manufactures	246	14.4	204	10.8	210	10.2	168	7.5	209	8.9
Food	115	6.7	145	7.7	143	7.0	198	8.9	121	5.2
Furs and pelts	63	3.7	55	2.9	54	2.6	49	2.2	46	2.0
Other	261	15.2	306	16.2	314	15.3	299	13.4	306	13.0
Unspecified b/	183	10.7	195	10.3	285	13.9	510	22.9	551	23.5
Imports										
Total	1,712	100.0	1,702	100.0	2,144	100.0	2,485	100.0	13,780	100.0
Machinery and equipment	560	32.1	670	37.6	896	41.8	1,118	44.8	1,099	39.5
Base metals and manufactures	91	5.2	132	7.4	157	7.3	177	7.1	236	8.5
Chemicals	142	8.2	166	9.3	195	9.1	215	8.6	214	7.7
Wheat and wheat flour	413	23.7	147	8.2	121	5.6	28	1.1	122	4.4
Other consumer goods	116	6.7	219	12.3	259	12.1	276	11.1	280	10.1
Other	375	21.5	406	22.8	422	19.7	500	20.0	593	21.3
Unspecified	43	2.5	40	2.2	92	4.3	180	7.2	236	8.5

a. For detailed data, see Tables 22 and 23. Because of rounding, components may not add to the totals shown.

b. Largely platinum group metals, nickel, and gem diamonds.

V. US-Soviet Trade

13. The US was one of the USSR's principal trading partners prior to, during, and immediately following World War II (in the latter two periods trade consisted largely of US Lend Lease shipments). The relatively low level of US-Soviet trade since 1948, when the United States accounted for about 18 percent of Soviet foreign trade with the developed West, is in large measure due to the state of US-Soviet political relations. US-Soviet trade showed only modest increases until 1969 (except for 1964, when the US exported large quantities of wheat to the USSR), and most of the recent increase has resulted from the growth of US exports. Even in 1971, however, the US accounted for only about 4 percent of total Soviet trade with the developed West (exports 6 percent and imports 2 percent). There are other economic constraints, particularly the limited US market for Soviet goods -- mainly raw materials -- which are widely sold in Western Europe, and distance.

14. US exports have experienced sharp increases and subsequent declines, e.g., the \$125 million increase in 1964 (wheat) and a decline in the next year by \$100 million. Similarly, the commodity composition of US exports to the USSR has frequently changed in response to changes in Soviet demand. US imports from the USSR

have increased little in recent years and consist almost entirely of raw materials and semimanufactures. Chrome ore, residual fuel oil, platinum group metals, and gem diamonds have become more important in recent years.