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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

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10 October 1975

MEMORANDUM FOR: Mr. Bruce Gulliver
OSD/ISA/IEAD
Department of Defense

SUBJECT: Economic Interaction Between
the USSR and the West

1. In response to your request for background information to be used in Dr. Shields' interview with the Washington Star next week, I am sending a brief review of the availability and terms of recent Western credits to the USSR; Western support for construction projects in the USSR; the flow of Western technology to the USSR; and Soviet economic activity in the West.

2. Please let me know if I can be of further assistance.

Office of Economic Research

(S-09108)

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Economic Interaction Between the USSR and the West

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Western Credits to the USSR

In the past two years, the USSR has received credits totaling \$9.2 billion, including \$350 million in untied Eurodollar borrowing and \$8.8 billion in credits tied to Western exports. Of the trade credits, \$6.5 billion are general purpose credit lines to support Soviet purchases during 1975-79, including \$2.8 billion extended by France in 1974, \$2.3 billion extended by the United Kingdom in 1975, \$490 million extended by Canada in 1975, and \$900 million extended by Italy in 1975. In addition, the USSR has received project associated credits from Japan in 1974-75 worth \$1.2 billion, from West Germany in 1974 worth \$870 million, and from Italy in 1975 worth \$264 million. All the trade credits provide subsidized interest rates ranging from 6.38% to 7.55%. Except for the West German credits, which are subsidized by the exporting firms, the respective Western governments are paying the interest subsidy.

Western Construction Activity in the USSR

The USSR performs all construction activity on its territory, with only a few exceptions. East European labor has been used on various projects, but the only known instances of the use of Western labor have been the use of Finnish labor in the construction of hotels in the USSR and the proposed use of French and Swedish labor in further hotel construction. Western technicians, however, often are employed to supervise the installation of Western supplied equipment, as at the FIAT plant at Tog'liattigrad and at the Kama truck plant. In addition, the USSR often contracts with Western engineering firms to design industrial installations, hotels, and international trade centers.

Western Technology Transfers to the USSR

The USSR within the last few years has signed various types of economic, science, and technology cooperation agreements with all significant industrial Western nations. Under these umbrella agreements, the USSR has signed nearly 200 agreements with private firms, including 43 agreements with US firms. These agreements call for, among other things, the exchange of experience in research and development, some joint-research projects, and exchange of personnel. Western firms often are motivated by the prospect of equipment sales to the USSR, but some are genuinely interested in mutual noncommercial benefits from such exchanges. In addition, Western firms continue to

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sell -- on a strictly commercial basis -- licenses, processes, and other types of technology to the USSR, and the USSR makes similar sales to the West. The USSR also benefits from the technology "embodied" in advanced machinery and equipment purchased from the West.

Soviet Economic Activity in the West

The USSR has equity interest in at least 45 enterprises in the West (see the alphabetical listing). Largely concentrated in Western Europe, these establishments operate in accordance with the laws in the countries in which they are situated. The companies fall into three major categories: finance and insurance institutions, shipping agencies, and firms established to promote exports of Soviet-produced products.

The most visible of the Soviet-owned firms in the West are the banks and insurance companies. The largest of these are the Moscow Narodny Bank of London and Banque Commerciale pour l'Europe du Nord of Paris. Each of these banks has assets in excess of two billion dollars and more than 100 employees. The London bank also has branches in Beirut and Singapore. Other banks in Western Europe include Wozchod Handelsbank (Zurich), Ost-West Handelsbank (Frankfurt), Donaubank (Vienna), and East-West United Bank in Luxembourg. The USSR also owns a bank in Tehran -- the Russo-Iranian Bank. The USSR's Western-based insurance operations include Garant Versicherungen in Vienna, Black Sea and Baltic General Insurance Company in London, and Schwartzmeer and Ostsee Transportversicherungs-Aktiengesellschaft in Hamburg. All of the above institutions are entirely Soviet owned.

The USSR also has varying degrees of equity interest in a large number of companies to facilitate Soviet shipping and to promote Soviet exports. With a few notable exceptions (e.g. Scaldia-Volga in Belgium, among other things, operates an auto assembly plant), the equity investment and the size of the staff are small, often not much more than a two or three man office.

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Alphabetical Listing of Soviet Equity Holdings in the West

Firm	Country
Actif-Avto	France
American Trade Joint Stock Company (AMTORG)	United States
Anglo-Soviet Shipping Co., Ltd.	United Kingdom
Banque Commercial pour l'Europe du Nord (BCEN)	France
Belarus Equipment	Canada
Belgium-Soviet Trade Company (BELSO Ltd.)	Belgium
Black Sea and Baltic General Insurance Company, Ltd.	United Kingdom
Donaubank	Austria
East-West Agencies	Belgium
East-West Agencies	Netherlands
East-West Trading	United Kingdom
East-West United Bank	Luxembourg
Elorg	Netherlands
Ethiopian-Soviet Trade Co. (ETHSO)	Ethiopia
Ferchimex	Belgium
Garant Versicherungs A.G.	Austria
Koneisto AB	Finland
Koneisto Norge A/S	Norway
Konela	Finland
Konela Norge Bil	Norway
Matreco Bil AB	Sweden
Moscow Narodny Bank, Ltd. (MNB)	United Kingdom
MNB-Beirut Branch	Lebanon
MNB-Singapore Branch	Singapore
Nafta-B	Belgium
Nafta (BG), Ltd	United Kingdom
Ost-West Handelsbank	West Germany
Pacific International Freight- liners, Ltd	Canada
Russalmaz, N.V.	Belgium
Russebois	France
Russo-Iranian Bank	Iran
Scaldia-Volga	Belgium
Schwartzmeer und Ostsee Transport- versicherungs-Aktiengesellschaft (SOVAG)	West Germany
Singapore-Soviet Shipping Co. (SOSIAC)	Singapore
Slava	France
Sogo and Company, S.A.	France
Sovispan S.A.	Spain
Stanitaliana S?P.A.	Italy
Stankofrance	France
Teboyl	Finland
Technical and Optical Equipment, Ltd.	United Kingdom
Transworld Marine Agency (Antwerp)	Belgium
Transworld Marine Agency (Rotterdam)	Netherlands
UMO Plant, Ltd.	United Kingdom
United Orient Shipping and Agency Company, Ltd	Japan
West African Automobile and Technical Engineering Company (WAATECO)	Nigeria
Wozchod Handelsbank. A.G.	Switzerland

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