CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

EXEMPLAIRE / COPY N° 171

N A T O R E S T R I C T E D

ORIGINAL: FRENCH
6th May, 1975

DOCUMENT
AC/127-D/509

ECONOMIC COMMITTEE

THE MOTOR INDUSTRY IN EASTERN EUROPE

Note by the French Delegation

Apart from some striking results in certain categories, such as special heavy duty and military vehicles, the motor manufacturing industry in the Soviet Union and in the People's Democracies with a long-standing industrial tradition - Czechoslovakia, the GDR and Poland - has not yet reached a level commensurate with that of industry as a whole in these countries. However, in these four countries and in the other European COMECON(1) countries, as well as in Yugoslavia, the latest Five-Year Plans and long-term projects place increased emphasis on the expansion of the motor industry. The aim is to adapt road transport to economic and strategic realities and to improve living standards.

A. The expansion of the motor industry in Eastern Europe

2. When they became responsive to the need for a considerable expansion of car production and an improvement in the quality of heavy vehicles, the countries with old-established motor manufacturing industries, which until then had concentrated exclusively on commercial unit production, found it necessary to co-ordinate their activities within COMECON and to make use of Western technology. The countries without a national motor industry went ahead and established one, but they had to do so within the limits of the intra-COMECON co-operative framework and of Western technical assistance.

(a) The national motor industries

3. The Soviet motor manufacturing industry is established in the Western USSR and from 1925 to 1960 it produced cars for official use (Volga, Zim and Chayka in the Gorki plant;

(1) Council for Mutual Economic Assistance (COMECON). Yugoslavia is an associate member.

Moskvitch, ZIS and later ZIL in the Moscow plant and Zaporojets in the Zaporoje plant), but above all general purpose trucks. During the 1961-1965 Five-Year Plan production was concentrated more on trucks with bigger payloads, special vehicles, semi-trailers and buses. Then in 1966 the industry reached a turning point with the decision to speed up national car output and conclude technical agreements with Western firms.

4. Nothing came of the 1966 agreements with Fiat until 1970 when the first Fiat 124s rebaptised Zhyguly, appeared on the home market and Lada on export markets. Renault took a hand in modernizing the Moscow plant and in building the Yzhevsk plant, which came on stream in 1970. Both these factories produce the Moskvitch. Lastly, German, British, United States and French firms have shown interest in the plan to build an automotive complex on the river Kama.

5. Poland had several assembly plants before 1940 and a Fiat factory as early as 1931. After 1950, there was only one enterprise which produced a few Warszawas and Syrenas. With the return of Fiat in 1967, the industry was reorganized in three centres - Warsaw, Bielsko Biala and Tychy - where the Polish - designed Syrena and the Polski-Fiat 125, 126, 127 and 132 are made. These centres have a large number of sub-contractors in Poland and Yugoslavia.

6. For heavy duty vehicles and long-distance buses agreements were signed with Leyland (diesel engines) and Berliet in 1972 (for the construction of buses at Jelcz and, in the near future, at Wroclaw).

7. Czechoslovakia has a long-established motor car industry and its engineers have often shown imagination. The industry started in 1905 when two bicycle mechanics built the first Czech car. In 1924, their firm was taken over by Skoda. There were many motor companies before the war but only Skoda and Tatra now remain. At one time, the industry almost went over to the more profitable sectors of machine tools and spare parts but for historical and traditional reasons the Czechs chose in the end to increase car production. They extended the Mlada Boleslav factories, built new ones in Slovakia and signed co-operative agreements with the GDR. The plans to increase the output of Skoda, Tatra and Avia (under licence from Saviem) have been approved by COMECON.

8. The GDR has not called on Western firms. Only one of the many pre-war marques remains, namely IFA, which has factories at Eisenach and Zwickau and builds the rather antiquated Trabants and Wartburgs which are based on 1956 DKW models. The GDR was Eastern Europe's leading car producer in 1965 but it has now lost its initial lead. It has acted in a

spirit of co-operation by agreeing to produce only light trucks and vans and, after 1975, to sacrifice the Trabant and Wartburg in favour of the Skoda models built in conjunction with Czechoslovakia. The opening of the Ludwigsfelde plant has meant an improvement in the quantity and quality of the trucks produced.

9. Hungary decided to forego building or assembling light cars when it became clear that national output would have to top 220,000 units a year to be worthwhile. On the other hand, the assembly of trucks in the Raba and Csepel plants and the building of the Ikarus long-distance buses will provide it with a big export potential within COMECON. Diesel engines are being built with Western assistance at Gyŏr (Renault-Man-Ferrostaal syndicate) and Budapest (Steyr-Daimler-Puch and Leyland).

10. Until 1966, when it signed an agreement with Renault, Rumania had no motor car industry and produced only tractors and trucks. The Rumanians are now building Renault 8s and 12s under the name of Dacia, as well as Estafette vans, in the Pitesti factory. They have been building an improved version of the Soviet ARO 240 Jeep in Muscel since 1971. Heavy vehicles are produced under Russian or Czechoslovak licences.

11. Bulgaria only started building cars in 1968, in which year the first Moskvitches and Zhygulis were assembled at Lovetch with technical assistance from Fiat. Under an agreement signed in 1968, Renault sends parts for the assembly of R.8s and R.10s at Plovdiv. Bulgaria builds trucks modelled on the Soviet Madura, or in conjunction with Skoda, in the Sumen plant. An enterprise in the port of Varna builds Perkins diesel engines under licence.

12. Yugoslavia started assembling cars under licence earlier than the other Eastern countries. Citroën 2 CV's, Ami 8s and GS's are assembled at Kopar and Senozece, Simca 1000s and 1301s at Titograd, Renault R.4s, R.6s and R.12s at Ljubljana, Alfa-Roméos at Ljubljana, Austin 1300s at Novi Mesto, etc. The Kragujevac plant assembles many of the cars in the Fiat range rebaptised Zastava, and at least one of these models is exported. National enterprises build vans and medium and heavy trucks with engines produced under British or Austrian licences and long-distance buses under Man and Ikarus licenees.

(b) The pattern of co-operation with the West

13. Since 1966 the pressure of necessity has led to the development of various forms of bilateral and multilateral co-operation with the West, which the economic reforms introduced in the East has made possible.

14. Co-operation in the form of the creation of joint enterprises, investments and physical presence is rare, concerns certain sectors only and is limited geographically to Yugoslavia, Hungary and Rumania.

15. The most convenient system involves manufacture under licence while the personnel are being trained. Many examples of this are given under section (a). It should be added that some State enterprises in the East European countries act as sub-contractors for West European firms. For example, Bosch has sub-contracted in Slovenia, Volkswagen in Silesia and Citroën and Ford-Taunus in Serbia.

16. Most of the agreements to manufacture under licence take the form of offset agreements which are very difficult to work out.

(c) Division of labour in the Socialist countries

17. A COMECON standardization panel was set up in 1971 to implement the co-ordination arrangements in the automotive industries. In the face of reluctance on the part of member countries COMECON has not been able to organize a rational division of labour; the member countries have accepted a general specialization and it has had to agree to the continuation of production in each country.

18. The only real example of a division of labour is the standardization of heavy vehicles, which have now been separated into three groups:

- vehicles with three axles and an axle weight of six tons, built in the Soviet Union and Rumania;
- twelve ton, air-cooled all-purpose vehicles, built in Czechoslovakia;
- vehicles of over twenty-seven tons, built in the Soviet Union.

19. There are only five marques of bus left, the three most important being Ikarus of Budapest, Karosa of Czechoslovakia and Jelcz of Poland.

20. Car production was to have been confined to Czechoslovakia (Skoda), Poland (Warszawa) and the GDR (Wartburg and Trabant). In actual fact, assembly industries have arisen in almost all the countries and, by and large, intra-COMECON co-operation takes the form of specialization in the manufacture of certain spare parts and in bilateral assembly or sub-contracting agreements between the Soviet Union and Bulgaria, the GDR and Czechoslovakia, Poland and Yugoslavia etc.

21. The trend towards integration will probably become stronger within the COMECON during the next few years. If this happens, the East European market will become more difficult for Western firms.

B. Output of the motor industry

(a) Trucks (thousands)

Country	Total 1973	Number of inhabitants per vehicle	Production 1965	Production 1970	Production 1974	Imports 1973	Exports 1973
USSR	5,600	44	415	525	666	55	37
GDR	500	36	11	24	57	7	10
POLAND	324	103	26	39	77	9	14
CZECHOSLOVAKIA	225	64	11	24	30	1	5
HUNGARY	180	58	4	3	2	7	2
BULGARIA	80	108	0	2	3	5	0
RUMANIA	150	140	14	35	31	0	5
YUGOSLAVIA	150	140	9	12	11	40	1
					(1973)		
FRANCE	2,300	22		291	393		
FRG	1,500	42		318	305		
UNITED KINGDOM	1,900	29		457	416		
UNITED STATES	20,500	10		1,692	2,980		

22. In most East European countries, a great effort is being made to remedy the shortage of trucks. The Soviet figures give a false impression, because they include a majority of very old vehicles, with small payloads, which have sometimes done 200,000 km or more.

23. There are still not enough long-distance buses to provide an effective public road transport service.

(b) Private cars (thousands)

Country	Total 1973	Number of inhabitants per vehicle	Production 1965	Production 1970	Production 1974	Imports 1973	Exports 1973
USSR	2,000	125	201	344	1,119	15	203
GDR	1,500	11	93	126	157	56	77
POLAND	780	42	26	67	142	75	37
CZECHOSLOVAKIA	1,200	12	77	142	168	59	75
HUNGARY	380	27	0	0	0	58	0
BULGARIA	220	39	0	7	10	40	1
RUMANIA	220	95	3	16	53	9	18
YUGOSLAVIA	1,100	19	34	110	165	70	5
					(1973)		
FRANCE	13,500	3.8		2,458	3,202		
FRG	16,500	3.8		3,258	3,643		
UNITED KINGDOM	13,000	4.3		1,641	1,747		
UNITED STATES	95,000	2.2		6,546	9,657		

24. The above table highlights the effort that has been made to boost car output.

25. The Russians have had trouble with their Togliatti and Moscow plants, where production was only half the planned target in 1971. Output in 1974 is estimated to be as follows: Zhyguly, 660,000; Moskvitch, 200,000; Volga, 75,000 and Zaporojet, 80,000.

26. Nearly all the Czechoslovak vehicles are made by Skoda. Poland is already producing 150,000 Polski-Fiats a year and ultimately aims to turn out 200,000. The GDR has built 100,000 Trabants and 45,000 Wartburgs but is going over to making Skodas. It is planned eventually to export one third of the Rumanian Dacias, and Ford and Volkswagen have been invited - but have not agreed - to set themselves up in Rumania. Yugoslavia is turning out more than 100,000 Fiats a year.

(c) New departures

27. The guidelines for the current 5-Year Plans illustrate a determination to boost vehicle production in the light of economic requirements and also, although cautiously, with a view to meeting the popular demand for private cars.

28. The output of trucks will be increased and improved through the construction of large complexes like the one on the Kama, which has an annual target of 150,000 trucks and 250,000 diesel engines the first of which will be coming off the production lines at end-1976, and the modernization and expansion of the Minsk and Zodino plants in the Soviet Union, the Skoda and Tatra factories in Czechoslovakia and Györ plant in Hungary. The average payload of the vehicles will also be increased (in Minsk trucks of 30, 50 and 75 tons are being built).

29. The rise in the output of light vehicles in Russia may be very striking on paper (328% from one Plan to the next) but it is partly due to the poor results of the preceding Plan. The authorities now seem to look upon car ownership as a legitimate family aspiration. Nonetheless, the first signs of the advent of a "consumer society" are being regarded with great circumspection. For one thing, the prices are a deterrent; the Moskvitch 412 which sells for 11,000 francs in France costs twice as much in the Soviet Union. The price of a Zhyguly is equivalent to an average income for three or four years, although it must be remembered that there are two wage-earners in a family. In spite of these daunting prices, everyone wants a car even if it means clubbing together to raise the purchase price and waiting anything from one to three years for delivery. It is estimated that one-fifth of domestic savings has already been devoted to the purchase of cars.

30. Among the other Eastern countries, the GDR, Czechoslovakia and Yugoslavia are not far behind the Western countries in the number of inhabitants per vehicle. Rumania prefers to export and Bulgaria, Hungary and Poland are still a long way behind. The problems of entering the motor age therefore vary greatly from one country to another and it is the Soviet Union which is experiencing the greatest difficulty in developing its automotive industry.

C. OBSTACLES TO THE DEVELOPMENT OF THE SOVIET MOTOR INDUSTRY

31. The caution, not to say the suspicion, with which Soviet planners have embarked on the development of the motor manufacturing industry can be explained on ideological grounds but also by the fact that this development, modest as it may have been so far, has already run into serious difficulties.

32. The road network is still inadequate; by way of comparison it is only twice the French network for an area forty times greater. The surfacing is poor and, of course, there are extremes of climate to contend with. All this means that private owners will be tempted to confine their motoring to urban areas and go by rail, and even more by air, for long journeys.

33. For a country which is still under-developed in certain respects, the motor age is coming too fast. In Moscow, a big city with impressively large thoroughfares, 300,000 trucks and 160,000 private cars are creating frequent jams and accidents because of the poor system of traffic signs, careless drivers and imprudent pedestrians. In the whole of the city, there are only thirty garages and a score or so of service stations open to private vehicles. There are a few car parks and cars stay out all the winter under covers and appear again when the good weather returns. Repairs present a problem and spare parts are unobtainable. The stripping of cars at night has become almost a national pastime and motorists take their windscreen wipers indoors with them when they lock up their cars. There is little hope of improvement because plans to build garages, workshops, service stations and the like cannot keep up with the rate at which cars are being registered.

34. Strictly speaking, the oil crisis should not affect motor traffic in the Soviet Union(1). Even with the increase in the number of motor vehicles on the road, consumption of fuel in 1975 is not expected to exceed 1% of the total refined product output. Be this as it may, there are already reports of economy measures which affect private motorists.

D. CONCLUSION

35. The motor industry in Eastern Europe is bound to expand greatly during the next few years.

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(1) Unlike the other East European countries, where the rise in the price of fuel and raw materials makes it more difficult to export and will probably accentuate dependence on the USSR.

36. The production of trucks should increase sufficiently to cover priority economic and military requirements. Road transport can provide an increasingly complex and diversified economy with far more flexibility than can the railways. Military units will be 100% equipped with their own transport facilities and will no longer have to fall back on the logistically unsatisfactory expedient of requisitioning civilian vehicles. In any case, it will certainly become increasingly impracticable to improvise requisitions in the sovkhozes and kolkhozes as happened during the invasion of Czechoslovakia in 1968.

37. Judging by the guidelines for the latest Plans and the level of investment in the branch concerned, car output is likely to rise steeply. It is worth noting, furthermore, that the East European-built cars, which are more rugged than most of their Western rivals, are competing with increasing success on the export markets with the models from which they originally derived.

38. But some serious problems have still to be overcome; the supply of spare parts to the manufacturers is unsatisfactory and, above all, the East European motor manufacturers will have to rely on the West for a long time to come for machinery, equipment and know-how, all of which have become much more expensive since the 1973 crisis.

39. The guidelines for the next 5-Year Plans, which will be issued at the end of 1975, will show just how far, in spite of these difficulties, the East European governments are prepared to move in the direction of a form of consumer society typified by private car ownership.

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