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ECONOMIC COMMITTEE

DEVELOPMENTS IN THE ECONOMIES OF THE
USSR AND EASTERN EUROPE IN 1979

Note by the Chairman

Attached is a revised draft report on economic developments in the USSR and Eastern Europe in 1979 incorporating suggestions and additional information offered by various members of the Economic Committee in response to the original draft report.

2. If no additional comments are received from the Economic Committee by 3rd December, 1979 it will be assumed that the draft is approved for transmission to the Council as a background paper for use during the meeting of Ministers on 13th-14th December, 1979.

(Signed) J-N. GIBAULT

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This document includes: 1 Annex

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DEVELOPMENTS IN THE ECONOMIES OF THE
USSR AND EASTERN EUROPE IN 1979

Introduction

1. This paper highlights significant developments in the economies of the USSR and Eastern Europe during the first part of 1979. It does not give particular attention to long-term development trends, since they have been dealt with in detail in other Economic Committee reports. It emphasizes, rather, current rates of economic growth as they conform to or deviate from plan goals, since these are the most readily available indicators of whether the countries' planned economies are functioning as intended. Indirectly the economies' performance with respect to plan also suggests how well they can support planned levels of defence expenditure without undue strain.

SUMMARY

2. Partial 1979 results for the economies of the USSR and Eastern Europe suggest a continued slowing of economic growth, due principally to labour supply shortages, inadequate harvests, rising costs of energy and capital equipment, and the severe winter of 1978-1979, which disrupted the economies in general and transport in particular. Throughout the area, construction of industrial projects and residential housing appeared to continue the particularly poor showing of previous years. In many countries, 1979 has seen the introduction or extension of reforms designed to promote labour productivity and management efficiency through incentives and tightened planning controls. All of the countries show a pre-occupation with trying to improve the quality and range of production in order better to satisfy increasingly exacting domestic and foreign demand. Eastern Europe's trade balance with the West appeared to improve somewhat, although it deteriorated with the USSR.

USSR

3. Since 1975, the Soviet economy as a whole has grown at a moderate rate averaging over 4% a year, in terms of constant-price utilized national income(1). Total industrial production has exceeded planned output each year, growing at a rate of over 5% annually, according to reduplicative Soviet accounting methods.

(1) Soviet national income is broadly comparable to the Western concept of GNP at market prices less depreciation and so-called "non-productive" activities such as administration and most services. Using the Western concept of GNP, the Soviet economy may have grown by about 3% in 1978.

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4. During the first nine months of 1979, although industrial production grew at a rate of only 3.4% over January-September 1978 output, it was allegedly expanding according to plan. Plans call for the year's total production to increase by 5.7% over that of 1978, although this now appears unlikely to be achieved.

5. As in the past, increases in industrial output seem to be due in large part to the use of additional labour and capital investment, rather than to gains in worker or management efficiency. Labour productivity for all of the USSR advanced only 2.4% in the first nine months of 1979, as compared to a planned growth of 4.7% for the whole year. Its growth was generally higher, however, in republics having more plentiful labour reserves or relatively lower levels of accumulated capital stock, where new investment can produce more striking growth in output.

6. Nonetheless, the first all-union census taken since 1970, which was released on 22nd April 1979, confirmed a marked slowdown in population growth, especially in the RSFSR, Belorussia, the Ukraine, and the Baltic republics, all of which showed a nine-year population increase of only 6-7%. The census results tend to confirm that the USSR can no longer count on economic growth simply through increased labour inputs, but must make better use of existing resources and of advanced technology and production methods.

7. Continuing 1978 trends, leading growth areas in industry in the January-September 1979 period included numerically controlled machine tools, petrochemical equipment, automation controls, and computer equipment and spares, all of which registered 6-15% increases in the value of their output, and are vital to further Soviet industrial development. Production of machinery for raising livestock also increased substantially, and output of colour television sets rose by 29%. These increases point to the Soviet leadership's continuing interest in enlarging supplies of meat and certain types of consumer durables for the population.

8. Some industrial sectors, particularly the chemicals, and iron and steel industries, lagged in the first nine months of 1979. Chemical products below 1978 production levels included mineral fertilizers, insecticides and pesticides, sulfuric acid, synthetic resins and plastics, and chemical fibres. The production slowdowns might cause future difficulties in such areas as agriculture, metallurgy, and plastics for mass consumption. Cement production, too, was 4% behind 1978 production, suggesting further shortcomings in the already beleaguered construction industry.

9. Output of energy-producing materials in the first nine months of 1979 was reportedly above that for the same period in 1978, as was generation of electrical energy, except for coal production, which was at the same level. Nonetheless, unless monthly production of oil, natural gas, and coal exceed the levels attained in August for the balance of the year, 1979 targets cannot be met.

Oil output at the August rate of production, for instance, appeared that it might fall 6 million tonnes short of the 1979 goal of 593 million tonnes. Even in this eventuality, however, it would still be 3% ahead of 1978 production and enable the USSR to export at least 65 million tonnes to the West, for convertible currency earnings of around \$7 billion, or just under half its current level of convertible currency earnings.

10. Capital investment increased only slightly in the first half of 1979 over the former year's first-semester level, in line with government efforts to hold investment cost increases to no more than 4.5% for the whole of 1979. Investment expenditures continue to be pushed upward, partly by ever-rising prices for imported equipment and technology, and by high costs associated with large development projects in Siberia, including oil and gas fields. Industrial areas which received large shares of investment funds in 1979 were chemicals and petrochemicals, metallurgy, and agriculture, the latter of which takes over one-fourth of all investment resources.

11. Transport has received special emphasis in 1979, in order to remedy transport-related shortcomings which have hindered the development of other economic sectors. After a decline in 1978, new oil and gas pipeline capacity is being expanded by 5%, or 10,000 kilometres. In addition, 770 km are being added to the rail network, which continues to be burdened in particular by loading difficulties and heavy usage for the transport of bulk commodities. 220 km of the new trackage represents additional trackage on the Baikal-Amur-Magistral (BAM) Line, which will improve access to Siberia's mineral resources. Nearly 20% of all 1979 investment expenditures, or 25 billion rubles, is being put into transportation projects.

12. Because of a harsh winter followed by severe spring flooding and an unusually dry summer in most of the Western portion of the Soviet Union, agricultural harvests in 1979 are expected to be disappointing. Grain production is expected to come to no more than 175-180 million tonnes, down sharply from 1978's record level of 237 million tonnes. As a result, the USSR will import at least 25 million tonnes of US grains, at a cost of around \$4 billion, and additional amounts from other Western suppliers, to feed the country's growing livestock herds. Soviet agriculture continues to be hindered by the mineral fertilizer industry's failure to meet plan targets and by lack of grain storage space, which makes it difficult to offset poor harvests by surpluses in record years. Fertilizer requirements in the most important agricultural regions may be met somewhat more effectively by the completion in 1979 of the Tol'yatti-Odessa ammonia pipeline, the biggest project of its kind in Europe.

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13. Three-quarter 1979 meat production, including private production, was 1% ahead of 1978, although production in the socialized sector alone was behind that of 1978. The rates of expansion will have to improve, in any case, if Soviet planners are to reach their goal of having a total meat production in 1985 35% greater than the 1974-1976 average. Mid-seventies meat production has been considerably below that needed for the level of per capita meat consumption recommended by Soviet nutrition experts.

14. Retail trade turnover in 1979 appeared to gain some momentum over 1978, possibly partly influenced by earlier price increases: at the end of six months it was 4.4% ahead of its level during the corresponding period in the previous year. Increases in retail trade turnover have in general been slowing in recent years, in line with declining growth in the economy as a whole, and with apparently unsatisfied consumer demand.

15. Allegedly to bring consumer demand for sought-after "luxury" items more nearly into line with existing supply capabilities, and apparently also to absorb excess consumer purchasing power, the USSR on 1st July 1979 announced consumer price increases on automobiles, jewellery, furs, carpets, certain types of furniture, and evening meals in restaurants. Perhaps partially as a result, consumer savings increased by only 5.6 billion rubles during the first half of 1979, in contrast to a 14.4 billion ruble or 12% yearly increase in 1978.

16. In August 1979, the Soviet newspaper "Socialist Industry" announced that wholesale prices would also be increased on mineral fertilizers, pesticides, and new types of plastics. Wholesale prices of coal, gas and petroleum are to be raised to reflect growing costs in fuel extraction, and to stimulate efficient coal production in particular. The intent of the price revision, which it is claimed will tend to lower the price of industrial machinery, is to stimulate efficient production by bringing firm profits more nearly into line with production costs.

17. The price changes are the first tangible steps toward effecting the economic reforms decreed at the end of July. The reforms, which are to take effect mainly at the beginning of 1981, take a three-pronged approach to improve Soviet economic growth: improving the planning process, largely through more effective performance indicators; more tightly controlling capital investments; and providing more material incentives for efficient, high-quality work. Under the reforms, the government seeks to combat the inertia that has heretofore made it safer and more profitable to turn out ever larger quantities of low-quality goods, and to force plants and workers alike to more efficient production by threatening a reduction of their profits and bonuses. Nonetheless, the effectiveness of the reforms, which will depend in large part on the leadership's political will to carry them through, will not become evident for several years.

18. In the first half of 1979 Soviet foreign trade maintained its positive overall balance, and its usual trade deficit with developed Western countries narrowed somewhat to 1.7 billion rubles (\$2.6 billion), as compared with 2 billion rubles (\$2.9 billion) in the first six months of 1978. The convertible currency deficit will probably deepen, however, when impending grain import contracts are consummated. It may also grow if the USSR continues to cut back on its deliveries of oil to Western markets, in order to fulfil commitments to other CMEA members and to meet growing domestic needs. Trade with the developing world, on the other hand, continues to produce increasing earnings for the USSR: in the first half of 1979, trade with the area yielded a surplus of 1.2 billion rubles (\$1.8 billion), as compared to a positive balance of 0.9 billion rubles (\$1.3 billion) in the first six months of 1978. The USSR's trade balance with other members of the CMEA in 1979 more than doubled in the first half of 1979 in comparison with the same period in 1978, to reach the equivalent of \$0.9 billion.

EASTERN EUROPE

BULGARIA

19. The Bulgarian economy continues to follow a path of declining, although comparatively high growth in both aggregate (NMP) and industrial production. Plan underfulfilment has been the rule since the beginning of the current Five-Year Plan (1976-1980) and the quarterly returns suggest that this is the case this year as well. Indeed, the official communiqué on nine months performance states that agriculture production in 1979 is expected to be only marginally larger than in 1978, while construction targets were underfulfilled by 2.7%. Industrial output is 6.4% up on the corresponding period in 1978, but from similar trends in preceding years it is likely to end up with less than the 7.8% annual increase foreseen in the Plan, the more so as capital investment lagged far behind schedule (Annual Plan: 6.1 billion leva; 9-month returns: 3.3 billion). The consumer's lot will certainly be negatively affected by steep price hikes, announced on 12th November (up to 40-50% or more for many basic goods and services), despite accompanying wage increases (averaging about 25%). All in all, as the economy develops, it is losing its growth impulse: it is experiencing lower increases in labour productivity and even a decline in capital productivity, exacerbated by a dearth of raw materials, particularly oil. The Bulgarian government has begun during the course of 1979 to implement long-discussed reforms to improve industrial planning and management, but it is too early to judge whether these changes will provide a solution to the country's economic problems.

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CZECHOSLOVAKIA

20. The extreme winter of this year retarded production in both agricultural and industrial sectors. During the first half of 1979, total industrial production rose by 2.6%, short of the annual plan directive of 4.2%. The 1.9% rise in labour productivity is also under the scheduled annual target of 3.8%. Unfavourable weather conditions throughout 1979 have caused a serious decline in agricultural production, necessitating grain imports from the West of around two million tons. The most immediate problem facing Czechoslovakia is that of future energy shortages. Anticipating no significant increase in future Soviet oil deliveries, the country has initiated programmes for the development of nuclear power stations to supplement the one at Jaslovske Bohunice. Moreover, the Czech government in July 1979 raised prices of coal, gas and electricity by 50% and gasoline by somewhat less. Prices of children's clothing and footwear, with the abolition of the state subsidy, were also increased by 120% to as much as 300%, although pensions and family allowances were likewise augmented. Czechoslovak productivity continues to be hampered by out-dated machinery, inefficient management and poor worker morale. The "complex experiment of effectiveness and control" initiated in January 1978 in 150 plants is claimed to have achieved positive results. Three of Slovakia's leading economic production units of chemicals, wood products and leather succeeded in fulfilling (and in some cases overfulfilling) plan quotas, as well as improving product quality. The rate of growth in exports and imports failed to meet plan requirements, although in trade with non-socialist countries, Czechoslovak exports increased 11.5% and imports grew only 4.4% over last year's half-year levels.

THE GERMAN DEMOCRATIC REPUBLIC

21. The German Democratic Republic suffered setbacks due to the extreme conditions of this year's winter, particularly in the chemical, engineering, construction and food industries. The country reacted to Soviet urgings to conserve energy by announcing an increase in wholesale fuel prices by 30%, effective January 1980, and the introduction of programmes to reduce consumption. Although plan targets were realized in some sectors, increases in total industrial production during the first half of 1979 measured 4%, rather below the annual goal set at 5.5% and the 1978 target of 5.2%. The growth rate in the produced national income for 1979 was projected at 4.3%, but the actual increase during the first six months was estimated at 2-3%. Likewise labour productivity growth, calculated at 4%, is under the scheduled annual 4.6%; the reason for this stagnation appears mainly due to a lack of incentive and motivation among East German workers. The system of Intershops, catering to those with access to hard-currency and providing the State with considerable convertible revenues, as well as the stores

selling good quality products at high domestic prices, have exacerbated the gap between consumer reality and expectations. During Brezhnev's visit in October 1979, a ten-year cooperative programme was announced between the GDR and the USSR. In addition to raw materials and fuel, the GDR is to receive machine tools, micro-electronic articles, construction equipment, machinery for the manufacture of railroad cars, and the installation of atomic power stations. East Germany will lend its expertise in the production of armatures, textile and footwear machinery and high quality glass products, and will provide the USSR with ships, machine tools, instruments and chemical and printing equipment.

HUNGARY

22. The Hungarian economy is extremely dependent on foreign trade (in 1978, foreign trade turnover exceeded NMP) and is unique in the Soviet bloc in that it relies on a semi-market mechanism. Both of these features make for greater instability, due to a more direct impact of international economic trends. After a peak in 1977 (8%), NMP growth has gone into a sharp decline, which has continued well into 1979, partly as a result of successful measures taken to eliminate the convertible currency trade deficit. In the first half of this year agriculture was significantly hampered by bad weather, although the damage is partly offset by better than anticipated gains in animal husbandry. Industry, with a 3.6% increase, lagged behind the (reduced) plan target. Construction was up by an above-plan 3.3%, but recorded major delays in housing. As a result of the latter unfavourable development and the massive price hike in July 1979, consumers are feeling the grip of the quasi-recession in which the Hungarian economy has found itself in the first months of this year. Needless to say, this year's plans - although unambitious - are unlikely to be met.

POLAND

23. The Polish economy has entered into a period of clearly declining economic growth: at 2.8%, the growth in real terms of national income in 1978 was half that of 1977 (5.6%), and approximately half of the plan goal. For the first six months of 1979, available data reveals a continuation of this trend. In particular, sales of industrial goods stagnated (0.6% above first-half 1978), and so will not likely meet the yearly target of 4.9%. The slowdown can be partially attributed to the régime's increasingly restrictive investment policies, designed to redress imbalances in domestic consumption and foreign trade. As a consequence, six-month 1979 investment expenditures in the socialized sector diminished by 14% from those of first-half 1978. Moreover, important difficulties in transport and energy production put a brake on the development of other industrial branches.

24. Because of an adverse winter and spring, Poland suffered agricultural setbacks in 1979, especially in the production of grains which, at 17.5 million tonnes, was the lowest yield since 1970. The bad harvest will have adverse effects on the balance of

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payments by necessitating above plan convertible-currency grain imports, and probably also on domestic consumption as fodder shortages will adversely affect meat supplies. Discrepancies continue between available consumer supplies and demand, despite the officially admitted fall in real incomes for certain sections of the population in 1978 and the apparent continuation of this trend in 1979. The average nominal wages in the socialized sector increased 7.7% in the first six months of 1979 compared with the same period in 1978; the inflation rate is not yet known.

25. In both 1977 and 1978 Poland succeeded in effecting a reduction of its hard-currency trade balance deficit, which nevertheless remained high (\$1.9 billion at the end of 1978). The hard-currency trade balance improved in 1977 and 1978, but the current account did not improve in those years. Trade continued to improve in January-August 1979, when exports to non-Communist countries increased by 16%, while imports from the same area grew by 8%. However, the need to import large quantities of grain, and increases in the prices of OPEC oil, which currently provides about one-fourth of Polish oil needs, could boost the hard-currency import bill substantially in the second half of 1979. At the end of 1978, Polish net convertible-currency indebtedness stood around \$17 billion. Poland has so far arranged to service its convertible-currency debts, and in addition possesses large undrawn export credit commitments guaranteed by Western governments, although such commitments cannot be used for balance of payment purposes. But the particularly heavy repayment deadlines which will occur in 1979-1981 will necessitate refinancing a portion of the debt, which currently seems to be attainable without great difficulty. If international financial markets should become less liquid, however, or if Poland fails to continue showing progress in reducing its convertible-currency trade deficit, its sources of international credit might become severely restricted, producing severe repercussions on the Polish economy.

ROMANIA

26. Romania continues to be the fastest growing economy in the East. Although official optimism is not to be taken at face value, indications are that the 8.8% growth rate for NMP will be met. However, harvest difficulties will translate into less than planned (5.1-5.6%) growth in agriculture. Industry is expected to show the 11.3% growth rate foreseen in the plan. Investment, especially in housing, lags far behind plan, while retail sales - the bulk of which are personal consumption - seem to be growing at a rate compatible with the 8.3% annual target. The latter is an indication that the régime is slowly putting greater emphasis on consumers' welfare, which is also witnessed by the launching of a credible programme for "improving the living standard". The economy may come close to an average growth above 10% in the current Five-Year Plan 1976-1980, as Romanian officials claim.

However in a longer term perspective, slower productivity gains, manpower bottlenecks, and declining oil output have led the Romanian planners to acknowledge that the age of record growth is coming to an end. The target set for NMP growth in the 1981-1985 plan draft is 6.7-7.4% - still very high but substantially less than the "above 10%" posted for the current Five-Year Plan.

CMEA

27. Future energy provisions were in the forefront of discussions at the CMEA's thirty-third general annual session held in Moscow, 26th-28th June 1979. The USSR, Poland, Czechoslovakia, and Hungary signed an agreement for the construction of a 4000 MW, 1.5 billion ruble nuclear power plant in the Ukraine, part of a larger programme of building mutual nuclear power plants, principally in the USSR, in the 1980-1990 period, which will ultimately provide an additional 37,000 MW of generating capacity for Eastern Europe, or over two-fifths of installed 1978 generating capacity. The plant will be linked to Poland by a 750-volt transmission line, which was also agreed to at the session; the line is the second section of a high-tension network which will eventually circle Central and Eastern Europe to supplement the similar, but now overloaded CMEA "Peace" grid, and also form a power feed line to Western Europe. An additional dozen agreements were signed at the session serving to implement the now approved five target programmes serving as a framework for CMEA cooperation during the 1980-1990 period in projects dealing with the production of fuels, energy and raw materials, industrial machinery, agricultural products, transportation facilities and consumer goods.

28. Fragmentary six-month trade results throughout the CMEA area suggest continuing success in many countries in restraining imports from the industrial West to reduce convertible-currency trade deficits and corresponding convertible-currency debt. Similarly, many of the countries apparently had success in boosting the six-month value of their hard-currency exports. As a result, Poland reported that it had reduced its hard-currency deficit for the first six months of 1979 by 21% from its corresponding 1978 level, and Hungary by 50%. On the other hand, the hard-currency trade balance of the GDR and Romania appear to have deteriorated, as a result of substantial increases in imports from the OECD countries, adversely affecting their debt position. At the end of 1978 the net convertible currency debt of the CMEA member countries amounted to some \$53 billion, approximately one-fifth of which was owed by the USSR(1). The debt service burden appeared to be still within the financing capabilities of each member nation, although particularly heavy for Poland and Bulgaria. During 1978, moreover, the rate of increase in net hard-currency debt of all of the CMEA countries except Romania appears to have slowed somewhat, a trend which showed signs of continuing into 1979.

(1) See Table 3 for country-by-country summary of debt position through 1978.

TABLE 1

USSR & EASTERN EUROPE: SELECTED INDICATORS OF ECONOMIC GROWTH
(Percentage change over previous year)

| USSR | 1976 | | 1977 | | 1978 | | 1979 Plan | |
|-----------------------------|--------------------|------|------|------|------|--|-----------|--|
| | National Income(a) | 5.3 | 4.7 | 4.2 | 5.2 | | | |
| Industrial Production | 4.8 | 5.7 | 4.8 | 5.7 | | | | |
| Ind. Labour Productivity(b) | 3.0 | 4.1 | 3.6 | 4.7 | | | | |
| Agricultural Output | 3.5 | 3.0 | 4.0 | 5.8 | | | | |
| Foreign Trade(c): | | | | | | | | |
| Exports | 16.7 | 18.7 | 7.2 | n.a. | | | | |
| Imports | 7.8 | 4.8 | 14.8 | n.a. | | | | |

| | Bulgaria | | | | Czechoslovakia | | | |
|-----------------------------|----------|------|------|-----------|----------------|------|------|-----------|
| | 1976 | 1977 | 1978 | 1979 Plan | 1976 | 1977 | 1978 | 1979 Plan |
| National Income(a) | 6.3 | 6.3 | 6.0 | 7.0 | 3.9 | 4.2 | 4.0 | 4.3 |
| Industrial Production | 5.8 | 6.8 | 7.0 | 7.8 | 5.5 | 5.7 | 5.0 | 4.5 |
| Ind. Labour Productivity(b) | 6.5 | 6.0 | 6.4 | 6.7 | 4.9 | 4.9 | 4.2 | 4.6 |
| Agricultural Output | 4.1 | -4.6 | 2.8 | 7.0 | -2.7 | 9.1 | 1.5 | 3.8 |
| Foreign Trade(c): | | | | | | | | |
| Exports | 14.6 | 15.4 | 10.7 | 9.0 | 11.8 | 12.4 | 9.4 | 6.3 |
| Imports | 3.8 | 10.7 | 11.5 | 9.0 | 10.3 | 12.9 | 7.7 | 5.7 |

| | GDR | | | | Hungary | | | |
|-----------------------------|------|------|------|-----------|---------|------|------|-----------|
| | 1976 | 1977 | 1978 | 1979 Plan | 1976 | 1977 | 1978 | 1979 Plan |
| National Income(a) | 3.6 | 5.2 | 4.0 | 4.3 | 3.0 | 7.8 | 4.0 | 3-4 |
| Industrial Production | 5.9 | 5.4 | 5.8 | 5.5 | 4.1 | 6.6 | 5.2 | 4 |
| Ind. Labour Productivity(b) | 5.4 | 4.8 | 5.1 | 4.6 | 5.2 | 6.8 | 5.3 | 4.0 |
| Agricultural Output | -5.4 | 6.8 | 3.0 | 1.3 | -3.5 | 10.3 | 2.0 | 3-3.5 |
| Foreign Trade(c): | | | | | | | | |
| Exports | 12.7 | 5.8 | 10.3 | 9.8 | 3.0 | 16.5 | 0.9 | 11.0 |
| Imports | 16.9 | 8.6 | 10.0 | 9.8 | -3.0 | 16.2 | 12.6 | 6.0 |

| | Poland | | | | Romania | | | |
|-----------------------------|--------|------|------|-----------|---------|------|------|-----------|
| | 1976 | 1977 | 1978 | 1979 Plan | 1976 | 1977 | 1978 | 1979 Plan |
| National Income(a) | 7.1 | 5.6 | 2.8 | 2.8 | 10.5 | 8.6 | 7.6 | 8.8 |
| Industrial Production | 9.8 | 8.6 | 5.8 | 4.9 | 12.9 | 12.5 | 9.0 | 11.3 |
| Ind. Labour Productivity(b) | 9.7 | 8.3 | 5.8 | 5.3 | 8.8 | 8.1 | 7.1 | 10.2 |
| Agricultural Output | -0.7 | 0.8 | 4.2 | 3.9-4.8 | 17.4 | -0.9 | 2.4 | 5.1-5.6 |
| Foreign Trade(c): | | | | | | | | |
| Exports | 7.1 | 11.4 | 9.8 | 9.1 | 14.9 | 14.6 | 5.4 | 16.6 |
| Imports | 10.6 | 5.5 | 4.7 | 5.1 | 14.1 | 14.6 | 14.6 | 16.6 |

(a) Produced national income, that is, utilized national income (consumption plus investments) plus losses and net exports

(b) Gross production per employed person

(c) At current prices and exchange rates, fob; Hungary's imports, cif

Source: CMEA Statistics, as compiled in DIW Wochenbericht, Vol. 46, No. 20, 17th May 1979, pp. 216-223

TABLE 2
USSR AND EASTERN EUROPE
TRADE WITH DEVELOPED WEST(1)
(in Billion US \$)

| | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1978(2)</u> |
|-----------------------|-------------|-------------|-------------|-------------|----------------|
| USSR | | | | | |
| Exports | 8.2 | 8.4 | 10.3 | 12.2 | 13.0 |
| Imports | 8.1 | 13.5 | 14.4 | 13.4 | 16.2 |
| Balance | 0.1 | -5.1 | -4.1 | -1.2 | -3.2 |
| BULGARIA | | | | | |
| Exports | 0.5 | 0.5 | 0.6 | 0.6 | 0.7 |
| Imports | 1.0 | 1.3 | 1.0 | 1.0 | 1.1 |
| Balance | -0.5 | -0.8 | -0.4 | -0.4 | -0.4 |
| CZECHOSLOVAKIA | | | | | |
| Exports | 1.7 | 1.7 | 1.7 | 1.9 | 2.2 |
| Imports | 2.1 | 2.2 | 2.4 | 2.6 | 2.8 |
| Balance | -0.4 | -0.5 | -0.7 | -0.7 | -0.6 |
| EAST GERMANY | | | | | |
| Exports | 2.6 | 2.6 | 3.2 | 2.8 | 3.3 |
| Imports | 3.5 | 3.7 | 4.6 | 4.2 | 5.0 |
| Balance | -0.9 | -1.1 | -1.4 | -1.4 | -1.7 |
| HUNGARY | | | | | |
| Exports | 1.4 | 1.3 | 1.5 | 1.7 | 2.0 |
| Imports | 2.0 | 1.9 | 2.0 | 2.4 | 3.2 |
| Balance | -0.6 | -0.6 | -0.5 | -0.7 | -1.2 |
| POLAND | | | | | |
| Exports | 3.0 | 3.3 | 3.6 | 3.9 | 4.3 |
| Imports | 5.3 | 6.2 | 6.8 | 6.4 | 6.2 |
| Balance | -2.3 | -2.9 | -3.2 | -2.5 | -1.9 |
| ROMANIA | | | | | |
| Exports | 2.1 | 1.9 | 2.2 | 2.3 | 2.7 |
| Imports | 2.5 | 2.3 | 2.2 | 2.7 | 3.3 |
| Balance | -0.4 | -0.4 | 0.0 | -0.4 | -0.6 |
| TOTAL | | | | | |
| Exports | 19.5 | 19.7 | 23.1 | 25.4 | 28.2 |
| Imports | 24.5 | 31.1 | 33.4 | 32.7 | 37.8 |
| Balance | -5.0 | -11.4 | -10.3 | -7.3 | -9.6 |

(1) Includes all OECD countries plus Israel. All exports and imports are on a f.o.b. basis except Hungary, which reports its exports on a c.i.f. basis.

(2) Preliminary estimate.

Source: Handbook of Economic Statistics 1979, US National Foreign Assessment Center, CIA

TABLE 3
SOVIET AND EAST EUROPEAN INDEBTEDNESS AND
CONVERTIBLE-CURRENCY EXPORTS, SELECTED YEARS

(End of Year Situation)

| | <u>Estimated Net Hard-currency Debt (\$ bil)</u> | <u>Exports to Developed West (\$ bil)</u> | <u>Debt/ DW Export Ratio(1)</u> |
|-----------------------|--|---|---|
| <u>USSR</u> | | | |
| 1971 | 1.2 | 2.8 | 0.43 |
| 1975 | 7.4 | 8.4 | 0.88 |
| 1978 | 11.2 | 13.0 | 0.86 |
| <u>BULGARIA</u> | | | |
| 1971 | 0.7 | 0.3 | 2.33 |
| 1975 | 2.2 | 0.5 | 4.40 |
| 1978 | 3.7 | 0.7 | 5.29 |
| <u>CZECHOSLOVAKIA</u> | | | |
| 1971 | 0.2 | 0.9 | 0.22 |
| 1975 | 0.8 | 1.7 | 0.47 |
| 1978 | 2.5 | 2.2 | 1.14 |
| <u>EAST GERMANY</u> | | | |
| 1971 | 1.0 | 1.2 | 0.83 |
| 1975 | 3.5 | 2.6 | 1.35 |
| 1978 | 7.5 | 3.3 | 2.27 |
| <u>HUNGARY</u> | | | |
| 1971 | 0.8 | 0.6 | 1.33 |
| 1975 | 2.2 | 1.3 | 1.69 |
| 1978 | 6.4 | 2.0 | 3.20 |
| <u>POLAND</u> | | | |
| 1971 | 0.8 | 1.2 | 0.67 |
| 1975 | 7.6 | 3.3 | 2.30 |
| 1978 | 16.3 | 4.3 | 3.79 |
| <u>ROMANIA</u> | | | |
| 1971 | 0.9 | 0.7 | 1.28 |
| 1975 | 2.1 | 1.9 | 1.11 |
| 1978 | 4.8 | 2.7 | 1.78 |
| <u>TOTAL</u> | | | |
| 1971 | 5.6 | 7.7 | 0.72 |
| 1975 | 25.8 | 19.7 | 1.31 |
| 1978 | 52.4 | 28.2 | 1.86 |

Sources: Indebtedness: US Government
Exports: Handbook of Economic Statistics 1978 and 1979,
US National Foreign Assessment Center, CIA

(1) Ratio is generally lower when exports of services and to developing countries is considered