CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

Traus

ADDENDUM INCLUDED
ADDITIF INCLUS 24/9/65

EXEMPLAIRE
COPY N° 172

ORIGINAL: ENGLISH
21st September, 1965

NATO CONFIDENTIAL
WORKING PAPER
AC/89-WP/168(Revised)

SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

ECONOMIC REVIEW OF EASTERN EUROPEAN COUNTRIES AND THE SOVIET-OCCUPIED ZONE OF GERMANY

Note by the Chairman

In the light of the preliminary exchange of views in the Sub-Committee during its last meeting on Thursday, 9th September, on the draft summary report prepared by the International Staff on the economic review of Eastern European countries and the Soviet-Occupied Zone of Germany, the Economic Directorate has prepared the attached revised version of this draft in an attempt to take into account the suggestions made by some members of the Sub-Committee.

2. This revised text incorporates the amendments presented by various delegations and differs from the original text in that the summary and conclusions have now been presented at the beginning of the document while the analytical part starts at paragraph 8. Both the original text AC/89-WP/168 and the attached revised version will be put on the Agenda of the next meeting of the Sub-Committee to allow the delegations to decide on the layout to be adopted for this report to the Committee of Economic Advisers.

(Signed) A. VINCENT

OTAN/NATO,
Paris, XVIe.

SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

ECONOMIC REVIEW OF EASTERN EUROPEAN COUNTRIES AND THE SOVIET-OCCUPIED ZONE OF GERMANY

Note by the Chairman of the Sub-Committee

1. In the light of recent developments in the Communist countries of Eastern Europe(1) it has been thought desirable to improve the pooling within NATO of information on the current economic situation of these countries for the purpose of arriving at an agreed assessment of their future economic development and trade prospects. The Sub-Committee on Soviet Economic Policy was entrusted with undertaking such economic reviews on the basis of reports to be prepared by NATO countries having a special interest in a particular Eastern European country(2).

2. The United States Delegation volunteered to begin this new exercise by a note on the Rumanian economy which was discussed in the Sub-Committee on 6th November, 1964; an Italian note on the Czechoslovak economy was discussed on 11th February, 1965, a French note on the Polish economy on 25th February; a German note on the Soviet-Occupied Zone on 29th April; a United Kingdom note on Hungary on 24th May, and a German note on Bulgaria on 2nd July, 1965. High-ranking national officials including representatives of NATO countries stationed in the capitals of the Eastern European countries concerned took part in these examining sessions. On each of the countries so far examined a summary report has been sent to the Council through the Committee of Economic Advisers(3).

3. During this exercise, the Sub-Committee bore in mind a previous report(4) which the Committee of Economic Advisers, advised by national officials, had prepared last year following instructions by the Council "to make recommendations as to such economic measures as might be taken by NATO to loosen the ties between the USSR and the various satellites"(5); other NATO studies, completed or under way, on general economic developments within the Eastern European countries, these countries' relations with COMECON, their trade with NATO countries, etc., have also been taken into consideration(6).

---

(1) Throughout this study the expression excludes the USSR, Albania and Yugoslavia.
(2) AC/89-R/55, Item I.
(3) C-M(65)18 on Rumania;
C-M(65)41 on Czechoslovakia;
C-M(65)42 on Poland;
C-M(65)63 on the Soviet-Occupied Zone;
C-M(65)57 on Hungary; and
C-M(65).. on Bulgaria.
(4) See C-M(64)78.
(5) C-R(63)58, paragraph 50.
(6) See AC/127-WP/153(series) and other documents listed at Annex to AC/89-A/70.

4. The Sub-Committee felt that the Committee of Economic Advisers and the Council might be interested to receive a general review summarising the results of the studies on the individual countries and comparing their present economic situation and future trends, in particular as regards external trade.

ECONOMIC REVIEW OF EASTERN EUROPEAN COUNTRIES AND THE SOVIET-OCCUPIED ZONE OF GERMANY

Summary Report by the Sub-Committee on Soviet Economic Policy

A. SUMMARY AND CONCLUSIONS

1. The economies of the five Communist countries of Eastern Europe and the Soviet-Occupied Zone of Germany have all developed quickly during the post-war period but, since the beginning of the 1960's, the high growth rates of industrial production have declined, most markedly in the more advanced countries of the region. Recognising that a system of strict centralised planning and control works less efficiently the more sophisticated production becomes, the Eastern European leaders began to introduce some market elements into their economies. The most far-reaching reforms have recently been introduced in the two most industrialised countries of the region, Czechoslovakia and the Soviet Zone, while the others are still discussing and experimenting, like the Soviet Union along the lines of the Libermann proposals of 1962. Though it is yet too early to judge the effectiveness of these reforms and experiments, it cannot be excluded that they might one day improve economic performance. Attempts are also being made in some countries to make agriculture more productive by improving incentives for collective and state farmers.

2. The Soviet Union is the predominant trading partner of all the countries under review, but the share of NATO countries in the latter's trade is also quite important and much greater than that of Communist countries in NATO countries' trade. According to Eastern European statistics, which are believed to under-estimate the importance of the countries' trade with the West - the share of the Soviet Union and of NATO countries in the Eastern European countries' foreign trade turnover in 1963 was:

	Share of Soviet Union	Share of NATO countries
Bulgaria	55%	13%
Soviet-Occupied Zone of Germany	48% (53%)(1)	18% (7%)(2)
Rumania	42%	20%
Czechoslovakia	40%	10%
Poland	34%	20%
Hungary	34%	15%

(1) 48% if intra-German trade is included, 53% if it is excluded from the Zone's total foreign trade turnover.

(2) 18% if intra-German trade is included, 7% if it is excluded.

3. Though all Eastern European countries wish to expand their trade with the West to raise the quality of their own production - and in the case of the Soviet-Occupied Zone also to become independent from West German deliveries and to win diplomatic recognition - they would certainly resist a shift which threatened to attain dimensions that might provoke Soviet counter-measures. The varying degrees of dependence on the Soviet Union set the limits to which the Eastern European countries can allow their trade links with the former to slacken. Rumania with its solid raw material base seems to be in a somewhat more favourable position than the other countries. Hungary, the Eastern European country with the largest share of NATO trade before the 1956 revolution, might be allowed by the Soviets to re-establish its old ties with the West, at least to a certain degree. Also in the case of Bulgaria, there seems to be a fair chance for a considerable expansion of NATO countries' trade, as in that country the economic weight of the Soviet Union is so strong that the latter can well permit a further substantial increase in the country's trade with the NATO countries. In Poland and Czechoslovakia, and in particular the Soviet-Occupied Zone of Germany, political and military motives seem to be so overwhelming that probably none of their régimes would be able or willing to undertake any action that might arouse suspicion in the Soviet Union, even if it would be economically advantageous to them; on the other hand, the great political dependence of these countries on the Soviet Union might make the latter less reluctant to agree to an intensification of their trade relations with the West considering that such a co-operation would increase the industrial capacity of these countries and thus be an asset for the Soviet Union itself.

4. None of the Eastern European countries, with the probable exception of Bulgaria, is satisfied with the benefits derived from COMECON, but they cannot be expected to leave this organization; the urge for such a step has probably weakened as, for the time being at least, the organization has abandoned its more ambitious plans.

5. As past developments have shown, a mere expansion of trade between NATO countries and the Communist countries of Eastern Europe does not automatically reduce the share of the Soviet Union in the latter's trade. During recent years, this has only been the case for Rumania, whereas in the case of Hungary a substantial increase in the USSR's share was accompanied by a considerable reduction of the share of NATO countries, i.e. Rumania and Hungary seem to be the only countries where an expansion of NATO countries' trade would contribute directly to a lessening of these countries' economic ties with the Soviet Union. All the other countries seem to expand their trade with NATO countries simultaneously with their trade with the Soviet Union - a phenomenon which is comprehensible, given the great interdependence of their economies with the Soviet economy: the demand for Soviet raw materials and energy grows in proportion to these countries' exports of finished and semi-finished goods to NATO countries.

6. Though the commodity structure of the Eastern European countries' exports to the West is undergoing important changes, trade relations with the West will continue to be limited by the small range of goods these countries have to offer, the poor quality of these goods, the inadequate servicing facilities, etc., and also by the quantitative and other restrictions which hamper the entry of these countries' exports into Western markets.

o
o o

7. As far as the economic policy of NATO countries is concerned, the Sub-Committee feels that, in spite of the various obstacles hampering trade with the Eastern European countries and the fact that a mere expansion of NATO countries' trade with these countries will not necessarily reduce their economic dependence on the Soviet Union:

(i) NATO countries should continue to encourage trade relations with the Eastern European countries; indeed, in the absence of such encouragement, their present share in the trade of these latter countries might significantly decrease; in addition, there may be a link between trade with the West and the extent to which economic reforms are introduced in Eastern Europe: on the one hand such reforms, as they leave greater freedom to the individual enterprises in the choice of their suppliers and customers, may in the future favour an expansion of trade with the West; on the other hand this expansion of trade, even when accompanied by an increase of trade between Eastern Europe and the Soviet Union, may help in making new economic measures work smoothly and thus contribute towards introducing in Eastern Europe an element of freedom which may grow and even have a liberalising effect on the political life of these countries;

(ii) they should endeavour to facilitate the access of Eastern European products to their markets by whatever measures they feel appropriate, taking care, however, not to damage the legitimate interests of other countries, especially those of the free world which are still in the course of development. In particular, they might explore the possibility of removing quantitative restrictions on goods imported from Eastern European countries on condition that these countries undertake to avoid any action likely to disrupt Western markets. In addition, Western European countries should give close consideration to the approaches made by some Eastern European countries to international economic organizations such as GATT; it appears, indeed, that the outcome of the contacts made by Poland with GATT, in the framework of the Kennedy Round, and with the European Economic Community, will strongly influence the attitude of other Eastern European countries towards Western economic organizations. Western countries should also further examine the problem of extending credits to Eastern European countries, taking account of the need to avoid giving state-trading countries the opportunity of playing off one Western firm against another; in the view of a number of delegations, NATO countries should aim at co-ordinating their credit policy towards these countries, a problem which has not been fully discussed in the course of this exercise; in general, Western countries should pursue an economic policy flexible enough to allow them to exploit any opportunity that future economic developments in Eastern Europe may offer, bearing in mind the numerous differences among individual countries with respect to such factors as their size, geographical situation, history, stage of development, dependence on the Soviet Union, etc;

(iii) they should continue to study, in NATO, economic developments in the individual Eastern European countries and also to consult on the economic policies which may be applied to Eastern European countries with a view to furthering the interests of the Alliance.

B. INTERNAL ECONOMIC SITUATION

(a) Area and Population

8. The five Communist countries of Eastern Europe and the Soviet-Occupied Zone of Germany cover about 1 million sq.km. or 20% of the European continent, excluding the Soviet Union. The individual countries differ considerably in size: Poland and Rumania are comparatively large (313,000 sq.km. and 238,000 sq.km. respectively), while Czechoslovakia, Bulgaria, the Soviet-Occupied Zone of Germany(1) and Hungary cover only around 100,000 sq.km. each(2). Poland and Rumania have long common borders with the Soviet Union, Czechoslovakia and Hungary only small ones, while the Soviet Zone and Bulgaria are divided from the USSR by Poland and Rumania respectively. Three of these countries have common borders with NATO members: Bulgaria with Greece and Turkey, Czechoslovakia and the Zone with the Federal Republic of Germany. Czechoslovakia and Hungary are entirely landlocked.

9. Population figures also differ substantially: Poland has 31 million, Rumania 19 million, the Zone 17 million, Czechoslovakia 14 million, Hungary 10 million and Bulgaria 8 million inhabitants, a total of close to 100 million or 23% of the European population, that of the Soviet Union excluded.

---

(1) The use of the word "country" with respect to the Soviet-Occupied Zone of Germany does not imply that the Zone is considered an independent state like the other Communist countries of Eastern Europe.
(2) See Annex I.

(b) General Development

10. Important historical and political factors have shaped the economies in the individual Eastern European countries. As a consequence of World War II all countries were occupied by the Soviet Union which succeeded in installing Communist régimes, and in imposing its own social and economic system on them. Poland underwent a profound geographical transformation. Czechoslovakia and Poland were treated as former "allies"; they were allowed to confiscate German assets which, in the other countries, were claimed as war booty by the Soviet Union; the Soviet-Occupied Zone was cut off from the all-German economic structure; its economy was dismantled and it had to pay far heavier reparations than the other former "enemy" countries, until the middle of the 1950's. After the 1956 revolutions in Poland and Hungary, Gomulka introduced some flexibility into the strict planning and control system and allowed collective farmers to return to individual peasant farming while Kadar tightened the grip and cut off many of the economic and other ties with Western countries.

11. There are considerable differences in the stages of economic development reached by the various countries. Two of them - Czechoslovakia and the Soviet-Occupied Zone of Germany - are highly industrialised: their per capita GNP can be estimated as about 25% to 30% higher than that of the Soviet Union and about equal to that of a number of advanced Western countries. Rumania and Bulgaria are still backward - their per capita GNP's are only about 60% that of the Soviet Union's; Hungary and Poland range in between, with per capita GNP's of about 75% of that of the Soviet Union.

12. The economies of all countries under review progressed quickly during the second half of the 1950's, after reconstruction had been completed and the reparation claims of the Soviet Union fulfilled. In recent years, however, growth rates have declined in all countries of the region, and in particular in the more advanced ones. In 1963, Czechoslovakia was hit by a severe economic crisis: the régime officially recognised a decline in the national income of 4%, a striking refutation of the claim that the Communist system was the best guarantee for steady and rapid economic growth. It would appear, indeed, that the rigid Soviet system of centralised planning becomes increasingly inadequate as the economy develops.

(c) Industrial Production

13. In line with Communist economic doctrine, industry, and especially heavy industry, was particularly favoured in all countries. During the period 1960-64, gross industrial production rose at the following annual average rates: Rumania 15%, Bulgaria 11%, Hungary 10% Poland 9% (as in the Soviet Union), Czechoslovakia and the Soviet-Occupied Zone of Germany 6%. This corresponds but inversely to the stage of development reached by the respective countries and can be explained by the fact that high growth rates are a common feature in the first phases of industrialisation.

(d) Employment

14. A major problem so far unsettled appears to be the labour situation. Whereas labour shortages make themselves increasingly felt in the developed economies of the Soviet-Occupied Zone of Germany and Czechoslovakia, all the other countries, and in particular Poland, are faced with open or hidden unemployment, a problem which according to Communist dogma was supposed not to exist in any Soviet-type economy. The possibility of drawing upon the reserves of unskilled agricultural labour which are still abundant in most countries has so far been one of the main sources of rapid industrial progress, but as an improvement in quality is now the main requirement, even in the less-developed countries of the region, the existence of this pool of unskilled labour is no longer such a valuable asset. Furthermore, there do not seem to exist any practicable plans for an exchange of labour among the COMECON countries on a significant scale. Even if such plans were adopted, the Eastern European leaders would have increasingly to concentrate their attention on technical training programmes for unskilled workers.

(e) Agriculture

15. Agriculture is fully collectivised in all countries of the region except in Poland where individual farming still prevails; but as the holdings are extremely small and government intervention is very extensive, this type of farming has not so far proved more effective than collective agriculture as practised in the other countries of the region. During the last five years, agricultural production in Poland and Czechoslovakia has increased at an average annual rate of 2% (as in the Soviet Union), against 4% for the Zone, 3% for Bulgaria and only 1% for Rumania and Hungary, two countries which, like Poland, depend heavily on agricultural exports as earners of foreign currency. As a consequence of the poor results of agricultural production, most régimes have recently altered their hostile attitude towards the ownership of private plots by collective farmers which only cover about 10% of the arable land but account for up to 25% of total agricultural production, and a much higher share in livestock breeding. A number of incentive schemes are being introduced; some of these are based on the principle of rewarding collective farmers in accordance with the results achieved on the particular land on which they are working; thus the régimes hope to make more effective the considerable investments in agriculture, the share of which in total investments is often greater than those in comparable Western countries.

(f) Economic Reforms

16. As a consequence of the apparent inadequacy of the rigid Soviet-type system of centralised planning and control, especially in the more advanced countries, economic policy is now being revised in all countries of the region, but in varying degrees. While the less developed countries of the region have not yet left the stage of discussion and experimentation, economic reforms have been introduced

in the Soviet-Occupied Zone of Germany in mid-1963 and in Czechoslovakia in January 1965. These reforms have much in common with proposals made earlier in the USSR and Poland by Professors Libermann, Lange and others, and are also influenced to some extent by the Yugoslav example. Theoretically at least, they can be considered to be the most far-reaching revision of economic policy so far introduced in any Communist country, Yugoslavia excepted.

17. The reforms consist of a decentralisation of planning and price fixing and the introduction of some elements of a market economy into production. Enterprises will now be compelled to pay much greater attention to profitability than was previously the case, and direct contacts between suppliers and consumers will be established in certain branches of the economy. All countries are now engaged in experimenting with some form of incentives for the purpose of encouraging quality production and economic efficiency. In several countries, the foreign trade procedure has been modified somewhat by allowing enterprises producing for export to calculate according to world market prices and to make settlements in foreign currencies.

C. FOREIGN ECONOMIC RELATIONS

(a) Importance of Foreign Trade for the Eastern European Economies

18. The importance of foreign trade for the economies of the countries under review is in inverse proportion to the size of their population: the share of imports in the estimated GNP is highest in Bulgaria and Hungary (17% and 13% respectively) around 10% in Czechoslovakia and the Soviet Zone and about 8% in Rumania and Poland. These rates are much below those of comparable Western countries, probably because in Soviet-type centrally planned economies foreign trade is a difficult element to handle; it would seem that with a more flexible system there would be scope for a considerable increase.

19. The six countries together account for a little over 6% of world trade, i.e. more than the Soviet Union (4.5%) but less than some individual Western countries such as the United States, the United Kingdom or the Federal Republic of Germany alone. The shares of the individual Eastern European countries in world trade are: Soviet Zone 1.6%, Czechoslovakia 1.5%, Poland 1.2%, Hungary 0.8%, Rumania and Bulgaria 0.6% each. Since 1955, the foreign trade turnover has more than doubled in all countries of the region, advancing a bit faster in Hungary and Rumania and slower in Czechoslovakia; in Bulgaria it increased no less than fourfold.

(b) Regional Pattern of Foreign Trade

20. The Soviet Union is the Eastern European countries' most important trading partner. Its share in the countries' foreign trade turnover in 1963 was: 55% for Bulgaria, 48% for the Soviet Zone(1), 42% for Rumania, 40% for Czechoslovakia, and 34% for both Poland

(1) Including intra-German trade: if excluded, the share is 53%.

and Hungary. These countries depend on the Soviet Union for most of their raw material supplies, in particular crude oil via the COMECON pipeline and iron ore, and as a market for their manufactured goods. For the less developed countries of the region, Soviet deliveries of equipment and spare parts are of vital importance to some of their key industries. Most of the countries have received some form of economic aid from the Soviet Union and can rely on supplementary credits, grain deliveries, etc., in the case of future emergencies. Furthermore, the fact that all countries were compelled to introduce the Soviet system of centralised planning, resulting in control by the state of all foreign trade transactions, makes trade relations among these countries easier than with market economies. Though Soviet proposals for supranational planning under the auspices of COMECON have so far failed, mainly because of Rumania's opposition, economic co-ordination is already quite advanced, largely on the basis of bilateral agreements between the individual Eastern European countries and their most important trading partner, the Soviet Union.

21. The share of NATO countries in the Eastern European countries' foreign trade in 1963 was: 20% for both Poland and Rumania, 18% for the Soviet Zone (including intra-German trade; if this was excluded, the share would only be 7%), 15% for Hungary, 13% for Bulgaria and 10% for Czechoslovakia. These figures are much higher than the share of Communist countries in NATO countries' foreign trade, which averages about 4% except for Greece (15%), Iceland (15%) and Turkey (8%). Five NATO countries account for close to 80% of total NATO's trade with the Eastern European countries: the Federal Republic of Germany (35%), the United Kingdom (13%), Italy (12%), France (8%) and the United States (8%).

22. The share of the Soviet Union and that of NATO countries in the Eastern European countries' foreign trade underwent some drastic changes since 1955(1). Though the share of the Soviet Union (and of the other Eastern European countries) may have been over-valued by the fact that trade between COMECON countries is believed to be carried out at a higher price level than world trade, the following trends can be inferred from the development of the Eastern European countries' trade with the different regions of the world: in the case of the Soviet-Occupied Zone of Germany and Czechoslovakia, the share of the Soviet Union has increased to the detriment of the rest of the world, while the share of NATO countries has remained almost constant; in the case of Poland, the share of the Soviet Union and that of NATO countries has slightly increased while the share of trade with the rest of the world has declined; in the case of Hungary, the share of the Soviet Union has increased substantially to the detriment of trade with NATO countries (as a consequence of the 1956 revolution); Rumania has moved in the opposite direction: the share of the Soviet Union has fallen considerably to the advantage of NATO countries; in the case of Bulgaria, a marked increase in the share of the Soviet Union was accompanied by a striking growth in the share of NATO countries, while the share of the other Eastern European countries declined considerably.

---

(1) See Annex II.

(c) Prospects for Foreign Economic Relations

23. It has been recognised during the discussions in the Committee that the prospects for the Eastern European countries' foreign economic relations will be influenced by other than purely economic considerations. Particularly important in this respect is the presence of Soviet troops in some of the countries - four divisions in Hungary and two in Poland, as well as the twenty divisions stationed in the Soviet-Occupied Zone of Germany (which for this and other reasons is a special case and can therefore not be fully treated in the context of this paper); furthermore, the armed forces of the Eastern European countries are equipped with modern Soviet weapons and integrated into the Warsaw Pact system; last but not least, the leaders of some countries such as Poland and Czechoslovakia might consider close ties with the Soviet Union indispensable as long as border questions, the problem of nationalities, etc., have not been settled.

24. On the economic plane, the prospects for a substantial expansion of the Eastern European countries' trade with the West do not seem too favourable for the following reasons:

- the fact that for the less developed countries of the region, Poland, Hungary, Rumania and Bulgaria, agricultural products are the main earners of "hard" currency. Exports of these products will be difficult to expand given the various quantitative and other restrictions hampering their entry into Western countries. The situation is somewhat aggravated by the gradual introduction of the agricultural provisions of the Treaty of Rome· the Poles have been in contact with the EEC commission, but it is far from clear whether the outcome of these negotiations will prove satisfactory for them;

- the difficulty for Eastern European countries, especially the less developed ones, to offer manufactured goods of a quality competitive on Western markets; on the other hand, low quality goods for mass consumption, such as textiles and shoes, are sometimes offered at very competitive prices, so that Western countries feel obliged to maintain restrictions to protect their own industries; furthermore, the commodity structure of Eastern European exports to the West is changing and the export of machinery, equipment and manufactured goods growing in importance(1); however, delivery periods, service facilities and the provision of spare parts leave much to be desired, and the efforts made by Eastern European exporters to use Western advertising methods are undoubtedly insufficient.

---

(1) See Chart at Annex

- the difficulty for state trading countries to provide genuine compensation for the granting of MFN treatment and to fulfil the obligations attached, for instance, to full GATT membership; Czechoslovakia, though a full GATT member since the foundation of this organization, has for this reason not been given full MFN treatment by other member countries: however, ways are being explored to come to a practical arrangement with Poland within the framework of the Kennedy Round;

- the strained balance of payments situation of most of these countries in their trade with the West, especially marked in the case of Poland which, from 1965 onward, will have to repay substantial United States credits;

- in the special case of the Soviet-Occupied Zone of Germany, it must be borne in mind that any expansion of the trade of Western industrialised countries with the Zone might, if it was achieved at the expense of intra-German trade, weaken one of the last ties between the two parts of Germany and reduce the effectiveness of intra-German trade as an instrument designed to protect free access to Berlin; moreover, it should not be overlooked that the East German régime, by gaining gradual acceptance as a commercial partner on the international scene, hopes one day to be recognised as an independent state.

25. Among the positive elements can be cited:

- the urgent need of all Eastern European governments to acquire technical know-how from the West for the purpose of modernising their economies;

- the interest of the Eastern European governments in the possibility of joint projects to be operated on their territories in conjunction with Western firms for the purpose of alleviating their unemployment situation, of participating in advanced Western technology, of making their own products more acceptable on Western markets, and of obtaining easier access to the credit facilities of the Western industrialised countries;

- the favourable disposition of some Eastern European governments, such as that of Rumania and Hungary, to send students and technical missions to the West to study modern industrial and agricultural techniques;

- the disposition of some Western industrialised countries to promote trade relations with Eastern Europe, inter alia, by signing long-term trade agreements and by granting credits to facilitate the delivery of industrial installations ; in this connection may also be mentioned the exchange of permanent trade missions between the Federal Republic and most Eastern European countries; furthermore, the United Kingdom has recently offered to remove quantitative restrictions on a wide range of goods imported from these countries on condition that the latter undertake to avoid any action likely to disrupt the British market; Czechoslovakia, Hungary, Poland and Bulgaria have so far accepted this offer, but it remains to be seen to what extent these countries' trade with the United Kingdom will, as a result, be increased.

BASIC DATA

EASTERN EUROPEAN COUNTRIES

(area, population, stage of development and foreign trade dependency)

1963 figures

	Unit	Bulgaria	Czecho-slovakia	Soviet-Occupied Zone of Germany	Hungary	Poland	Rumania	Total	Soviet Union
Area	1,000 sq.km.	111	128	108	93	313	238	990	22,400
Population	million	8.0	14.0	17.0	10.1	31.0	18.9	99.0	227.0
GNP-estimate(1)	billion US $	5.4	20.0	25.5	9.8	25.6	12.6	98.9	270.0
Per capita GNP	US $	670	1,425	1,500	970	830	670	1,000(2)	1,190
Exports	million US $	839	2,456	2,671 (3)	1,206	1,770	914	9,856	7,150
Imports	million US $	916	2,153	2,687 (3)	1,306	1,979	1,020	9,661	7,040
Foreign trade turnover	million US $	1,755	4,609	5,358 (3)	2,512	3,749	1,934	19,517	14,190
Per capita foreign trade	US $	219	328	315	251	121	102	197	62
% of imports in GNP	%	17.0	10.8	10.5	13.4	7.7	8.1	9.8	2.6

(1) At 1963 market prices, based on United States estimates.
(2) Average.
(3) Including intra-German trade.

FOREIGN TRADE OF EASTERN EUROPEAN COUNTRIES

SHARE OF DIFFERENT REGIONS IN TOTAL TURNOVER

	Soviet Union		Other Eastern European countries		NATO countries		Rest of the world	
	1955	1963	1955	1963	1955	1963	1955	1963
Soviet-Occupied Zone of Germany	38	48	26	28	20(2)	18(2)	16	6
Czechoslovakia	35	40	29	31	11	10	25	19
Poland	32	34	27	27	17(3)	20	24	19
Hungary	22	34	32	31	24(4)	15	22	20
Rumania	52(1)	42	20(1)	22	12(1)	20	16	16
Bulgaria	49	54	37	25	6	13	8	8

General Remark: Calculated according to official figures; given the higher price level of intra-COMECON trade, the share of NATO countries is actually somewhat higher (see AC/89-WP/153 series).

(1) 1958 figure (1955 not available, but believed to be roughly the same).
(2) Including intra-German trade; if this was excluded the share would only be 10% for 1955 and 7% for 1963.
(3) In 1950, this share had been 25%.
(4) In 1959, this share had only been 13%.

-19-