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ECONOMIC COMMITTEE

THE ECONOMY OF BULGARIA  
(as at the end of September 1972)

Note by the German Delegation

FOREWORD

The Economic Profile of Bulgaria

	Area km <sup>2</sup>	Population	Real Growth of Population
Hungary	93,030	10,375,000	0.26%
Albania	28,748	2,135,000	2.81%
Bulgaria	110,912	8,514,000	0.60%
CSSR	127,870	14,333,000	0.40%
GDR	108,178	17,042,000	- 0.10%
Poland	312,700	32,852,000	0.85%
Rumania	237,500	20,353,000	1.01%

National Income

Net Material Product: 10,527 million Lewa 1970  
of this:

- Industry: 49.1%
- Construction: 8.7%
- Agriculture and Forestry: 22.6%
- Transport and Traffic: 6.9%
- Trade: 9.9%
- Remaining Branches of the Economy: 2.8%

This document includes: 1 Annex

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The Economic Profile of Bulgaria

Growth	1969	1970	1971 (provisio- nal)	1972 (plan)	1966-1970 (average)	1971-1975 (plan) (average)
Net Material Product (fixed %)	10.0%	7.0%	9.4%		8.6%	7.7% - 8.4%
Gross Industrial Pro- duction (fixed %)	9.3%	8.2%	9.5%	7.7%	10.9%	9.2% - 9.9%
Gross Agricultural Pro- duction (fixed %)	3.8%	4.0%	3.1%	6.0%	3.45%	3.2% - 3.7%
Investments	0.8%	10.2%	5.0%	5.7%	12.3%	8.4% - 9.2%
Employees	-1.5%	1.8%	no data	no data	1.0%	no data
Industrial Productivity of Labour	6.6%	6.9%	6.0%	no data	11.0%	7.6%
Real Income per Capita	4.4%	4.8%	5.0%	4.2%	5.9%	4.6% - 5.4%



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TREND OF THE ECONOMIC DEVELOPMENT IN BULGARIA

1. With its population of about 8,590,000 and a territory of 110,900 km<sup>2</sup> Bulgaria is one of the smallest countries of Eastern Europe. Its gross social product per capita was estimated in 1970 to amount to US \$1,070, applying western calculating methods and taking into consideration the official rate of exchange (Lewa 1.08 per US \$1), i.e. two thirds of the corresponding per capita rate in the USSR (but three to four times higher than that of Albania(1)). Thus, Bulgaria is also one of the least developed countries in Europe.

2. Decisive for the development of Bulgaria were its close relations with the USSR. After the 2nd World War the USSR determined the long-term objectives of the process of development and gave far-reaching technical and financial aid. It was primarily due to this aid that Bulgaria, starting from a very low level, was able to overcome the status of an underdeveloped country at a very rapid pace of development. However, in this process its shortage of raw materials and an insufficient market offer increased in a growing extent its foreign trade dependence. The ratio between net material product and import was 100 : 21 in 1970. No other country of the Soviet bloc has such a high foreign trade dependence. The share of the Soviet Union in the total Bulgarian foreign trade was 52% in 1970. Apart from this dependence, especially in the economic sector, the USSR played a dominating rôle in all economic political conceptions of the Bulgarian economic leadership. This was especially clearly shown by the way in which the "New Economic Mechanism" was adopted and by the changes to the improved planning system in 1968/69 and 1970/71. It is evident already now, however, that the USSR will surrender - at least outwardly - the directing functions in the Bulgarian economic policy to COMECON as an institution. Bulgaria will be one of the countries of the Soviet bloc which will try to realize the integration as fast as possible and which will consequently orientate all its economy - policy measures towards this aim. This is also laid down in article 12 of the new constitution of 8th May, 1971: "The Bulgarian economy will develop as a component of the socialist world system."

3. This report is to provide a survey of the present economic situation, about the course of the past five planning years 1966-1970, and about the intended and possible development until 1975.

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(1) Converted to the actual purchasing power parity in international comparison the per capita rate should be about US \$600

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I. BACKGROUND INFORMATION

A. Raw Materials

4. Except for agricultural raw materials the Bulgarian industry has an extremely small raw materials basis. There are only a few anthracite deposits, the lignite deposits suffice to meet the present domestic requirements and it is assumed that the available lignite stocks would also suffice if major power plants were built. The quantity of crude oil discovered and won is relatively small; the natural gas output, however, is more promising. The reserves are estimated to be 30 thousand million m<sup>3</sup> at present. After the discovery of iron ore deposits two metallurgical complexes were set up. However, since Bulgaria does not have any coking coal for processing, this coal has to be imported. There are small deposits of lead, zinc, copper and other non-ferric ores in the eastern Rhodope mountains. Sulphuric acid is won by roasting sulphur-bearing metal ores. The salt deposits are sufficient for the requirements of the soda industry and secure its further planned extension. Bulgaria has to import potash and raw phosphates. However, there are sufficient lime deposits and other raw materials to produce cement. It would be possible to increase the production of cellulose significantly after the improvement of the access roads to the forest areas.

B. Population and Employment

5. At the end of 1970 Bulgaria had a population of 8,515,000. This population will probably increase to 8,596,000 by mid-1972. Thus Bulgaria has a population density of 77.5 inhabitants per km<sup>2</sup>. In the last 20 years (1950-1970) the population increased by 17.9%. During this period the birthrate decreased from 25.2 to 16 per 1,000 inhabitants. If the present trend continues a further decrease to about 14.1 is expected. Comprehensive measures to counter this trend by granting family allowances and bonuses for large families were only of temporary success. The "planning target" of a birthrate of 18 per 1,000 inhabitants will be hardly achievable. Moreover, since the death rate is not decreasing continuously but has been fluctuating between maximum 9.5 and minimum 8.1 since 1953 a decrease in the natural growth of the population has to be expected in future. In the last 5 years it reached its lowest level in 1965 with 7.2 and its highest level in 1968 with 8.3. A positive factor which does not stop the general trend, however, is the drop in infant mortality. The birthrate is essentially higher in the case of the ethnic minorities - about 1.2 million people at present - which represent about 14 to 15% of the total population. The strongest group among the minorities are the Turks with more than 705,000 people. Although Turks left the country in the course of the family reunion based on the Turkish-Bulgarian agreement their number is nevertheless increasing.

The second largest minority are the Macedonians with about 205,000 people. The splinter groups include Jews, Armenians and Gipsies. As far as the age structure is concerned the proportion of the 10 - 24 years old in the total population is the most unfavourable in the Balkans. This proportion was 28.6% in 1934, decreased to 24.2% in 1956 and dropped to 23.8% in 1970. The appropriate figures in Rumania and Yugoslavia are respectively 25.1 and 27.3%.

6. On 1st December, 1965 according to the official statistics the number of the population active in the economy was about 4,268,000, i.e. 51.9% of the total population. In 1970 4,938,000 people were of working age (men from 16-59, women from 16-54) i.e. 58% of the population. The rapid development of urbanization is indicated by the decrease of the rural population by 1,053,000 between 1956 and 1970. The proportion of the urban population in the total population increased from 26.4% in 1948 to 53.0% in 1970. It remains to be seen if the agrarian policy measures initiated in 1970/71 will slow down this trend a little in future. Because of the progressing mechanization of agriculture this development has not yet caused any shortage of labour in this branch of the economy. On the contrary: the Bulgarian economic leadership hopes to be able to mobilize for industry any labour reserves still available in this branch.

C. The Industrialization of Bulgaria

7. Based on the Soviet aims the industrialization was further intensified in Bulgaria. By giving its assistance in this field the USSR pursued power-political, economico-strategical and last not least, propagandistic interest vis-à-vis the two neighbours of Bulgaria, the rising industrial states of Turkey and Greece.

8. In 1939 Bulgaria was still a purely agrarian state. The proportion of industry in the national income was only 15%(1). Industry was essentially made up of small family enterprises. Foreign capital dominated in the few major enterprises. The growing industrialization deeply changed the structure of the country in a relatively short time. In 1939 the proportion of agriculture in "national income" was still 42%, in 1966 its proportion in the material net product had dropped to 34.2% and in 1970 to 22.6%. On the other hand, the proportion of the industrial production increased to 49.1% in 1970. The ratio of the proportions of the two economic branches in the material gross product is even more marked: 1970 industry = 62.4%, agriculture and

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(1) Bulgarian figures: It is not possible to ascertain if the proportion is based on the calculating methods applied by Bulgaria at present.

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forestry = 18.8%. In connection with the industrialization other branches in the economy like construction, transport, traffic and trade necessarily also extended. The structure of employees also indicates the essentially higher economic level of Bulgaria in comparison with 1948. At that time 82% of all employees were working in agriculture and forestry, 7.9% in industry and the remaining 10.1% were employed by the remaining branches of the Bulgarian economy.

In 1970 the figures were as follows: industry = 30.4%, agriculture and forestry = 35.8%, transport, traffic, construction and trade = 20.2%. The remaining employees were employed by the administration, communal services, education, health service etc.

9. In the overall process of Bulgaria's development agriculture played a pathbreaking rôle. Due to mechanization and rationalization in agriculture it was possible to surrender to industry the urgently required labour. In addition to supplying the population it had to cover a major part of the foreign exchange requirements - especially in the first 10-15 years. Unlike most of the remaining countries of the Soviet Bloc the Bulgarian economic leadership has never underrated the importance of this branch of the economy. For instance, the collectivization was carried out with extensive regard for the living conditions of the farmers who had already started before the 2nd World War to get together in co-operatives on their own initiative. None of the countries of the Soviet Bloc can look back on such "precommunist" experiments in the agricultural sector.

10. Characteristic for the industrialization of Bulgaria is the fact that it was based on the power supply of the future industry. One of the main points of emphasis was to expand the production of electro energy. Like all European communist countries Bulgaria gave absolute priority to the expansion of heavy industry. From 1949, the year in which Bulgaria reached its pre-war level again the overall economic development was defined in a number of 5-year plans. In addition, long-term targets were laid down in perspective plans from 1961-1980. Since much more capital and expert and management personnel are required for the development of a heavy industry than for the development of a light industry this could only be achieved with Soviet aid. So far the USSR has granted credits to the amount of Roubles 2,300 million, has provided experts, specialists and technologies and has supplied the necessary raw materials, machinery and equipment. Smaller in scale but of no less importance were the imports, especially from the GDR and CSSR. Because of their high level of industrialization these two states were often able to make up important shortages of high-value production means. Moreover, the western industrial countries have played a similar rôle in the industrialization of

Bulgaria since the 1950s. Bulgaria showed a growing interest in being supplied with industrial equipment and in taking over scientific and technological progress. With an average annual growth rate in industrial gross production of 15.9% Bulgaria headed the COMECON countries in the years 1956-1960 but had to surrender this position to Roumania in 1961. In spite of this there is generally still an accelerated growth. The average growth rate in the years 1961-1965 was 11%, 1966-1970 = 10.6%, and it should be about 9.5% at the end of the present 5-year plan.

11. The intensified process of industrialization and the structural changes involved with it resulted in an increasing differentiation of requirements. The more the pace of growth accelerated the less it was possible to realize a supply adjusted to it. In an increasing extent capital was committed to the uneconomical use of funds and the ratio between effort and yield became increasingly unfavourable. Bulgaria realized that it was necessary to adapt the existing economic system to modern requirements.

D. Economic Reforms

Development

12. Shortly after LIBERMAN's theories had been published in the USSR the Bulgarian economic leadership decided in November 1962 to improve the previous planning system. The conception drafted later on on the model of LIBERMAN and of Czech reformatory ideas pursued the same basic thoughts as all economic reforms introduced in the Soviet bloc. It was based on the realization that most effective utilization of resources, optimum coverage of requirements and increased competitiveness can only be secured by flexible methods of management. For this purpose it would be necessary to delegate powers of decision from the centre to medium and lower levels and to obtain decisions in line with economic criteria there by way of material incentives.

13. On the lines of this basic conception the first experiments were made in various enterprises in 1963 and these tests were extended to 50 state-owned major enterprises of various branches of industry in 1964. Encouraged by the favourable results and after the USSR had decided also to adopt an improved planning system, the Bulgarian economic leadership approved the reform for all spheres of the economy and began its gradual realization very carefully between 1966-1968. The measures applied in this connection were widely identical with those of the Czech model. After the political, and partially also economic, failure of the Prague economic reform Bulgaria also changed its course of reform. Already in the summer of 1968 authoritative economic functionaries stated that the targets of the reform could primarily be achieved

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only with the aid of mathematical methods and computers. This, however, required a partial recentralization and, consequently, a limitation of the powers of decision at the lower levels.

14. This recentralization was legalized in December 1968. It was linked with a reshuffle of the government. In this reshuffle several ministries were amalgamated or abolished and new ministries were created. The economic key positions were allocated to high party functionaries, some of whom were members of the Politbureau. The people's councils as bodies of state authority and state administration in communes, districts and counties were charged with controlling the activities of the economic organizations, of enterprises and concerns. Thus the influence of the Communist Party on management and economy was to be ensured at central and local level. The economic reform continued under these symptoms was again fully based on the Soviet concept in accordance with the provisions applying from 1st January, 1969.

15. In December 1970 the economic-political measures to be applied from 1971 to 1975 within the meaning of the "Improved Economic Mechanism" were published. In addition to the state plan a modern management now dominates which has been accorded a high measure of independent action. To a much higher extent than envisaged in the basic conception, powers of decision were legally delegated from ministries and central committees to this management which has taken the form of economic organizations amalgamated in blocs, so-called "economic units". For the enterprises and concerns linked to these economic units this phase of decentralization or concentration, respectively, of the Bulgarian economic policy means a strong recentralization.

16. The concentration of the Bulgarian economy was followed by a concentration of the state apparatus in September 1971, especially in the economic special ministries and committees. For instance, the ministries for energy and fuels, for foundry and chemical industries, the departments of the wood processing industry of the ministry for forestry and timber industry and the main administration of the micro-biological and pharmaceutical industry were combined in an overall ministry for heavy industry. After the reorganization only 33 of the 40 ministries, committees and special commissions remained.

17. Consequently, three separate phases can be ascertained in the course of the Bulgarian economic reform. In none of these phases a basic success of the reform is apparent. The measures taken in relatively rapid succession offer the pre-conditions for an improvement of planning and they promote for the first time after 1948 again economic thinking and action. However, in the first two phases before the concentration the effect of the reformatory action which, as experience has shown, is slow, has not been awaited.

No final assessment can yet be made for the third phase which has started. The concentration of capital at a higher level involved with the decentralization can be economically advantageous. However, the formation of blocs within the Bulgarian economy gives the whole system a very cumbersome appearance. It is doubted that a flexible adaptation to prevailing market conditions will be possible. In a similar way, as before the economic reform, it will be difficult also in future to provide a supply which will meet demands.

Position and Tasks of the Enterprises within the Economic Reform

18. In the realization of the reformatory-political targets the enterprises were given a principal rôle. It has been and will be their major task to work profitably and create capital without state subsidies, to invest from own funds or through bank credits and to relieve the state budget for overall state or industrial key projects. For this purpose it was primarily the enterprises which were subjected to the appropriate changes of the economic-political conceptions and thus restricted in their possibilities of development.

19. After the entry into effect of the economic reform the enterprises were comprised in concerns and trusts under the administrative control of an "economic council" during the years 1966-1968. These economic associations had the task to combine science and technical research and targets of the state with the requirements of the production and to ensure the sale of products. They were able independently to conclude import and export contracts and to approve and finance large scale investments in affiliated enterprises. The various enterprises were given powers of decision in production planning, investment activity and internal wage policy. In the decision on the distribution of profits a "production committee" of the enterprise had an advisory function. In the course of recentralization the powers of the enterprises and their managing bodies were again restricted and their activities placed under the control of the newly created "committee for economic co-ordination" at the Ministerial Council. Decisions on production planning and especially on the distribution of investment funds became partly a responsibility of this committee. However, the concentration efforts which followed resulted in a completely different structure. The previous economic associations were disbanded and the enterprises combined in about 65 major production and economic units (DSO). Whereas the concerns and trusts had only been controlling bodies, the amalgamation of the enterprises of various branches resulted in the establishment of combines with own construction, transport, research, project planning and foreign trade capacities. The enterprise which had been independent before lost its status as juridical personality. Its assets were amalgamated with the capital of the DSO. It was now the exclusive

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responsibility of the economic unit to make profits and create capital. Whereas the enterprise had to give up its independence almost completely following these measures, the economic unit can be seen as a major enterprise which in terms of powers of direction and decision can almost be compared with a capitalist enterprise. The only difference is that the DSO are obliged to prepare the plans for the enterprises in line with the development envisaged by the centre. They are responsible directly to the Ministerial Council for the fulfilment of these plans. Their financial transactions are guided and controlled by the banks. By adopting this organizational structure the Bulgarian economic leadership abandons the effects of material incentives and of the development of individual initiative at the level of the enterprise. Instead changes are made in the planning policy and planning methods.

Planning Policy and Planning Methodology

20. Since the start of the economic reform the aim of the planning policy had been to relieve state planning in favour of a more flexible harmonization of supply and demand. Contrary to former practice the methodology applied in this connection provided for a "planning at the basis". This means that the enterprise plans production and supply of material and provides for marketing within the framework of a perspective overall plan. As a rule it is not bound to a planned target. However, the state placed binding annual orders with the enterprises in order to secure the basic requirements of the domestic market and to meet export orders. In the further course of the economic reform, the Bulgarian economic leadership gave up this method and allocated again binding index numbers for the production volume of important products, for export and co-operative deliveries. In addition they laid down limits for investments, allocations of raw materials and material and for foreign exchange. At the same time scientific institutes elaborated technical and managerial index numbers. Their area of application extended from the technical and technological state of the production process in comparison with the world market level via quality of products, productivity of labour, profitability to effectiveness of the capacities used and to foreign exchange yield. These index numbers were of normative character, i.e. they became binding for the enterprises. As an additional means of control the DSO also laid down very detailed index numbers for the enterprises. Thus, today - similar to the era of the centralistic planning system - the whole activity of the enterprises in the technical and managerial sphere is regulated by standards. A remaining rest of the past planning methodology, "emanating from the basis", can be seen in the fact that the directors of enterprises share the work of the supreme collective body of the economic unit.

21. According to the concepts of the Bulgarian economic leadership the normative system is to be further complemented and is to cover also operations of research. The central overall planning is to be based on electronically produced analyses, prognoses and model developments. Bulgaria might consider the realization of this planning methodology partly as a status symbol of its scientific-technical development. However, primarily it is a preparation for future tasks originating from the centre of COMECON.

22. As far as can be assessed so far, the effect of planning with the aid of scientific methods is being overrated. Moreover, there is a lack of experience in this field and the application of such a detailed planning methodology to the whole national economy consequently involves unforeseen risks. However, it safeguards the power position of the party and conceals by the emphasis on science and technology the return to previous methods.

#### Finance Policy

23. In all phases of the economic reform finance policy measures as an instrument of indirect control were of special importance. For instance, the newly introduced capital tax (tax on basic funds) had the purpose of effectively using production means and of reducing capacities not fully used. Turnover tax was to be a means of influencing prices. The progressive taxation of profits was to have a stimulating effect on wage increases on the one hand, and to serve as a means of control on unjustified profits on the other hand. Contrary to the two above-mentioned types of taxation this tax proved unrealistic both in terms of wage policy and of creation of capital. Therefore, at the plenary meeting of the central committee of the CP of Bulgaria in July 1968 a standard taxation of all enterprises was adopted, and introduced in 1969. However, this provided only optically equal possibilities for the economic activities of the enterprises. Because of the high differences in costs within the branches of the economy and especially of industry the pre-conditions for making profits differed very much and the influence of the centre on the use of profits was therefore jeopardized. As a replacement for progressive taxation, variable percentages of the profit were tied up to supply certain defined operational funds in the branches of the economy and of industry. Such funds were, for instance, "the funds for technical development and perfection", "the fund for repairs and improvements", "the fund for additional material stimulation", "the fund for a reduction of prices" and finally the reserve fund. According to the importance which the government attached to these appropriated capital shares by controlled development the enterprises could be guided by the centre to take measures into one or another direction. This method proved to be useful for Bulgarian conditions and it was therefore maintained during the phase of decentralization and concentration. The only difference to former

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practice is that the emphasis is now placed on the creation of funds at the economic units. On the other hand the individual enterprises are only held and controlled by the economic units to maintain secondary reserves.

24. The present policy of providing funds at the higher level (economic units) is underlined by newly adopted redemption rates. The redemption rates are no longer determined by attrition and reproduction requirements only, but also by the investment requirements caused by the rapid development of technology. On the one hand this measure will doubtless have a stimulating effect on the pace of industrialization and a continuous modernization of the production process. On the other hand, however, it will create an increasing demand in the sector of investment goods with which the available capacities will be unable to cope. A subsequent harmonization of foreign trade and price policy measures will be inevitable.

#### Credit Policy

25. As in all countries of the Soviet bloc, Bulgaria's credit policy is primarily orientated towards a control of investments. However, the measures taken to this effect were without any major success in the first and second phase of the economic reform. Due to unfavourable rates of interest and increasing own capital resources of the enterprises, credits granted to finance capital investment projects were not used to the extent desired by the government. In addition, the rules governing the granting of credits often had an adverse effect on the planned capital investment operations of some branches of industry. It was therefore necessary to adopt additional measures of economic control to enforce the accomplishment of the priorities laid down.

26. For the purpose of concentration, the Industrial Bank and the Bank of Agriculture and Commerce established in 1969 were liquidated and their functions assigned to the National Bank. In addition, the National Bank was given far-reaching powers of decision vis-à-vis the economic units. In addition to its activities as an issuing institute the Bank has the following responsibilities:

With the aid of the normative system it checks the financial and economic situations of the economic units including, where necessary, those of affiliated enterprises. Within the rules established by the government it grants credits and defines the credit conditions. By granting long-term credits (from 1971 up to 15 years) and stimulating rates of interest the Bank accords preferential treatment to the financing of projects promising a high rate of cost-effectiveness. In the same way, easy money is made available for capital investment projects ranking high in the government's list of projects. Moreover, the National Bank submits all proposed imports from western foreign countries to a rigid control. Based on the targets of central planning and political

considerations it determines whether the goods should be imported from a western country or, more suitably, from a COMECON member country.

27. The responsibilities of the National Bank partly overlap with those of the economic units. These units are solely responsible for the investments in affiliated enterprises. They are directly responsible to the Ministerial Council for the planning, financing and implementation of investments. It cannot be said yet whether it will be possible with this overlapping of responsibilities fully to safeguard the interests of the economic leadership. There is a great risk of creating bureaucracy at the expense of flexibility.

#### Wages Policy

28. Within the framework of the economic reform, the Bulgarian wages policy aimed at providing a material incentive in the form of wages for increased individual performance. The rules established to this effect could not be fully adhered to because the need to increase profits was given priority over wages policy targets. Therefore, the level of wages and salaries increased only at a slow pace until 1969. This situation did not change before 1970, when the government, on the occasion of the 25th anniversary of the People's Republic of Bulgaria, had to promise noticeable increases in wages and salaries. At the end of 1970, the Bulgarian economic leadership, in the wake of the Polish riots in December, announced additional measures to improve the standard of living. However, the rates of growth of the real per capita income of the population estimated in the 1971-1975 5-year plan was the same as that in the preceding 5-year plan.

29. Since 1971 the trend of wages has been primarily controlled by index numbers related to the normative system. The amount of overall wage payments and that of individual wages is made dependent on prescribed indexes concerning cost prices, productivity of labour, technological progress, quality of products etc. It cannot be assessed yet whether and to what extent this system will provide a material incentive for the employees.

#### Price Policy

30. The Bulgarian price reform is based on the requirement for cost-orientated prices, reduction of open and hidden government subsidies and, generally, on a pricing system observing the criteria of supply and demand. Based on the Czech model, fixed, limited and freely fluctuating prices were introduced and in 1967/68 wholesale prices were adjusted. Upward trends of limited and freely fluctuating prices were suppressed by rigid controls, however, preventing the pricing system from becoming fully

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effective. While the rising of wholesale prices resulted in a certain improvement of the financial situation of enterprises, the savings made in government subsidies to enterprises had to be used for adjustments between wholesale and consumer prices. The flexibility of prices expected under the price reform for at least a certain number of goods could not be achieved. Owing to Bulgaria's strong dependence on foreign trade and thus on price increases within the Soviet bloc and on the world market, the government was forced to re-adjust prices again to the changed costs with effect from 1st January, 1971.

31. During the current 5-year plan period efforts are being made to incorporate the overall price formation and price planning into the central normative system. In this connection, it is also intended to apply additional changes to factory prices. The target of the Bulgarian government gradually to adjust national prices to international prices is contradictory to the promised stability of prices in the current planning period.

#### Agrarian Policy

32. The efforts of the Bulgarian economic policy to achieve concentration, which in the field of industrial production did not result in industrial mergers before 1969 and which resulted later in the establishment of so-called economic units, could be noted in the field of agriculture as early as in 1957/59. In those years efforts were made to merge minor co-operatives into major units. However, since the necessary technical pre-conditions did not yet exist at that time measures to this effect were not resumed before 1963. The government agencies set up in 1965 for the procurement, processing and distribution of agrarian products may be considered a preliminary stage of the present agrarian policy. Within the framework of the overall economic reform, the compulsory conditions imposed on agricultural co-operatives were gradually eliminated and the income of agricultural production co-operatives was more closely tied to the operating result.

33. At the turn of 1968 and in conjunction with the recentralizing measures taken by the Bulgarian economic leadership the first of the so-called agro-industrial groups was set up on a tentative basis. At the plenary meeting in April 1970 the Central Committee of the Bulgarian Communist Party decided to adopt this new agrarian structure on a general basis. Under this concept, the concentration of agricultural enterprises aimed at two targets: on the one hand, by concentration of capital the speedier introduction of mechanical equipment and specialization of agricultural production is to be made possible and, on the other hand, the "agro-industrial groups" are to form a continual chain of production, comprising producing, consumer-supplying and processing enterprises.

The expected rationalization effects are intended to eliminate, in the long run, the gap between industrial and agricultural output and, finally, to endow the rural population with an increased feeling of the ethical values of their vocation.

34. Although according to Bulgarian publications 170 "agro-industrial groups" are existing at present, comprising 90% of the agricultural enterprises, of the available farmland, and of the employees in this branch of the economy, this system is not yet fully operational in terms of planned targets. In particular, the problems of management and of the integration of affiliated enterprises have not yet been solved. The agricultural production co-operatives and the government-owned estates and agro-industrial enterprises oppose the loss of their economic and juridical independence so that the "agro-industrial groups" cannot yet be regarded as self-managing corporations identical to those in industry. In the majority of cases the merger of enterprises is now effective only to the extent that production and sales are co-ordinated and productive equipment is used on a joint basis. An additional problem is that the optimal size of farms, i.e. 26,000 ha of usable farmland, has been exceeded for a long time, particularly in areas of intensive fruit and vegetable cultivation. It appears therefore that this agrarian policy - at least in regard to a speedier increase of productivity of labour - has had little success so far.

35. The process of concentration in agriculture has never touched private farming. Every co-operative farmer is entitled to hold privately-owned land of a maximum size of 0.2 ha. These private farms are still indispensable for the supply of foodstuff of animal origin. To improve the inadequate supply of meat, even the existing restrictions on private livestock farming have recently been lifted.

#### Foreign Trade Policy

36. Up to the end of 1970 the lines of foreign trade policy changed little. The Foreign Trade Law enacted on 20th November, 1969 also supported the foreign trade monopoly of the government. It provided the basis for a tightened control of foreign trade activities by the Minister of Foreign Trade, and, in the last instance, by the Ministerial Council. A new feature of the above-mentioned law which is of significance for the Bulgarian foreign trade policy is the right reserved to the government to authorize economic activities by Bulgarian economic organizations in foreign countries and to approve such activities by foreign enterprises in Bulgaria. In the view of Bulgaria - and of other Soviet bloc countries - the formation of so-called "mixed societies" is a way of giving the Bulgarian economy access to western know-how and advanced technologies without taking on additional import burdens.

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37. Since 1971 the planning and implementation of foreign trade is the responsibility of the economic unities controlled by the National Bank and the Ministerial Council. The rules to be applied conform to the COMECON integration policy. According to these rules the still existing high level of costs is to be lowered by importing highly advanced technologies and rationalizing within enterprises to help iron out cost differentials both within COMECON and vis-à-vis western countries. This is considered a basic condition for creating a real conversion rate between the Lewa and the Rouble and also the Dollar, as a basic for free convertibility of the Rouble within COMECON. Furthermore, a policy seeking an equilibrium in the balance of payments and an increase in foreign currency reserves is to be pursued.

E. Science, Research and Technology

38. In the current 5-year plan emphasis is given to the "development of scientific research and acceleration of scientific-technological progress". The economic units have a major share in the planning, implementation and financing of this programme. The overall planning is a responsibility of the Planning Committee in co-operation with the "Committee for Science, Technological Progress and University Education". However, the policy is determined by the research section of the COMECON "Committee of Planning Co-operation". Until the end of 1975 2.5 or 3% of the net material product are to be used annually to finance the research and development work.

39. The normative plan system applied since 1971 to the whole national economy of Bulgaria is based on the latest East-European knowledge of econometrics and electronic data processing. It has been prepared in co-operation with the Soviet Union and is to be further differentiated. The number of electronic computers is to be increased from 47 in 1970 to about 200 in 1975. All ministries and vital industrial establishments are to be equipped with computer centres which, in turn, will be combined to form a "National Automated Data and Control System". Planning and development of data processing techniques were strictly organized under the responsibility of:

- the National Committee for Science, Technological Progress and University Education, and
- the Academy of Science.

To meet the increasing requirement for electronic data processing personnel a new branch of learning called "The Use of Data Processing Equipment" was introduced into all educational institutes of economy and technology in 1970/71.

40. As a result of an agreement with the Soviet Union and for the purpose of the complex programme Bulgaria was selected for specialization in the field of electronics within COMECON in 1972. The increasing interest shown by western manufacturers of electronic data processing equipment in the exchange of technical know-how, and the build-up of the electronics industry in Bulgaria in general are an indication of the progress achieved. In the development of electronic data processing emphasis is given to the following:

- development and production of small-sized and medium-sized computers to be manufactured on the basis of Japanese licences and/or co-operate Soviet/Bulgarian developments;
- production of table-type computers;
- development and production of electronic data processing modules (magnetic disc storage and magnetic tape storage), mainly designed for export to the Soviet Union and other COMECON countries.

It appears that the original plan to install IBM equipment at computer centres has not been realized. As yet, IBM has installed 4 or 5 systems in Bulgaria. Japan and the Soviet Union have assumed a much more important share in the Bulgarian development of electronic data processing. It appears that the Soviet Union is not averse to Bulgaria's co-operation with Japan since it is expected that this will be to the benefit of COMECON as a whole.

## II. DEVELOPMENT OF THE DOMESTIC ECONOMY

### A. General Economic Development

#### The 5th Five-Year Plan 1966-1970

41. According to official statistics the net material product (NMP) rose between 1965 and 1970 in terms of current prices by 58.6% (1960-1965 by 47.8%) and in terms of fixed prices by 50.9% (1960-1965 by 39.3%). Thus it reached an average growth rate per year of 9.7% at current prices and 8.6% at fixed prices. According to Bulgarian information 95% of this growth was achieved by increased productivity of labour. During the years 1966-1970 a total of Leva 15,300 million was invested in the Bulgarian economy. This is about 18% more than planned. The proportion of industry in overall investments was 45.8% (planned 51.5%) and that of agriculture 17.9% (planned 18.1%). Some of the intended projects could not yet be started, and part of the investment funds went to other rising branches of the economy and to the "sphere outside material production". In the industrial sector the planned targets were

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not reached. Whereas a growth by 70% of the gross industrial production had been planned between 1965 and 1970, the actual increase was 65.8% at current prices and 68% at fixed prices. The average annual increase at fixed prices was 10.9% (1956-1960: 15.9%, 1961-1965: 11.7%). The planned proportion of the industrial production in the NMP of 52% for 1970 was not achieved. With 49.1% it was lower than in 1969 (50.4%) and 1968 (49.2%). In comparison with 1965 the percentage increased by 4.1%. About 75% of the industrial growth was due to a continuous increase of the productivity of labour as a result of technological progress. The proportion of the consumer goods industry in the overall industrial production decreased continuously during the period 1966-1970 as it had done in the previous planning period. Accordingly the proportion of the capital goods industry increased. Thus the proportions in Group "A" were in 1965: 52.8%, in 1970: 54.7% and in Group "B" in 1965: 47.7%, in 1970: 45.3%.

The various branches of industry developed in line with the priorities laid down by the Bulgarian economic leadership, although some very high targets could not be reached. Of the most important branches of industry the chemical industry, the black metal industry and the metalworking industry achieved the highest growth rates whereas the non-ferrous metal industry and the food industry achieved the lowest.

An increase by 25%-30% of the gross agricultural production had been planned between 1965 and 1970. Since the planning targets are always related to fixed prices the target could not be reached since the growth at fixed prices was 18.5%. The growth quoted in the report on the fulfilment of the plan of 26.2% - according to official statistics 26.5% - is related to current prices. The average annual growth at fixed prices during the period 1966-1970 was 3.4% (1956-1960: 5.7%, 1961-1965: 3.2%). The annual average increase by 4.1% at current prices in the 5th five-year plan has little meaning since it is partly due to an increase of price levels in the agrarian sector.

The efforts to increase the living standard made in the previous planning period became apparent in an increase of the real per capita income of the population by 33% (between 1965 and 1970). However, there were no trends of a gradual harmonization of urban and rural levels - as desired by the government. The real per capita income of workers increased by 40.9%, that of agricultural labour by only 16.9%.

#### The 6th Five-Year Plan 1971-1975

42. With a delay of more than one year the 6th five-year plan became law in December 1971. As all plans of the Soviet bloc countries the plan had to be co-ordinated with that of the USSR.

This time it also had to be harmonized and co-ordinated within COMECON with a view to the targets of the complex programme. In the plan emphasis is given to the intensification of the national economy, to the growth of industry, with priority on the oil industry, the iron industry, the chemical and rubber industry, the building material industry, engineering, and on a speedy progress in science and technology. The planning indices are in line with those of the previous planning period.

In comparison with 1970 a growth rate of 44%-49% of the gross material product and of 45%-50% of the net material product is envisaged for 1975. Thus the annual average increase of the net material product would be 7.7%-8.4%. As in the planning period 1966-1970 95% of the total economic growth is to be achieved by increased productivity of labour.

In the 6th five-year plan investments amounting to Lewa 20-21,000 million have to be raised. This is an increase of 37.4% vis-à-vis the period 1966-1970 at prices of 1st January, 1971. In this connection the price adjustment resulted in the sector of investments to a lowering of the price level by about 12%-13%. At prices of 1970 the planned investments would therefore amount to about Lewa 23,800 million and they would thus be 55.5% higher than those in the planning period 1966-1970. Of the total investments about 38%-40% will go to industry and about 13% to agriculture at prices of 1st January, 1971 (at the price basis of 1970 an estimated 48% and 14%). The planned growth rate of the industrial production of 55%-60% is a more realistic estimate than that for the period 1966-1970. However, the expected proportion of the industrial production in the net material product of 55% until 1975 would be equal to an increase of the industrial production by about 68%.

Following the unsatisfactory results in the agrarian sector in the past planning period the targets for 1975 have been set more carefully. At comparable prices, an increase of the gross agricultural production by 17%-20% is aimed at, i.e. an average annual growth rate of maximum 3.7%. Contrary to the officially announced intention to improve, amongst other things, in particular the standard of living of the population in this 5-year plan period, the planned increase of the real per capita income by 25%-30%, an annual average of 4.6%-5.4%, is a lower growth rate than in the period 1966-1970.

1971

43. In general, in the case of the growth rates and absolute values announced for 1971 the underlying price basis was not quoted. Since especially in this year a refixation of prices occurred which caused higher or lower prices in the various sectors

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of the economy, a comparison of the results with those of 1970 is only of restricted value. According to Bulgarian publications the net material product rose by 9.4% in comparison with 1970. Thus, Bulgaria would have reached its planned target (9%). As in previous years 95% of the growths was attributed to a higher productivity of labour. With 9.5% a high growth rate was also achieved in gross industrial production. According to the previous trend of development the proportion of the consumer goods industry in the industrial overall production has probably fallen to about 44.5%.

Because of a constant drought during the summer months the gross agricultural production did not reach the planned target. The growth by 3.1% (planned 7.1%) were primarily due to successes in the animal sector.

The investment activity was even more adversely affected by excessively long construction periods and exceeding of target dates than in 1970. The modest planned growth rate for investments of 4.7% was only little exceeded by the actual rate of 5%. In comparison to the previous year wages and salaries were increased by an average 3%. In house building an increase of 18.7% was achieved. The turnover of domestic trade rose by 6.9%.

1972

Plan

44. Spectacular in the plan of 1972 is the relatively modest growth - under Bulgarian circumstances - of the gross industrial production by 7.7% and the estimated high growth rate in the agrarian sector of 6%. The latter is probably connected with the low results of the previous year. For the gross industrial production, on the other hand, the Bulgarian economic leadership expected from the beginning an increase of 9% due to additional production outputs.

Investments amounting to Lewa 3,700 million at prices of 1st January, 1971 are planned. In comparison with 1971, when Lewa 3,500 million had been planned, this is an increase by 5.7%.

Many measures were announced to improve the standard of living, however, the planned increase of the real income of 4.2% is lower than the average increase (4.6%-5.4%) planned for 1971-1975.

Previous Development

45. According to the plan fulfilment report for the first quarter the development is still favourable, especially that of the industrial production with an increase by 9.9% in comparison with 1971. Remarkable is the growth in the oil industry by 24.8%, in the black metal industry by 21.7%, in the engineering and metal-working industry by 13.9%, and finally in the chemical and rubber industry by 9.6%. This is contradicted by report in the second half of the year about production difficulties of the economic units and the concern of the Bulgarian economic leadership that the targets might not be met. In the field of investment constructions the situation has further deteriorated in comparison with the previous year. Construction plans were partly disregarded and the completion of important investment objects was delayed even more. According to the Bulgarian press the delay in the harvesting of crops was due to the lack of snow in the winter and to the dry spring. However, transport difficulties and unsuitable commitment of labour will have been equally responsible for this delay.

B. Labour, Investments, Consumption

Labour and Productivity of Labour

46. In the past planning period the number of employees in the Bulgarian economy (1970 about 3,800,000) increased annually by an average of only 1%. For the period 1971-1975 an even smaller annual increase (0.8%, maximum 1%) is expected. The number of employees in industry was 1,156,000 in 1970; this is an increase by 21.1% in comparison with 1965. However, the growth rates showed a decreasing trend and until the end of 1975 an annual increase of only 2% can be expected. The reason for this is that the labour leaving agriculture no longer goes primarily to industry, but to other branches of the economy (in the past years an estimated two thirds went to other branches of industry). For instance, whereas the number of employees in industry increased by 56,000 in 1969/70 the number of labour in agriculture decreased by about 163,000. In 1970 about 1,350,000 people were employed in this sector including forestry and agricultural co-operatives. A continuation of the above trend can unfavourably affect the development of industry in the next years if the number of skilled labour and specialists cannot be increased rapidly. Whereas the ratio between employees (private sector and agricultural co-operatives excluded) and so-called "specialists" with university and technical college training was 1,000 : 184 in 1960, this ratio was 100 : 189 in 1970. Although the 5-year plan law of December 1971 provides for the training of 240,000-250,000 specialists, 300,000 skilled workers and 300,000 semi-skilled workers until the end of 1975, it cannot be expected to employ this skilled labour effectively before the second half of the 1970s.

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47. The importance of an increased productivity of labour for the future development of industry and thus for the whole Bulgarian economy is apparent from the following relations:

During the period 1966-1970 the number of labour increased annually by an average of 3.6% and the gross industrial production by 10.9%. Thus an increase of labour by 1% corresponded to an increase of the industrial production by about 3%. In the present 5-year plan period an annual increase of the gross industrial production by an average of 9.2%-9.9% is planned. If the maximum expected increase in the number of labour of 2% per year occurs, this would result in a ratio of 4.1%-4.9% (annual increase of gross industrial production) to 1% (increase in the number of labour). Roughly, it can be estimated from this that, with the planned increase of the productivity of labour in industry of 44% during the period 1970-1975, an annual increase of gross industrial production of not more than 7% can be achieved annually. This indication is further confirmed by information from Sofia that only 45% of the labour requirements arising until 1975 can be covered. In this connection it was already stated by representatives of the party and of the trade union organizations at the end of 1970 that because of the dwindling labour reserves and the announced reduction of working time the targets of the 6th 5-year plan can only be reached if maximum productivity of labour is achieved. This problem has increasingly been pointed out since the beginning of this year and attempts have been made to accelerate the mechanization and automation of industrial production much more rapidly than envisaged in the plan.

48. It is estimated that about 15,000 Bulgarians are working in the USSR. They are employed in works mainly producing export goods for Bulgaria. About 4,000 Bulgarians are working at the gas pipeline USSR-Bulgaria. A further 4,000 Bulgarian workers are to follow until the end of 1975.

#### Investments

49. During the planning period 1966-1970 a total of Lewa 15,300 million was invested. This is 82% more than during the years 1961-1965. The smaller increase in the 5th five-year plan period in comparison with the 4th 5-year plan period (108.5%) was partly due to changes in the calculating methods but was mainly caused by the strikingly slow development of the investment activity from 1968. Whereas the increase of investments in 1966 over 1965 was 19.7% and 1967 over 1966 23.7% (at current prices) the average annual increase fell to 6.6% between 1968-1970. In the sector of industry it fell to 6% and in agriculture to 3.6%. In the sector of transport and traffic the investment funds were increased by only 2.8% from 1968 to 1970 at an intensified pace of investment (increase in 1966 over 1965 = 47.7%; 1967 over 1966 = 51.5%). In the building industry stringent restrictions were even carried out in 1968 and 1969.

The investment policy pursued from 1968 was mainly aimed at accelerating the completion of projects in hand. As a consequence the average proportion of construction and assembly work in overall investments fell from 56% in the planning period 1961-1965 to 49.9% in the period 1966-1970. The proportion of expenditure for machinery and equipment increased accordingly (1961-1965 = 30.8%, 1966-1970 = 35.2%). Of these investments 65.4% were covered by imports during the period 1961-1965 and, because of rising domestic production, 63.1% during the period 1966-1970.

50. Due to the mentioned price changes from 1st January, 1971 and the related limited possibilities of comparison the following is characteristic for the period 1971-1975:

If the intended investment amount of Lewa 20,000-21,000 million (at prices at 1st January, 1971) remains unchanged the trend of a decreasing pace of development in the investment activity will continue.

The investment funds would only increase by 37.4% (at prices at 1st January, 1971) or 55.5% (at prices of 1970) in comparison to 1966-1970, 25% of the investment amount are to be used outside the "sphere of material production". During the planning period 1961-1965 only 22.1% were used for this purpose, and only 21.6% during the last planning period. The present increased proportion is envisaged for the improvement of the living standard. In order to safeguard a rational use of investment funds, new projects are not to be started before full use of the available capacities has been made by extensive modernization. For this reason at least 35% of the investment funds(1) have to be used for modernization and automation purposes. It can be assumed that the proportion of machinery and equipment in the total investments (1966-1970 = 35.2%) will increase to about 40% and that the proportion for construction and assembly work will be lower than during the period 1966-1970 (49.9%).

During the current five-year plan period Lewa 8,000 million are to be invested in industry and Lewa 2,700 million in agriculture. Thus 38%-40% or 13.5%-12.9% of the overall investments would go to these two branches of the economy. (These proportions are based on the prices at 1st January, 1971 and are not comparable with the proportions of the previous years.)

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(1) It is not quite clear from the published information if 35% of the investment funds of the productive sphere, or 35% of the total investment funds are to be used to modernize in the productive sphere

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Living Standard

51. The living standard for the Bulgarian population has doubtlessly been improved in recent years. However, it remained relatively low in comparison with the standard of living in the GDR or CSSR.

According to official information the average nominal wage for workers and salaried employees in 1965 was 92.4% Lewa per month and in 1970 Lewa 123.8. Converted into US \$ at the tourist rate of that time ( US \$ 1 = Lewa 2 ) this represents about US \$ 62. Although it had been possible to raise the average monthly income of a worker's household by 46.3% during the period 1966-1970, this income (Lewa 271 = US \$ 135) was still below the European average monthly income in 1970. The efforts by the government to approximate the wages in the two most important branches of the economy, in agriculture and industry, were without success. In 1970 (as in 1965) the average nominal wage of the employees in industry was 15% higher (in the building sector even 36% in 1965 and 39% in 1970) than in agriculture. However, the considerable increases in pensions and allowances (child- and educational allowances) for members of agricultural co-operatives had a positive effect in the adaptation of wages. Owing to this the domestic income of a co-operative farmer increased by 14.4% between 1968 and 1970, that of a labourer only by 9.3%. Consequently, at the end of the previous 5-year plan period the annual domestic income of a co-operative farmer was even 1% higher than that of a labourer.

52. Although Bulgaria pursued a policy of price stability in the consumer sector and also lowered the prices for some consumer goods it was not possible to conceal a rising level of prices in the official statistics. A striking feature in this connection is that in the state domestic trade sector the prices for food rose by 19% from 1960 to 1970 and that the overall level of prices in the co-operative sector (which shares, after all, more than one third of the overall turnover) rose by 43%. The prices for services which are not included in these statistics also showed a rising trend. Indications that the cost of living will rise by about 15% in 1971 in comparison with 1968 seem to be confirmed by the price development mentioned above. On the other hand (according to information in official statistics) the increase of the real wages by 43% in 1970 in comparison with 1960 with an increase of nominal wages by 58% in the same period is doubted.

53. The years 1966-1970 show an increasing proportion of consumption in the used net material product. In 1964 the proportion of the individual consumption was 64.6% and of the collective consumption 2.3%. The corresponding proportions in 1970 were 68% and 2.8%. The total increase in consumption in this period was 53.5% in comparison to 48.8% in the 4th five-year plan. In the current planning period a consumption of 72%-73% at the expense of

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a reduced accumulation rate is planned. It cannot be assessed yet if this plan can be realized in view of the urgently required investments for modernization purposes or if the lower accumulation proportion is not a consequence of the lowering of prices in the investments sector.

54. In the 6th five-year plan the measures to improve the living standards are primarily aiming at rising the minimum annual wage/salary of workers and salaried employees by Lewa 70, at increasing social services especially by increasing minimum pensions and introducing social pensions for invalids, and at extending health and welfare establishments of the state. In addition, the construction of dwellings and the scope of the services in the productive sphere are to be increased by 80%.

C. Production Sector

Agriculture

55. From 1966 to 1970 the results of agriculture production lagged far behind expectations. Instead of a planned increase of the gross agricultural production by 27% to 30% at fixed prices (in 1970 compared with 1965) the increase was only 18.5%. The reason for the relatively high planning target seems to have been on the one hand the record harvest of 1965, on the other hand an over-estimation of the measures of agricultural policy. Apart from unfavourable weather conditions during the last planning period, poor organization as well as insufficient maintenance, shortage of spare parts and long repair periods for agricultural machinery played an important rôle. The consequences of this state of affairs on the productivity of labour in agriculture is shown by the fact that during the last planning period the average annual manpower increase (government and co-operative sector) was 1% while the average annual growth of gross agricultural production (at fixed prices) was only 0.6%.

56. Due to the modest rates of growth of agricultural production compared with the pace of the industrial development the proportion of the agriculture in the net material product decreased further during the last five-year plan. In 1970 it was 21.9% (at current prices) while in 1965 it had still been 32.5%. It can be expected that the proportion will decrease to below 20% at the end of the 6th five-year plan. According to the official statistics 44.9% of the entire labour force were working in agriculture in 1965 (1960 - 54.7%), and 35.2% in 1970. From the development up to now it can be concluded, however, that there is still a manpower reserve in the agricultural sector. The labour influx from agriculture into the industry is visibly dwindling already now and the major part of the reserves will likely be absorbed when the agro-industry capacities will be extended. In view of the investment

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sum of Lewa 2,700 million (at prices on 1st January, 1971) planned for the agriculture in 1971-1975 and a proportion of about 13% in the total investments (1966-1970: 16.9%, 1961-1965: 22.3%) it can be expected that the concentration efforts in the agricultural sector will probably not be realized before the next five-year plan.

57. The crop harvests are not sufficient to supply enough fodder for stock farming. Because of the lesser yields in 1968 and 1969 the overall yield of the crop harvests during the last five-year plan of 1966-1970 was 6.7 million tons and thus not higher than at the beginning of this planning period. The result in 1971 - 6.9 million tons of grain - was a record which will probably not be reached entirely in 1972. In the current five-year plan (1971-1975) the production of fodder grain is to be increased to 4.6 million tons, i.e. by 35% above the average of the last five-year plan, while the bread grain production is to remain at about 2.9 million tons per year.

The cultivation of fruit, vegetables and tobacco is of special importance for Bulgaria's export. Due to weather conditions there was only a minor increase of yields during the last five-year plan. The rate of growth of 20%-24% for the fruit and vegetable yield planned under the present five-year plan can only be achieved by increasing the area productivity for which irrigation is of great importance. The irrigated useable agricultural area at present represents 21% of the arable land but it yields 40% of the agricultural production value. This irrigated area is to increase to 26% until 1975. The use of fertilizers which is around 82 kg N/ha leaves a margin for a further yield increase.

The fodder basis is too small for stock farming. This applies also to sheep-breeding which is important for Bulgaria (1971: 9.7 million sheep compared with 1.3 million cattle and 2.4 million pigs), which answers for 1/10th of the agricultural production value and for which otherwise not useable areas are used as pasture-land. After the drought years of 1968 and 1969 the cattle and pig-stocks started to recover as from 1969/70. However, it was not before 1972 that the livestock exceeded that of 1966 again. The meat and milk yield per animal is still insufficient. For instance, the annual milk production of 2,160 litres per cow is remarkably low. Yet the concentration process which is developing also in the field of animal production by establishing large fattening and breeding stations and constructing large dairies will doubtlessly increase the productivity also in this field more rapidly than before. In 1966-1971 productivity investments caused a 50% increase of the fowl-stock (1971: 33.7 million fowl) compared with 1965.

Industry

58. During the last five-year plan gross industrial production reached a value of Lewa 16,400 million and according to the planning target this value is to increase - irrespective of price adjustments - to about Lewa 25,400 to 26,200 million until the end of 1975. Significant for the development from 1966 to 1970 are the decreasing rates of growth since 1968. This may be attributed to the more economical investment activity which started at that time and to difficulties of transition due to reforms. The metal-working industry, the chemical industry and the rubber production as well as the iron metallurgy developed most rapidly during the first two years of the last five-year plan. From 1968 the chemical and rubber industries as well as fuel production took the lead in the pace of growth. Some structural changes occurred as a result of the different rates of growth. Because of the continuously diminishing rates of growth, the proportion of the food industry, still the most important industrial branch, in the total production decreased from 30.3% to 25.4% in 1970. The proportion of the metal-working industry on the other hand - 1966 still only 17.8% - was 20.2% in 1970. This had the effect that the total proportion of the capital goods production increased from 52.6% in 1966 to 54.7% in 1970; the share of the consumer goods production decreased accordingly (1966: 47.4%, 1970: 45.3%). The directives for the present five-year plan provide that especially those industrial branches should be developed with priority which would permit to raise the technical standards most rapidly and to guarantee a production competitive on world markets. Moreover, the domestic raw material basis is to be widened. The main emphasis has been given to the development of the mineral oil industry, the iron metallurgy, the chemical and rubber industries, the production of building material and the metal-working industry.

59. Among the European satellite countries Bulgaria has the weakest primary energy basis. This can be said both of its reserves and its possible future production. In 1970 54% of Bulgaria's primary energy consumption had to be imported, mostly from the USSR. Bulgaria's primary energy deficit shows a rising trend (1960 = 13%, 1965 = 39%, 1971 according to preliminary estimates 59%), it is likely to increase to more than 70% in 1975. Notwithstanding certain crude oil imports from the Arab countries Bulgaria's present considerable energy dependence on the Soviet Union will further grow until 1980.

60. In 1960 60% of the electric energy was produced in power plants. It is planned to increase lignite mining, which is being used exclusively in power plants, and whose share increased to almost 90% until 1970. Since Bulgaria's foreseeable power requirement can no longer be met from domestic production during the next years an agreement was concluded with the USSR according to which Bulgaria will be provided with 3,000 million KWH per year from the USSR from 1973 through a long-distance line which is under construction.

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61. The geological coal deposits are estimated at 4,500 million tons. Only 1% of these deposits consists of hard coal and anthracite (calorific value only 5,000 to 5,300 kcal/kg) which have to be mined under very unfavourable geological conditions. 8% of the deposits are brown-coal and 91% lignite. The average calorific value of the entire coal output was around 2,900 kcal/kg in 1960 but is estimated at only 1,650 kcal/kg for 1980, i.e. it will likely decrease by 57% because of the diminishing hard coal and anthracite and growing lignite output. This is also reflected by the strongly increasing hard coal and coke imports which amounted to about 3 million tons in 1965 and to 6.5 million tons in 1971 and which will increase further.

62. Bulgaria's mineral oil deposits are estimated at present at about 2 million tons. The total oil-processing capacity is to be extended from its present volume of 7 million tons to 12-14 million tons in 1975. Bulgaria has to import 99% of its mineral oil requirements. Until 1966 the USSR was the only supplier. Since 1967 Bulgaria has also purchased increasing quantities from Arab countries, in 1967 an estimated maximum of 1.2 million tons, i.e. 15% of the processed crude oil. According to the agreements which have been concluded with the Arab countries up to now it can be expected that about 2 million tons per year will be imported in 1975 which would also be 15% of the planned crude oil processing. The natural gas deposits amount to only about 30,000 million cu. m. Since the Bulgarian geologists are of the opinion that there is hardly any chance to find greater quantities Bulgaria will import from the USSR through a gas pipeline which is under construction at first 1,000 million cu.m from 1974 and 3,000 million cu.m in 1975. Gas imports are to increase to 10,000 million cu.m until 1980. Gas processing is to increase from the present volume of 1,000 million cu.m to 4,000 million cu.m in 1975.

63. The metal-working industry (MWI(1)) is one of the most important industrial branches in Bulgaria today. Starting almost from scratch at the end of the war, an efficient basis has been created for the equipping of the domestic industry with capital goods and for export. The development, including the trend planned until 1975, is marked by a limitation to certain industrial branches where the means of production can be concentrated effectively, and it is further marked - partly as a result of the limitation - by a strong commitment to COMECON. The proportion of the MWI in the gross production of Bulgaria's industry was Lewa 3,350 million, i.e. about 24.4%, in 1971; this proportion is to increase

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(1) The MWI comprises: Machine and vehicle construction, the electrotechnical and electronics industry, the construction of equipment and all other metal-working branches

to 28% until 1975 and the production value is to reach about Lewa 5,600 million. The rates of growth of the MWI production have always been far above the industry average (for instance in 1971: 1970 + 15% compared with an overall increase of + 10%). In 1971, the MWI comprised 440 enterprises which employed 280,000 people. 34,000 specialists worked in 34 research institutes and 55 development stations on research and development projects in this field. Under the five-year plan of 1971-1975 investments in an amount of Lewa 14,000 million are planned for the MWI in order to be able to maintain the planned high rates of growth of 15%. Of this amount Lewa 173 million (= 12.5%) were available in 1971; therefore the annual investment sums will have to be increased during the coming years. Bulgaria's MWI is still in a stage of heavy expansion: in 1971 about two thirds of the investments were used for new factory buildings and only one third for the renovation and modernization of existing factories. It is true that Bulgaria intends to establish an industry under modern productivity aspects. In 1948 the share of the MWI in Bulgaria's modest overall industrial production was 4% and it was unable to contribute substantially to the industrial build-up; in 1971, however, three fourth of its production were sufficient to meet about two thirds of the domestic consumption. Only one third of the consumption was imported and 60% of this value was compensated by exports of domestic MWI products. The relation between the export and import values of MWI products is to be improved to 1 : 1.2 until 1975; by then the MWI is to reach a proportion of 40% in Bulgaria's overall exports (1971: 30.9%). The approximation of the MWI production volume to the overall requirements of industrial installations, machinery and equipment does not mean, of course, that this small country is on the way to reach autarchy. By emphasizing the development in certain branches Bulgaria succeeded in creating certain internationally competitive MWI sectors. Up to now the most important branches have been hoisting machines and conveyors including the production groups of carts (electric carts, fork-lifts), electric tows and chain hoists, the electro-technical industry including accumulators, electromotors, transformers, switchgears and electric household articles (washing machines), the production of tools, tractors and railway carriages. A high percentage of the production of these branches has been exported (up to 95%), mostly into communist countries. Moreover, Bulgaria's MWI includes also the construction of various industrial installations for food and textile factories, of agricultural machines and of vehicles (two-wheel vehicles as well as passenger cars, trucks and buses). The production of motor vehicles, especially passenger cars, has probably been started primarily for reasons of prestige since it cannot be expected that this branch will ever be profitable in view of the small number of units. The production of passenger cars consists essentially of assembly work; according to the Bulgarian five-year plan the output is to be substantially increased until 1975 since it cannot be expected that the main car-producing COMECON countries will be able to meet the requirements

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up to then. However, the production structure of the MWI does not remain inflexible, but will be adjusted to the changing requirements, though with the usual delay proper to a central planning economy. Thus increasing emphasis has been given to the construction of factories for communications equipment (at first radio and TV sets, then telephone equipment, lately also radar and navigation instruments). The sectors of electronics elements, electronic measuring equipment, electronic computers and means of automation are in the stage of development. The planning for the extension of these sectors contains some very ambitious targets: between 1971 and 1975 the production of electronic computers is to be increased by 900%, that of electronic modules by 250%, of communications equipment with radio electronics by 170% and the production of machine tools (partly with programme-controlled machines) also by 140%. Computers and equipment are to reach a share of 35-40% in the MWI production by 1975 (1969: 12%).

64. The improvement of the industry has been orientated partly on domestic requirements. For instance means of automation and computers are required for the initiated modernization of the economy - 70% of the production processes of the entire industry are to be automated by 1975. However, the major part of the MWI's development reflects Bulgaria's economic and political dependence. The rapid development of the industrial sector has only been possible with the aid of the USSR. Even now many factories are being established with Soviet aid (in 1971 for instance 25 MWI factories). Bulgarian factories operate mostly with Soviet equipment and according to Soviet methods and licences. Moreover, the integration in COMECON also limits the freedom of action - for instance regarding the production programme and the realization of national wishes. With its MWI Bulgaria has become a fully integrated COMECON member which specializes in the products assigned to its industry. Within this international co-operation single parts and sets are produced, exchanged, assembled and completed into finished products in the usual way. Bulgaria's MWI provides, for instance, relays, oil and air filters, generators, starters, ignition coils, accumulators etc. for the Soviet car production in Togliattigrad and purchases itself parts for the assembly of trucks (Russian model GAZ 53a, Czech model Skoda 706) and passenger cars (Russian cars Moskwitch and - planned - Shiguli). The low degree of Bulgaria's independence and the domineering Soviet influence are reflected by the fact that any co-operation with Western firms has to be authorized by Moscow. When internal COMECON interests predominate even current agreements such as the car assembly and licence construction agreement with Renault/France have to be cancelled. Within its economic and geographical possibilities, and considering the political conditions, Bulgaria's MWI has reached a remarkable stage. The usual delays and procedural losses of a planning economy - such as permanent difficulties with suppliers and regarding spare parts - are of course affecting the

effectiveness of the available resources. However, the interest of the government in promoting the MWI will probably be strong enough in Bulgaria also in future to realize the planned expansion.

65. The development of the chemical industry has also been greatly encouraged by the Bulgarian government. 15.7% of all the capital investments made for industrial development were used for the improvement of the chemical industry during the last planning period of 1966-1970 alone. Thus the chemical production increased by 165% between 1966 and 1970, the overall industrial production only by 68%. During the current planning period of 1971-1975 the development of the chemical industry is to be continued at an accelerated pace. Capital investments of Lewa 2,300 million are planned for the improvement of the chemical industry (1966-1970: Lewa 1,100 million). The production value of the chemical industry is to double during this period and its share in the overall industrial production is to rise from 7.5% to 14%. The main points of emphasis are the development of the petro-chemical industry, the organic-synthetic chemical production and the primary nitrogen production on the basis of natural gas. The raw material supplies for the production of basic petro-chemical products are to be safeguarded by doubling the petroleum imports from the Soviet Union and by constructing a natural gas pipeline USSR-Bulgaria which is to become operational already in 1974. New units of pyrolyse will increase the ethylene production from 70,000 tons to 250,000 tons until 1975. The mineral fertilizer production which amounted to 745,000 tons, including the urea production, (pure nutritive substance) in 1970 is to be increased by 50% to 1,150,000 tons until 1975. The production of synthetics will amount to 152,000 tons in 1975 (1970: 89,200 tons) and that of chemical fibres, which started only in 1968, will increase to between 70,000 and 75,000 tons (1970: 23,100 tons). 90% of Bulgaria's tyre requirements will be met from the domestic production by 1975. The production of calc soda will increase from 306,000 tons (1970) to 1.5 million tons, that of caustic soda from 48,000 to 134,000 tons. The export of soda and nitrogen products will probably increase substantially during the present planning period. The development of the chemical industry during the current planning period does not only involve the quantitative increase of production. Apart from larger quantities the chemical industry is to produce primarily better qualities and assortments in order to reach world market standards.

The chemical plants which were constructed up to now have been planned and equipped with chemical installations almost exclusively by the USSR and other COMECON countries. Under the new plan western industrial enterprises are to participate increasingly in the development of the chemical industry. Western European firms constructed already installations for the basic petro-chemical production, the synthetic fibre production and natural gas processing and several new contracts with western chemical plants have been concluded recently.

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66. Bulgaria's iron and steel industry is closely linked with the development of the two metallurgical plants at Pernik and Kremikovci. Both plants produced 1.8 million tons of steel in 1970. This represents an average yearly increase of almost 25% compared with 1965. The main increase of the steel production is primarily due to the operation of the first sector of the Kremikovci plant which has been constructed with Soviet aid. The pig iron required for the production of steel has been produced by Bulgaria for the major part in domestic blast-furnaces. In 1970 the pig iron production amounted to 1,196 million tons which represents an average yearly increase of 11.3% compared with 1965. Between 200,000 and 250,000 tons of pig iron were purchased from the USSR during recent years. A similar dependence on the USSR exists regarding Bulgaria's iron ore supply. Apart from the supply of the metallurgical industry from domestic sources (in 1970 the iron ore output based on ore with iron contents of 33% amounted to 2.4 million tons) about 4.5 million tons of commercial iron ore (iron contents 56%-58%) were imported from the USSR during the period 1966-1970. This represents about 30% of the iron ore requirement.

The production of steel rolling material amounted to 1.4 million tons in 1970. Compared with a rolled steel production of 431,000 tons in 1965 this represents an average yearly increase of about 27%. This high increase of its rolling material production enables Bulgaria to meet about 60% of its own requirements of finished rolling material.

67. The further development of Bulgaria's iron and steel industry (1971-1975) will also be marked by the improvement of both metallurgical plants, especially the finalization of the Kremikovci plant. As a consequence, the rolling material production is to reach 2.8 million tons in 1975 which means that 90% of the domestic requirements of rolling steel can be met. The main emphasis in the field of the rolling material production will be given to larger assortments and an increase of the sheet production and of high-quality finished products. For the first time the production of pipes with a diameter of up to 1,020 mm for petroleum and gas pipelines is to start in the Kremikovci plant by 1975. These pipes are to be used for the gas pipeline from the USSR to Bulgaria.

As for Bulgaria's non-ferrous metals production the output of copper (1970: 38,800 tons), lead (1970: 98,600 tons) and zinc (1970: 38,800 tons) is worth mentioning. The aluminium production is to be developed until 1975 by constructing an aluminium plant with a yearly capacity of 30,000 tons. The main targets of the development of Bulgaria's NF metals production are the improvement of existing capacities, the intensification of geological prospecting to increase the domestic raw material basis and the development of technological procedures to utilize poor domestic ores.

Domestic Trade

68. In 1970 the domestic trade turnover at current prices amounted to Lewa 5,627 million and thus exceeded that of 1965 by 56.3%. The increase during the 4th five-year plan was about 51%. Even if the price increases are taken into consideration, the increase of the domestic trade turnover was still above the increase of real wages which permits the conclusion that the quality and assortment of the goods has improved. Nevertheless there is still a considerable excess of purchasing power which is reflected by the high yearly increase of savings (1968: 35.4%, 1969: 18.1%, 1970: 22.9%).

During the 6th five-year plan the domestic trade turnover is to increase by 40%, i.e. a yearly average of 7%. In this connection it is proposed to correct former deficiencies of the goods on the market and to achieve a higher production of cotton and wool material, knitwear, shoes and furniture in the consumer goods industry. It remains to be seen to what extent the requirements of the domestic market will in fact be taken into consideration in view of the essential mechanization and automation of industrial production and its priorities.

D. Public Finances

State Budget

69. During the last planning period of 1966-1970 the growth of receipts and expenditure was at first about equal to the net material product. From 1966 until and including 1968 the average yearly increase amounted to 8%. This continuity was interrupted in 1969 by new finance and investment policy measures. The target that in future only one third of the investment requirements should be met from the state budget and two thirds by the enterprises from their own capital and bank credits made it necessary first to control centrally the entire capital flow. For this purpose the funds of the enterprises earmarked for investments including the bank credits appeared also in the state budget from 1969. This is the explanation for the sudden high increase of the budget volume in 1969 compared with 1968. On the other hand, the budget estimate for 1970 showed in total only a minimum increase and a restricted expenditure for the economy. The reduced payments made to the enterprises and co-operatives to relieve the state budget showed their effect. The budget plans for 1971 and 1972 again reflected the volume of the planned economic development for 1971-1975.

The state budget estimate for 1971 provided for receipts in an amount of Lewa 5,915 million and an expenditure of Lewa 5,905 million. This represents an increase of 13% of the total volume in comparison with the year before. The receipts

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from the industry were shown as Lewa 4,543 million, i.e. 12% more than in 1971. The proportion of turnover and profit taxes as well as the "production fund fee" (capital tax) in these receipts was Lewa 3,552 million. The planned expenditure for the economy amounted to Lewa 2,892 million (+ 11.5% compared with the year before), for social and cultural purposes to Lewa 1,884 million and for the administration to Lewa 125 million. The reduced proportion of the expenditure for the economy in the total state budget expenditure (1971: 48.9%, 1970: 49.6%, 1969: 53.0%) has to be attributed to the measures of finance and investment policy mentioned above. Apart from the planned overall 1972 receipts of Lewa 6,531 million and expenditure of Lewa 6,519 (increase of the total volume by 10.4% compared with 1971) only the figures of the receipts from the turnover, profit and production fund tax, totaling Lewa 3,686 million, were published. Compared with the same budget receipts of the year before this amount represents an increase of only 3.4% while the sum of all the other budget receipts increased by more than 20%. This indicates - as in the case of the expenditure - beginning structural changes. Part of this may be attributed to higher tax receipts from the population as a consequence of higher incomes. The proportion of the economy, the social and cultural institutions in these overall expenditures is more than 81%. This would represent an amount of Lewa 5,322 million and an increase of 11.3% compared with 1971. It can be assumed that the proportion of cultural and social institutions in these expenditures will increase as a result of the measures to improve the standard of living.

#### Defence Budget

70. The open defence expenditure was increased in total by 40.9% during the planning period of 1966-1970. This is the lowest increase in the Warsaw Pact after the USSR (39.8%). But, as in other Soviet bloc countries, there was a relatively high increase of the defence budget in Bulgaria in 1968 (+ 8.1%) and 1969 (+ 14.6%) compared with previous expenditures. The thrifty use of funds for the equipment of the Bulgarian armed forces in 1965, 1966 and 1967 forced the Bulgarian government to start a comprehensive modernization programme of the armed forces in 1968. However, since the prices for weapons and equipment in the USSR increased by approximately 15%-20% in 1967 due to the Soviet price reform it can be concluded that the quantity of military equipment purchased in the USSR in 1968 increased only to a minor extent in comparison with 1967. Extensive purchases of weapons and equipment were not reflected before 1969 in the form of an increase of the investive costs in Bulgaria's defence budget.

Contrary to the USSR and like the other WP countries Bulgaria has only a relatively small margin to book concealed defence expenditure under other budget items. Therefore the proportion of the concealed expenditure in the total defence expenditure

during the period of 1966-1970 has been estimated at a maximum of 12%. Since Bulgaria no longer publishes her budget expenditure for national defence since 1971 the question remains whether future estimates may be based on a proportion of similar magnitude. In this connection it has to be borne in mind that after the political crisis in the CSSR Bulgaria was given first place in the scale of confidence of the Warsaw Pact. It cannot be excluded that this has the consequence of Soviet aid in the form of price reductions and favourable credits for the further modernization of the armed forces. The economic burden caused by defence expenditure, shown as proportion of the overall defence expenditure in the net material product and the estimated GNP at factor costs, is in Bulgaria the lowest in the Warsaw Pact besides Roumania. Even if the estimates - as those for 1971 and 1972 - are based on a higher increase of the open defence expenditure (+ 6%) and a higher proportion of the concealed expenditure in the overall expenditure (17%) the proportion of the overall defence expenditure in the net material product remains below the level of 1965. The per capita charge is the same as at the end of the 4th planning period. The per capita increase of the net material product as well as the increase of the overall per capita defence expenditure remains in both cases + 81% for 1972 compared with 1965.

### III. FOREIGN TRADE RELATIONS

#### A. Foreign Trade

##### General

71. During the five-year plan 1966-1970 the total turnover of Bulgaria's foreign trade increased by 83.3% compared with the actually realized trade during the previous planning period. With an annual average growth of 12.8% the trade thus exceeded the development of the industrial net production at current prices (11.6%). Imports expanded during the reference period by 81.9% while Bulgarian exports - in accordance with the intensification of goods exports which started in 1969 - increased by 84.8% and thus exceeded the overall growth of foreign trade. In 1970 77.8% of Bulgaria's trade turnover was with the socialist countries, 74.4% with the COMECON members. The share of the COMECON countries in Bulgaria's export was 75.8%, in her import 73.0%.

Bulgaria's most important trading partner is the USSR. Its share in the Bulgarian trade turnover was 53% in 1970. Bulgaria's trade with the western industrial countries amounted to 16.6%, her trade with the development countries to 5.6%.

72. Until 1968 Bulgaria's trade balance with the socialist as well as the western industrial countries showed a deficit. In 1969 Bulgaria succeeded in obtaining a balance in its favour in

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the trade with the socialist countries. For the entire period of 1966-1970 the trade balance deficit amounted to transferable Lewa 276.3 million. Within the overall trade 97.2% of the imports were met by exports, within the trade with the western countries only 76.3%. An exception of this overall trend are the COMECON countries in which exports exceeded imports (100.5%) and the development countries (135%).

Since 1968 Bulgaria has intensified its efforts to reduce its debts which resulted especially from its trade with the western industrial countries by pursuing a restrictive import policy. The first success of its overall trade became apparent in 1969 and 1970 with export surpluses of transferable Lewa 52.8 and 202.2 million. However, the total trade debts under the last five-year plan of 1966-1970 still amounted to transferable Lewa 276.3 million.

Apart from a restrictive import policy and an effort to increase its exports Bulgaria hopes to be able to reduce the existing indebtedness resulting from trade by foreign currency earnings from tourism. This idea is justified in view of the rising number of hotel bookings for 2.8 million tourists in 1971.

73. In accordance with Bulgaria's economic development its foreign trade has been marked by a growth in value and quantities, a more differentiated supply of goods and an effort to obtain the industrial co-operation of both the COMECON and the western industrial countries. An intensification of its economic ties with the Soviet bloc can be expected.

#### Regional Structure of Foreign Trade

74. A major part of Bulgaria's foreign trade is with the COMECON countries: during the five-year plan of 1966-1970 the proportion of this group of countries in Bulgaria's trade turnover was an average of 73.1%. Its requirements of raw material (coal, coke, petroleum, petrol, iron ore, pig iron, building steel, steel sheets, aluminium and copper-sulphate) as well as engineering equipment (generators, machine-tools, road-construction equipment, oil-drilling facilities, tractors, motor vehicles and buses) are often met 100% or far above 50% from the COMECON countries. Within the COMECON integration efforts Bulgaria specializes in the production of electric carts, other carts, the development and production of machines and equipment for mechanical loading and unloading, electro-technical products and agricultural machinery as well as equipment for the food industry. Apart from food and industrial consumer goods these are Bulgaria's export items to the COMECON countries. Each of these three groups represents about one third of the total exports to the COMECON countries.

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75. Bulgaria's most important trading partner is the Soviet Union. Its share in Bulgaria's foreign trade turnover was 53.8% in 1970; 52.2% of Bulgaria's overall imports were Soviet deliveries while 53.0% of all Bulgarian exports went to the USSR. Due to the economic co-operation with the Soviet Union their trade links were even intensified which is reflected by the growing share of the USSR in Bulgaria's foreign trade since 1967. In 1970 the USSR met Bulgaria's import requirements of coal, tractors, copper-sulphate by 100% and was the main supplier for a number of other important raw materials and industrial equipment. The proportion of machines and equipment in Bulgaria's exports to the Soviet Union was 29%, that of tobacco and tobacco products 18.3%. The Soviet market is a major outlet for Bulgarian industrial consumer goods as well as machines and equipment which cannot be sold to the west because of their still unsatisfactory quality.

Within the bilateral government commission for economic and scientific technical co-operation Bulgaria maintains close contacts with the Soviet economy. At the meetings of the commission agreements for the specialization, co-operation and economic-technical support of Bulgaria are prepared and concluded. Thus an agreement on the specialization in the automobile industry, for co-operation in the production of trucks and light motor vehicles as well as for the specialization of the production of equipment, the radio industry and the electro-industry were signed at the 13th meeting of that commission (December 1970, Moscow). In July 1972 at the 14th meeting of the Bulgarian-Soviet commission for economic, scientific and technical co-operation a programme for the development of the specialization, co-operation and integration of engineering was confirmed. Moreover, the construction of Bulgarian factories with Soviet aid and the co-operation regarding wood cutting on Soviet territory for Bulgaria was also discussed at that meeting. In line with Bulgaria's industrialization concept the most developed industrial countries of the COMECON, i.e. the GDR and the CSSR, are Bulgaria's most important trading partners after the USSR: in 1970 the share of the GDR in Bulgaria's imports was 8.6%, while 8.7% of all Bulgarian exports went to the GDR.

76. In spite of the relatively minor proportions of the trade with the West which in 1966-1970 were limited to 18.8% of Bulgaria's imports and 14.8% of her exports, the development of that trade shows on the one hand the economic necessity to purchase western industrial equipment and on the other hand Bulgaria's incapacity to offset these imports fully by sales of her own goods. Whereas in 1966 the imports from western industrialized countries increased by 38% its exports to the West only grew by 10%. In the following years Bulgaria tried to reduce the deficit of the trade balance vis-à-vis the West by applying a restrictive import policy and by increasing its exports. However, in 1970 imports from the West increased substantially by 36.8%. Bulgaria's exports, on the

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other hand, grew only to a relatively minor extent (6.4%). Thus Bulgaria's deficit vis-à-vis its western trading partners amounted to about transferable Lewa 440 million in 1966-1970. This figure represents approximately one fifth of Bulgaria's overall exports in 1970.

It remains uncertain to what extent Bulgaria's trade with the West can be improved by modern forms of co-operation with western firms which Bulgaria also wishes, and by obtaining licences and technical know-how.

While in 1965 the FRG was Bulgaria's main western trading partner this place was taken by Italy in 1970. The proportion of the EEC countries in Bulgaria's trade turnover was 8.7% in 1970 while that of the EFTA countries was 5%.

77. The trade with the development countries amounted to 5.6% of Bulgaria's trade turnover in 1970. Both imports and exports to this group of countries grew above average - in spite of a general decrease in the growth compared with 1961-1965.

The main trading partner among the development countries is the UAR, followed by India. Their share in Bulgaria's trade volume in 1970 was 0.9% and in Bulgaria's exports 2.2%.

Bulgaria's trade with the developing countries is accompanied by economic aid in the form of credits. In 1966-1970 Bulgaria granted credits amounting to Lewa 192 million to the development countries. This sum exceeds Bulgaria's total exports to the developing countries in 1970 by 40 million and therefore does not seem to represent a very high burden for her economy. The main receivers were Algeria, Tunisia and Syria. In 1971 credits were only granted to South American countries; the amount is unknown. For 1972 Egypt was promised Lewa 43 million, Tanzania Lewa 3.3 million and Somalia 1.6 million.

78. The trade with the other socialist countries (Red China, North Korea, North Vietnam, Cuba and Yugoslavia) was relatively unimportant from 1966 to 1970, in the average 3.5% of Bulgaria's overall trade.

A change, i.e. an extension of economic relations could only be expected in the trade with Yugoslavia.

#### Commodity Structure

79. The structure of Bulgarian exports changed in accordance with the economic development of the country. Preliminary data show the following picture in 1971: for the first time machines and equipment had the same export percentage - 31% - (1970: 29%, 1961: 15.5%) than food products, up to now Bulgaria's main export item.

The proportion of industrial consumer goods was 13.5% (1970: 14.9%), the third largest group of exported goods. 43.2% (1970: 40.6%) of Bulgaria's imports consisted of machinery and equipment. The share of fuel, minerals and metals was 28.6% (1970: 29.1%). Agricultural raw material, industrial consumer goods and food combined amounted to 17.2% (1970: 20.2%) of Bulgaria's overall imports.

### Development Trends

80. The original plan for 1966-1970 provided for a foreign trade growth of 66.5%. This planning target was exceeded since the trade turnover amounted to 83.3%; however, the planned share of the socialist countries in Bulgaria's trade turnover - 83%-85% in 1970 - could not be fully realized. Rising world market prices which increased the trade with the West in terms of value to an unexpected extent, as well as the fact that business transactions with the western countries cannot be planned beforehand on a long-term basis as with countries with a government-controlled trade, seem to have been the reason for this development. In the current five-year plan of 1971-1975 Bulgaria plans to increase its foreign trade turnover by 60-65% with annual rates of growth of 9.9%-10.5%.

If the estimate of the expected overall turnover is based on the realized total volume during the last five-year plan it can be expected that in 1971-1975 trade will amount to transferable Lewa 29-31,000 million. Long-term agreements amounting to Lewa 24,200 million have been concluded with the COMECON countries for this period. This would represent a planned proportion of 75.6-78% of these countries in Bulgaria's trade in 1975. Experience has shown, however, that these long-term trade agreements will be extended by supplementary agreements so that it can be expected that these planning targets will be over-fulfilled and the 1975 proportion will be 79%-80%. According to Bulgarian information the proportion of the socialist countries in the overall trade will be 82%-83.7% during the current five-year plan period.

The proportion of the trade with the West and with the development countries in Bulgaria's trade turnover during the current five-year plan has been calculated at 18% and 16.3%. Assuming that the trade with the development countries will increase above average as during the last five-year plan and that a share of about 6% will be realized by 1975 the remaining share of the West in Bulgaria's overall trade will be 12%-10%. However, the volume of this expected percentage of Bulgaria's trade with the West will also depend on price increases on the world market. It cannot be excluded that the expected proportion in Bulgaria's overall turnover will be exceeded.

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If thus results that the trade with the socialist countries especially with COMECON, and with the development countries will be extended during the planning period of 1971-1975. This development will be at the expense of the trade with the West.

81. In 1971, the first year of the current five-year plan, which, according to experience, is always a year of substantial foreign trade increases in all countries with a government-controlled trade and central planning, Bulgaria's trade turnover increased by 11.6% (1970: 8.2%).

The trade with the socialist countries grew above average, by 12.6%. The increase of the trade with the COMECON countries is estimated at 12.9%, that of the Soviet-Bulgarian trade at 13.6%. The estimated growth of the trade with the development countries is 13.3%.

Because of the restrictive import policy it is estimated that the trade with the western industrial countries increased only by 6.7%. The percentage of Bulgaria's foreign trade according to regions were as follows in 1971: 78.5% socialist countries, 75.3% COMECON member countries including 54% Soviet Union. The proportion of the western industrial countries decreased to 15.8% (1970: 16.6%). The trade with the development countries amounted to 5.7%. Thus the trade policy concept which will be valid for the current five-year plan was confirmed already in 1971: stronger ties with the COMECON intensified trade with the development countries and at the same time a selective trade with the West aiming at balanced imports and exports.

B. The Co-operation with the COMECON Countries

82. Bulgaria's economic development depended in the past directly on the economic and scientific-technical support of the USSR and of the other industrialized COMECON countries. It cannot be expected that this dependence, especially on the USSR, will diminish in future. For the current five-year plan the Soviet Union has promised up to now credits in an amount of Rubles 500 million. Moreover, the USSR intends to supply Bulgaria with complete equipment for the establishment of 150 large factories and to grant scientific-technical aid. Co-operation and specialization agreements, especially in the fields of engineering, energy production and electro-technology have been concluded for the current five-year plan between Bulgaria and the USSR and in the second and third place with the industrially developed COMECON countries, the GDR and the CSSR. Bulgaria - as a loyal follower of the Soviet Union - showed a special interest in the efforts to achieve the economic integration of the COMECON which have been intensified since 1971. Not the last reason for this is that Bulgaria expects further economic and scientific-technical support as a result of the aspirations for an adjustment of the different industrial levels in the COMECON countries. Bulgaria is a full member of the multilateral

COMECON organizations, with the exception of the MEDUNION and the DRUSHBA Pipeline. Bulgaria received repeatedly short-term seasonal credits from the International Bank for Economic Co-operation (Moscow) to overcome difficulties of payment.

Bulgaria has a share of Rubles 85.1 million in the original capital of transferable Rubles 1,052.5 million of the International Investment Bank. Of this amount it paid Rubles 14.8 million - 30% in convertible currencies in 1971. In 1972 further payments amounting to Rubles 15 million will be due. Although unconfirmed rumours say that the International Investment Bank promised Bulgaria credits for a number of projects, only a credit for the construction of a cigarette factory has been officially confirmed.

C. Co-operation with Western Industrial Countries

83. Bulgaria's plans of industrialization, the limited possibility to sell Bulgarian products on world markets and the scarcity of foreign currency make co-operation with western firms appear interesting for Bulgaria. However, for ideological and political considerations, especially with regard to the USSR, Bulgaria's economic leadership is not in a position to grant western partners attractive conditions of co-operation with Bulgarian enterprises. For these reasons the co-operation with western firms is still in a phase of negotiations and up to now there has been little encouraging success.

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Table 1

Population

	1960	1965	1966	1967	1968	1969	1970	1971*
Total population <sup>1)</sup> (in 1,000)	7.905,5	8.230,8	8.285,3	8.335,1	8.404,1	8.464,3	8,514,9	8.586,0
Living in towns (in per cent)	38,0	46,5	47,5	48,5	49,5	51,7	53,0	54,0
Population in the working age (in 1,000) <sup>2)</sup>	.	4.787,9	4.834,8	4.855,8	4.901,0	4.922,3	4.938,0	4.953,0
Increase (%)	.	.	0,9	0,4	0,9	0,4	0,3	0,3
Birth rate (per 1,000)	17,8	15,3	14,9	15,0	16,9	17,0	16,3	15,8
Death rate (per 1,000)	8,1	8,1	8,3	9,0	8,6	9,5	9,1	8,7
Natural growth (per 1,000)	9,7	7,2	6,6	6,0	8,3	7,5	7,2	7,1

1) Per 31 December

2) Men aged 16 - 59, women aged 16 - 54 years

+) Estimated

Source : official statistics.

Table 2

Manpower (per 1,000 people)

	1965	1966	1967	1968	1969	1970	1971
1. Industry	953,9	1.043,2 <sup>2)</sup>	1.095,6	1.100,2	1.132,1	1.156,0	1.183,0*)
2. Building industry	224,5	251,1	275,5	280,1	284,3	303,8	.
3. Agriculture (government sector)	214,0	286,5 <sup>2)</sup>	285,7	275,7	286,2	292,9	.
4. Transport and traffic	180,5	189,7	198,1	210,4	214,1	226,6	.
5. Trade and commerce	200,5	190,6 <sup>2)</sup>	201,7	211,7	220,9	232,0	.
6. Other branches	423,2	443,3	460,1	481,3	510,8	537,4	.
Total(1 - 6)	2.196,6	2.404,4 <sup>2)</sup>	2.516,7	2.559,4	2.648,4	2.748,7	2.833,9 <sup>3)</sup>
7. Members of agricultural and other cooperatives, working full-days	1.430,3	1,375,7 <sup>2)</sup>	1.368,4	1.234,4	1.087,9	1.053,9	.
Total (1 - 7)	3.626,9	3.780,1	3.885,1	3.793,8	3.736,3	3.802,6	

1) Including forestry

2) Compared with the year before these data are only due to a change in the counting system (trade and industry) and the transfer of agricultural cooperatives into the government sector.

3) Planning result

+) Estimated

Source : official statistics

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Table 3

Produced Net Material Product in the Various Branches (at current prices)

	1966	1967	1968	1969	1970	1971	1972
Produced Net Material Product (in million Lewa)	7,274	7,853	8,556	9,350	10,527	no data <sup>1)</sup>	no data <sup>1)</sup>
<u>Results in %</u>							
Industry and building industry (%)	52,8	54.3	58.0	58.8	57.8	58.1*)	58.2*)
Agriculture and forestry (%)	34.5	31.2	26.0	25.1	22.6	21.3*)	20.0*)
Transport and traffic (%)	4.5	4.8	4.8	4.6	6.9	7.6*)	8.0*)
Trade and other Branches (%)	8.2	9.7	11.2	11.5	12.7	13.0*)	13.8*)

1) Because of the price changes on 1-1-1971 no data at current prices can be given

Share of industrial production in the net material product

1965: 45.0 %  
1970: 49.1 %

Share of agriculture in the net material product

1965: 32.5 %  
1970: 21.9 %

\*) Estimated

Source: official statistics

Table 4

Use of the Net Material Product (at annual prices) <sup>1)</sup>

	1965	1966	1967	1968	1969	1970	1971
<u>Used net material product</u> (million Lewa) <sup>2)</sup>	6,771	.	8,398	9,186	9,746	10,511	no data
In detail for:							
Accumulation (million Lewa) <sup>2)</sup>	1,923	.	2,780	2,866	3,060	3,069	.
Consumption (million Lewa) <sup>2)</sup>	4,848	.	5,618	6,320	6,686	7,442	.
Individual consumption (million Lewa) <sup>2)</sup>	4,679	.	5,425	6,081	6,413	7,148	.
Collective consumption (million Lewa) <sup>2)</sup>	169	.	193	239	273	294	.
Share in the <sup>used</sup> net material product in % <sup>1</sup>							
Accumulation (%)	28.4	no data	33.1	31.2	31.4	29.2	27.0 <sup>4)</sup>
Individual consumption <sup>3)</sup>	69.1	no data	64.6	66.2	65.8	68.0	73.0 <sup>4)</sup>
Collective consumption <sup>3)</sup>	2.5	no data	2.3	2.6	2.8	2.8	73

- 1) According to the data in the official statistics ; the prices are not identical with the current prices.
- 2) Computed from the data in the official statistics.
- 3) Official statistical data, not comparable with previously published figures because of a change of method.
- 4) Planning figure on the basis of the prices on 1-1-1971. The increased proportion of consumption and the reduced proportion of accumulation is mainly due to price and adjustments such as a price reduction in the accumulation sector and possibly price increases in the consumption sector.

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Table 5

Increase Rates of the Produced and Used Net Material Product during the 4th, 5th and 6th Five-year Plan  
(in %)

	1966	1967	1968	1969	1970	1971	1965 1960	1970 1965	1975 1970
<u>Production</u>									
Produced material net product (at current prices)	9.6	7.9	8.9	9.3	12.6	no data	47.8	58.6	55.0*)
(at fixed prices)	11.0	9.0	6.0	10.0	7.0	9.4 <sup>3)</sup>	38.0	52.0	45.0-50.0 <sup>4)</sup>
Industry and building Industry 1)	10.0	11.6	16.3	10.8	10.5	no data	47.4	75.1	no data
Agriculture and forestry 1)	13.3	- 2.5 -	9.4	5.6	1.3	no data	45.2	7.2	no data
Transport 1) and traffic	12.9	12.6	10.6	4.0	69.2	no data	63.9	147.7	114.0
<u>Use</u>									
Accumulation 2)	no data	14.4 <sup>5)</sup>	3.1	6.8	2.9	no data	56.3	59.5	no data
Consumption 2)	no data	15.9 <sup>5)</sup>	12.4	5.7	11.3	no data	48.8	53.5	no data
Individual consumption <sup>2)</sup>	no data	15.9 <sup>5)</sup>	12.1	5.4	11.5	no data	50.3	52.7	no data
Collective consumption <sup>2)</sup>	no data	14.2 <sup>5)</sup>	23.8	14.2	7.7	no data	17.4	73.9	no data

1) At current prices

2) At annual prices

3) Plan fulfilment

4) Plan

5) Compared with 1965

+ ) Estimated

Source: official statistics

Table 6

Increase of the Net Material Product in the Most Important Economic Sectors (Annual average in %)

	1966 - 1970	1971 - 1975
Net material product at current prices	9.7%	8.4% - 9.2% <sup>1)</sup>
at fixed prices	8.6%	7.7% - 8.4% <sup>2)</sup>
Gross Industrial production at current prices	10.7%	-
at fixed prices	10.9%	9.2% - 9.9% <sup>2)</sup>
Manpower <sup>1)</sup>	1.0%	1.0% - 0.8% <sup>1)</sup>
Productivity of labour in the government-controlled and cooperative industry	11.0%	7.6% <sup>2)</sup>
Gross agricultural production at current prices	4.7%	
at fixed prices	3.45%	3.2% - 3.7% <sup>3)</sup>
Gross investments at current prices	12.3%	8.4% - 9.2% <sup>4)</sup>

1) Including members of agricultural and other cooperatives, working full days

2) Plan

3) The planning figure is based on comparable prices

4) The planning figure is based on prices on 1-1-1971; at current prices a higher increase has to be estimated (see table 7)

+ ) Estimated

Source: official statistics.

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Table 7

Development of the Gross Investments<sup>1)</sup> during the 4th, 5th and 6th Five-Year Plan (at current prices)

	1961 - 1965	1966 - 1970	1971 - 1975
Gross investments in total (million Lewa)	8,390.3	15,283.6	21,000.0 <sup>3)</sup>
Increase (%)	108.5 <sup>2)</sup>	82.1	37.4 <sup>4)</sup>
In detail:			
Construction and assembly works (million Lewa)	4,719.0 <sup>+) </sup>	7,639.0	10,080.0 <sup>+) </sup>
proportion (%)	56.2 <sup>+) </sup>	49.9	48.0 <sup>+) </sup>
Machines and equipment (million Lewa)	2,585.2	5,681.2	8,400.0 <sup>+) </sup>
proportion (%)	30.8	35.2	40.0 <sup>+) </sup>
of which imported (million Lewa)	1,691.1	3,589.6	-
proportion (%) in the total of machines and equipment (= 100 %)	65.4	63.1	-
Others (million Lewa)	1,086.1	1,963.4	2,520.0 <sup>+) </sup>

1) Only parts of the data are comparable with former data because of changes in the method of calculation in official statistics.

2) Increase 1965 compared with 1960.

3) Planning figure is based on prices on 1-1-1971

4) In the investment sector the prices on 1-1-1971 have been reduced by about 13% compared with the price level of 1970. The increase rate of 37.4% can be compared to a limited extent only with the rate of growth of 1966-1970. At prices of 1970 the investments during the 6th Five-Year Plan would be about 56% higher than in 1966-1970.

+ ) Estimated

Source: Official statistics.

Table 8

Gross Investments in the Various Branches (at current prices)

	1966	1967	1968	1969	1970 <sup>1)</sup>
Gross investments in total (million lewa)	2,377.5	2,939.7	3,194.4	3,220.3	3,551.7
Increase %	19.7	23.6	8.6	0.8	10.2
Industry (million lewa)	1,071.1	1,346.3	1,463.0	1,524.0	1,606.8
Increase %	20.6	25.6	8.6	4.2	5.4
Agriculture and Forestry (million lewa)	443.1	501.5	567.6	525.7	559.2
Increase %	13.4	13.1	13.1	- 7.4	6.3
Transport and Traffic (million lewa)	197.9	299.9	303.4	308.4	308.3
Increase %	47.7	51.5	1.1	1.6	0.0
Building Industry (million lewa)	85.0	112.9	97.2	73.6	101.7
Increase %	59.1	32.8	- 34.0	- 24.3	38.1
Trade and Commerce and Other Sectors in the Sphere of Material Production (million lewa)	68.6	82.9	102.8	110.1	128.9
Increase %	9.2	20.8	24.0	7.1	17.0
Outside the Sphere of Material Production (million lewa)	511.1	596.2	660.4	678.5	846.8
Increase %	12.1	16.6	10.7	2.7	24.8

<sup>1)</sup> For 1971 an investment sum of 3,500 million lewa has been indicated at prices on 1-1-1971. Because of varying price modifications in the investment sector in the various branches a comparison with 1970 is not possible.

Source: Official Statistics

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Table 9

Development of Gross Investments in the Sphere of Material  
Production during the 4th, 5th and 6th Five-Year Plan (at current prices)

	1961 - 1965	1966 - 1970 <sup>2)</sup>
Industry (million lewa)	3,555.9	7,011.2
Proportion in the total gross investments (%)	42.3	45.8
Increase (%)	90.4 <sup>1)</sup>	97.1
Agriculture and Forestry (million lewa)	1,877.3	2,597.1
Proportion (%)	22.3	16.9
Increase (%)	- 3.6 <sup>1)</sup>	38.3
Transport and Traffic (million lewa)	575.6	1,417.9
Proportion (%)	6.8	9.2
Increase (%)	67.4 <sup>1)</sup>	146.3
Building Industry (million lewa)	218.9	470.4
Proportion (%)	2.6	3.0
Increase (%)	142.7 <sup>1)</sup>	114.8
Trade and Commerce and Other Sectors (million lewa)	245.0	493.3
Proportion (%)	2.9	3.2
Increase (%)	97.4 <sup>1)</sup>	101.3

1) 1965 compared with 1960

2) Planning figures for 1971-1975 are not comparable because of price modifications.

Source: Official Statistics

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Table 10

Gross Investments in Industry (at current prices)

	1966	1967	1968	1969	1970 <sup>2)</sup>
<b>In total: (million lewa)</b>	1,071.1	1,346.3	1,463.0	1,523.7	1,606.8
<b>Power Industry</b>					
(million lewa)	170.8	202.8	205.0	209.0	205.5
Proportion (%)	16.0	15.1	14.1	13.8	12.8
<b>Fuel Production</b>					
(million lewa)	119.3	127.3	142.9	140.2	136.9
Proportion (%)	11.1	9.4	9.8	9.2	8.6
<b>Iron-Metallurgy</b>					
(million lewa)	117.9	124.7	125.7	132.9	68.7
Proportion (%)	11.1	9.2	8.6	8.7	4.3
<b>Non-Ferrous Metals Metallurgy</b>					
(million lewa)	69.5	78.9	74.6	94.0	106.7
Proportion (%)	6.4	5.8	5.1	6.1	6.6
<b>Metalworking Industry</b>					
(million lewa)	142.4	206.9	260.7	272.3	317.9
Proportion (%)	13.2	15.4	17.8	17.9	19.8
<b>Chemical Industry<sup>1)</sup></b>					
(million lewa)	154.7	251.0	228.8	207.7	256.2
Proportion (%)	14.4	18.7	15.6	13.6	15.9
<b>Food Industry</b>					
(million lewa)	96.4	127.8	148.1	145.9	158.1
Proportion (%)	9.1	9.5	10.1	9.6	9.8
<b>Other Industrial Branches</b>					
(million lewa)	200.1	226.9	277.2	321.7	356.8
Proportion (%)	18.7	16.9	18.9	21.1	22.2

1) Including rubber industry

2) The statistics were finalized in 1970 since the planning data for 1971 in absolute figures do not permit a comparison with 1970 and the years before because of the price modifications.

Source: Official Statistics

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Table 11

Standard of Living

	1965	1968	1969	1970
<b>Income:</b>				
Average annual nominal wages and salaries for workers and employees (lewa)	1,109	1,366	1,406	1,486
Building industry (lewa)	1,346	1,638	1,689	1,803
Industry (lewa)	1,142	1,362	1,406	1,484
Agriculture (lewa)	987	1,188	1,223	1,289
<b>Indices (1960 = 100)</b>				
Average annual nominal wages	118	145	150	158
Building industry	117	142	146	156
Industry	119	142	146	154
Agriculture	111	133	136	144
Real wages	110	131	134	143
Real per capita income	125	153	153	160
Agriculture	142	162	165	166
Other economic branches	112	141	148	158
Consumer prices:				
Governmental sector	106	111	110	110
Food	111	119	119	119
Other consumer goods	102	104	103	103
Cooperative sector	126	136	141	143
Interior trade turnover	151	204	219	236
Savings	270	547	640	786
Per capita housing space (sq.m)	10.5	10.9	11.1	11.3
Per capita power consumption (KWH)	67.4	220.0	257.4	290.7

Source: Official Statistics

Table 12

Industrial Production

	1966	1967	1968	1969	1970	1971	1972	1971 - 1975
<u>Gross industrial production</u> <sup>1)</sup> (million lewa)	10,941	12,288	13,841	15,128	16,380	17,936 <sup>4)</sup>	19,371 <sup>4)</sup>	25,389 <sup>4)</sup> 26,208 <sup>4)</sup>
of which:								
Capital goods industry (%) <sup>2)</sup>	52.6	53.0	53.2	53.4	54.7	55.5 <sup>x)</sup>	56.0 <sup>x)</sup>	57.5 <sup>x)</sup>
Consumer goods industry (%) <sup>2)</sup>	47.4	47.0	46.8	46.6	45.3	44.5 <sup>x)</sup>	44.0 <sup>x)</sup>	42.5
<u>Breakdown according to branches:</u>								
Energy and fuel (%) <sup>2)</sup>	6.1	6.1	6.2	6.7	7.1	7.3 <sup>x)</sup>	u.d.	n.d.
Metallurgy (%) <sup>2)</sup>	6.3	6.4	6.5	6.2	6.4	6.5 <sup>x)</sup>	u.d.	7.2 <sup>x)</sup>
Metalworking industry (%) <sup>2)</sup>	17.8	18.7	19.1	19.6	20.2	21.1 <sup>3)</sup>	u.d.	25.0 <sup>x)</sup>
Chemical and rubber industry (%) <sup>2)</sup>	5.0	5.4	6.1	6.7	7.5	8.5 <sup>x)</sup>	u.d.	9.0 <sup>x)</sup>
Building material production (%) <sup>2)</sup>	4.0	3.9	3.9	3.7	3.7	3.6 <sup>x)</sup>	u.d.	3.4 <sup>x)</sup>
Food industry (%) <sup>2)</sup>	30.3	28.9	27.5	26.4	25.4	24.5 <sup>x)</sup>	u.d.	u.d.
Other branches (%) <sup>2)</sup>	30.5	30.6	30.7	30.7	29.7	28.5 <sup>x)</sup>	u.d.	u.d.

1) At current prices

2) At fixed prices

3) Plan

4) Estimated on the basis of planning data

x) Estimated

Source: Official Statistics

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Table 13

Growth Rates of Industrial Production 1966 - 1975 (in %)

	1966	1967	1968	1969	1970	1971	1972	1971 - 1975
Gross industrial production (current prices)	10.8	12.3	12.6	9.3	8.2	-	-	-
Gross industrial production (fixed prices)	12	13	10	9	10	9.5 <sup>1)</sup>	7.7 <sup>2)</sup>	60.0 <sup>2)</sup>
Capital goods industry (fixed prices)	13	14	11	10	12	11-12 <sup>*</sup> )	-	68.2 <sup>2)</sup>
Consumer goods industry (fixed prices)	12	12	10	9	7	7-8 <sup>*</sup> )	-	50.2 <sup>2)</sup>
Energy (fixed prices)	13	16	15	11	10	7.7 <sup>1)</sup>	-	54.0 <sup>2)</sup>
Fuel (fixed prices)	11	9	11	24	21	28.0 <sup>*</sup> )	-	-
Iron metallurgy (fixed prices)	17	27	22	9	17	18 <sup>*</sup> )	-	80.0 <sup>*</sup> )
Non-ferrous metals metallurgy (fixed prices)	3	7	4	3	8	7-8 <sup>*</sup> )	-	-
Metalworking industry (fixed prices)	20	21	12	14	13	15.7 <sup>1)</sup>	-	100.0 <sup>*</sup> )
Chemical and rubber industry (fixed prices)	20	20	26	18	23	11.4 <sup>1)</sup>	-	80.0 <sup>*</sup> )
Food industry (fixed prices)	9	8	5	6	4	-	-	-

1) Plan fulfilment

2) Plan

\* ) estimated

Growth of gross industrial production in 1970 compared with 1965 :  
at current prices: 65.8%  
at fixed prices: 68%

Source: Official Statistics

Table 14 a

Output in Selected Agricultural Products

	1966	1967	1968	1969	1970	1971
Grain (in 1,000 t)	6,702	6,417	5,224	5,996	6,700	6.900 1)
Apples	343.7	413.1	427.1	460.4	363.1	316 2)
Plums	314.4	191.1	294.0	327.5	334.3	no data
Grapes	711.0	569.2	761.4	721.2	620.9	652 2)
Dessert grapes	266.1	240.9	385.3	407.3	263.0	291 2)
Tobacco	132	118	114	95	120	no data
Meat (live weight)	680.4	694.4	762.1	700.5	688.8	no data
Milk (in million liter)	1,455.6	1,562.6	1,539.9	1,533.7	1,583.4	1.619 2)
Eggs (million ea)	1,489.7	1,683.2	1,626.9	1,518.7	1,617.5	1,743 2)
Wool (unwashed - in tons)	25,465.2	27,164.1	28,884.5	28,303.7	28.814.0	no data
Cattle (1,000)	1,450.1	1,384.7	1,362.7	1,296.8	1,255.5	1,278.6
Pigs	2,407.6	2,275.8	2,313.9	2,140.0	1,966.5	2,369.1
Sheep	10,312.3	9,997.9	9,904.9	9,651.9	9,223.1	9,678.0
Fowl	20,844.6	23,637.3	27,725.9	24,873.6	29,589.6	33,705.9

1) Plan fulfilment

2) Preliminary figures

Source: official statistics

N A T O   C O N F I D E N T I A LANNEX to  
AC/127-D/434Table 14 bAverage Yield of the Most Important Field Crops in Bulgaria  
(100 kg/hectare)

	1961- 1965	1966	1967	1968	1969	1970
Wheat	18.1	27.9	30.5	24.0	24.7	29.9
Barley	20.5	25.5	25.4	20.0	22.0	28.9
Mais	25.1	38.1	34.3	31.3	41.3	37.3
Potatoes	85.5	113.0	106.0	114.0	118.4	117.8
Sugar beets	205.4	404.0	342.0	264.5	282.3	309.5
Sunflowers	13.4	16.6	17.8	16.3	18.9	14.6

Source: Official Statistics

N A T O   C O N F I D E N T I A L

Table 15 a

Fertilizer Consumption (in tons)

	1966	1967	1968	1969	1970
<u>In total</u>	476,842	607,079	842,326	692,272	638,814
<u>in detail:</u>					
Nitrogen (N)	281,739	323,231	390,033	386,884	378,802
Phosphate (P <sub>2</sub> O <sub>5</sub> )	178,105	260,401	408,560	279,926	235,060
Potash (K <sub>2</sub> O)	16,998	23,447	43,733	25,462	24,952
<u>Consumption per hectare</u>					
<u>(in kg)</u>	98	126	174	144	134

Source: Official Statistics

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Table 15 b

Agricultural Machinery

	1967	1968	1969	1970	1971
Tractors (physical unit)	45,062	46,892	50,788	53,005	53,618
Tractors calculated as representing 15 HP	71,847	75,637	84,011	90,277	93,742
Complete harvesters of which harvester threshers	13,143 7,353	14,543 8,315	15,882 9,137	16,610 9,393	16,810 9,340
Plows to be attached to tractors	40,682	42,390	45,295	46,208	45,651
Sowing machines to be attached to tractors	23,326	23,477	24,047	23,232	21,356

Source: Official statistics

N A T O   C O N F I D E N T I A L

Table 16

	1966	1967	1968	1969	1970	1971 <sup>1)</sup>	1972 <sup>2)</sup>	1975 <sup>2)</sup>
Electro-energy (1,000 million KWH)	11.8	13.6	15.5	17.2	19.5	21.1	20.9	30/31
Coal (million tons)	26.5	28.8	30.9	31.2	31.4	29.2	-	24.8
Crude oil (million tons)	0.4	0.5	0.5	0.3	0.3	0.3	0.3 <sup>x</sup>	0.3 <sup>x</sup>
Natural gas (1,000 million cu.m)	0.1	0.3	0.5	0.5	0.5	0.6	0.6 <sup>x</sup>	1.0

1) Plan fulfilment

2) Plan

x) estimated

Source: Official Statistics

Table 17

Production of Selected Products of the Metal-Processing Industry

		1966	1967	1968	1969	1970	1971 <sup>1)</sup>	1972 <sup>2)</sup>	1975 <sup>2)</sup>
Electric carts	ea	17400	21200	22700	26500	29641	no data	n.d.	n.d.
with combustion engine	ea	85	649	708	1513	n.d.	n.d.	n.d.	n.d.
Electric tackles	ea	23700	27900	35400	42500	48000	n.d.	n.d.	500000
Machine tools	ea	9242	10495	11160	12789	13945	n.d.	n.d.	n.d.
Passenger cars	ea	-	-	5500	8700	21500	11500	n.d.	40000-50000
Trucks	ea	-	-	-	n.d.	2200	2400	3400	n.d.
Buses	ea	-	-	-	-	-	-	2000	2500
Railway freight cars	ea	1930	1786	1550	1761	1991	about 4000	n.d.	n.d.
Tractors	ea	2052	2341	2961	3757	3493	about 4670	n.d.	n.d.
Drilling and sowing machines	ea.	15779	23613	27315	25136	22427	n.d.	n.d.	n.d.
Accumulator batteries	mill.ea.	2.43	2.54	2.98	3.1	3.3	n.d.	n.d.	n.d.
Electromotors	thousd.ea.	586	745	773	751	750	n.d.	n.d.	n.d.
Television sets	thousd.ea.	89.5	130	153	174	193	n.d.	n.d.	n.d.
Washing machines	thousd.ea.	125	162	183	140	56	n.d.	n.d.	n.d.

1) Plan fulfilment

2) Plan

Source: Official statistics

Table 18

Products of the Iron and NF Metals Metallurgy

	1965	1970	1971 <sup>1)</sup>	1975 <sup>2)</sup>
<b>1. <u>Iron and Steel Industry</u></b>				
Pig-iron (million tons)	0.699	1.196	1.315	1.550
Raw steel (million tons)	0.588	1.800	1.910	-
Rolling steel (million tons)	0.431	1.400	1.680	2.800
<b>2. <u>Non-ferrous Metals</u></b>				
Electrolyte copper (1,000 tons)	23.9	38.0	no data	44.0
Lead (refined)	93.4	98.6	no data	105.0
Zinc (Metallurgical product) (1,000 tons)	65.8	76.0	no data	82.0

1) Plan fulfilment

2) Plan

Source: Official Statistics

Table 19

Products of the Chemical and Rubber Industries

	1966	1967	1968	1969	1970	1971 <sup>1)</sup>	1972 <sup>2)</sup>	1975 <sup>2)</sup>
Sulphuric acid (1000 tons)	353	360	472	498	502	555	no data	1,200
Soda calc (")	230	223	229	270	306	310	320	1,500
Caustic soda (")	39	42	43	51	48	48	no data	134
Synthetic ammonia (N) (1000 tons)	390	470	666	712	788	no d.	1,190	no data
Nitrogen fertilizer (without urea) (1000 t)	273	265	276	264	287	306 <sup>3)</sup>	no data	740
Urea (N) (")	25	89	228	276	315	no d.	no d.	no d.
Phosphate fertilizer (P2O5) (1000 tons)	97	89	135	140	148	no d.	no d.	390
Synthetic fibres (1000 tons)	-	-	2	7	23	28	no d.	70-75
Plastics (")	40	44	59	74	89	103	no d.	152
Synthetic rubber (")	-	-	-	no d.	4	12	no d.	20-22
Motor vehicle tyres (1,000 ea)	375	365	333	324	546	729	no d.	no d.
Cellulosis (1000 tons)	69	73	76	75	77	no d.	no d.	193
Paper (1000 t)	133	151	187	192	200	no d.	no d.	300
Cement (1000 t)	2851	3358	3512	3551	3668	3880	no d.	6000

- 1) Plan fulfilment
- 2) Plan
- 3) Preliminary figure

Source: Official statistics

Table 20

State Budget

	1966	1967	1968	1969	1970	Plan 1971	Plan 1972
<u>Receipts</u> (million lewa)	3,886	4,083	4,504	5,227	5,235	5,915	6,531
Share of the industry	2,750	2,956	3,397	3,995	4,054	4,543	no data
<u>Expenditure</u>	3,802	4,051	4,427	5,158	5,225	5,905	6,519
Share of: Industry	2,134	2,190	2,278	2,738	2,593	2,892	
Social matters and culture	998	1,132	1,312	1,564	1,672	1,884	5,322
National defence	239	244	264	303	324	346 <sup>x</sup>	370 <sup>x</sup>
Administration and others	431	485	573	553	636	783	827
<u>Excess</u>	84	32	77	69	10	10	12
<u>Development:</u> (Increase %)							
Receipts and expenditure	8.4	5.8	9.7	16.2	0.7	13.0	10.0
Expenditure: Industry	19.5	2.6	4.0	20.1	- 5.3	11.5	9.9
National defence	3.9	2.8	8.1	14.6	6.9	6.7 <sup>x</sup>	6.9 <sup>x</sup>
<u>Structure</u> (Proportions in total receipts and expenditure %)							
Receipts: Industry	70.7	72.3	75.4	76.6	77.4	76.8	no data
Expendi- ture: Industry	56.1	54.1	51.4	53.0	49.6	48.9	48.7 <sup>x</sup>
Social matters and culture	26.2	27.9	29.6	30.3	32.0	31.9	32.7 <sup>x</sup>
National defence	6.3	6.0	6.0	6.0	6.2	5.8 <sup>x</sup>	5.7 <sup>x</sup>
Administration etc.	11.4	12.0	12.0	10.7	12.2	13.4	12.9

x estimated

N A T O   C O N F I D E N T I A L

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Table 21

Burden to the Economy by the Defence Expenditure

	1965	1968	1969	1970	1971	1972
Proportion of the open defence expenditure in the net material product (%)	3.5	3.1	3.2	3.1	3.0 <sup>+) )</sup>	2.9 <sup>+) )</sup>
Proportion of the total defence expenditure in the net material product (%)	4.0 <sup>+) )</sup>	3.5 <sup>+) )</sup>	3.7 <sup>+) )</sup>	3.5 <sup>+) )</sup>	3.6 <sup>+) )</sup>	3.5 <sup>+) )</sup>
Proportion of the total defence expenditure in the estimated GNP (factor costs) (%)	3.4 <sup>+) )</sup>	3.0 <sup>+) )</sup>	3.1 <sup>+) )</sup>	2.9 <sup>+) )</sup>	3.0 <sup>+) )</sup>	2.9 <sup>+) )</sup>
Total per capita defence expenditure <del>xxxxxx</del> (Lewa)	32 <sup>+) )</sup>	36 <sup>+) )</sup>	41 <sup>+) )</sup>	43 <sup>+) )</sup>	48.5 <sup>+) )</sup>	51 <sup>+) )</sup>
Increase (%)	-	9.0 <sup>1) )</sup>	13.8 <sup>+) )</sup>	4.8 <sup>+) )</sup>	18.3 <sup>+) )</sup>	10.5 <sup>+) )</sup>
Per capita net material product (Lewa)	806	1,018	1,105	1,236	1,338 <sup>+) )</sup>	1,457 <sup>+) )</sup>
Increase (%)	-	8.0 <sup>1) )</sup>	8.5	11.8	8.2 <sup>+) )</sup>	8.8 <sup>+) )</sup>

+ ) Estimated

1) Compared with 1967

Table 22

Bulgaria's foreign trade 1955 - 1980 (in million)

Transferable Lewa

	Total turnover	Import	Export	Balance
1955	568.8	292.4	276.4	- 16.0
1960	1,408.7	740.1	668.6	- 71.5
1961	1,554.4	779.2	775.2	- 4.0
1962	1,822.0	918.1	903.9	- 14.2
1963	2,067.7	1,091.9	975.8	- 116.1
1964	2,389.2	1,243.0	1,146.2	- 96.8
1965	2,753.6	1,377.9	1,375.7	- 2.2
1966	3,256.5	1,729.6	1,526.9	- 202.7
1967	3,545.2	1,839.1	1,706.1	- 133.0
1968	3,975.0	2,085.3	1,889.7	- 195.6
1969	4,146.2	2,046.7	2,099.5	+ 52.8
1970	4,486.8	2,142.3	2,344.5	+ 202.2
1971 <sup>+) )</sup>	5,007.7	2,456.4	2,551.3	+ 95.0
1975 <sup>+) )</sup>	7,314.0	3,568.0	3,746.0	+ 178.0
1980 <sup>++)</sup>	11,702.0	-	-	-

+ ) Preliminary figure

++) Estimated

Source: Official Statistic

Table 23

Shares of the Most Important Trade Partners in Bulgaria's  
Import and Export in 1970 (in brackets the shares of 1965)

Bulgarian Imports    100%		Bulgarian Exports    100%	
1. Soviet Union	(50.0%) 52.2%	1. Soviet Union	(52.2%) 53.8%
2. German Democratic Republic	( 7.2%) 8.6%	2. GDR	( 9.2%) 8.7%
3. CSSR	( 6.5%) 5.2%	3. CSSR	( 7.8%) 4.4%
4. Poland	( 3.9%) 3.5%	4. Poland	( 3.3%) 3.9%
5. Italy	( 2.8%) 3.1%	5. Italy	( 3.3%) 2.8%
6. Federal Republic of Germany	( 5.8%) 2.7%	6. Federal Republic of Germany	( 3.5%) 2.6%
7. GB	( 1.6%) 2.5%	7. Hungary	( 1.9%) 2.5%
8. France	( 2.1%) 2.4%	8. Roumania	( 1.2%) 2.1%
9. Austria	( 2.6%) 2.0%	9. France	( 0.6%) 1.9%
10. Cuba	( 1.9%) 1.7%	10. Yugoslavia	( 1.9%) 1.6%
11. Rumania	( 0.8%) 1.6%	11. Switzerland	( 1.3%) 1.5%
12. Hungary	( 1.6%) 1.4%	12. GB	( 1.5%) 1.2%
13. Yugoslavia	( 1.7%) 1.2%	13. Cuba	( 1.4%) 1.2%
14. Japan	( 1.2%) 1.1%	14. Greece	( 1.4%) 0.8%
15. Switzerland	( 1.3%) 1.0%	15. Austria	( 1.1%) 0.8%

Source : Official statistics

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Table 24

Regional Development of Foreign Trade during the 4th, 5th  
and 6th Five-Year-Plan

	Import			Export			Turnover		
	1965	1970	1975*)	1965	1970	1975*)	1965	1970	1975*)
Socialist countries (million transferable Lewa)	1023	1632	2855	1093	1859	3142	2116	3491	5997
Increase <sup>1)</sup> (%)	65	60	75	94	70	69	79	65	72
Western countries (million transferable Lewa)	307	409	505	218	334	366	525	743	871
Increase <sup>1)</sup> (%)	202	33	23	161	53	10	184	41	17
Development countries (million transferable Lewa)	48	101	183	65	152	263	113	253	446
Increase <sup>1)</sup> (%)	174	110	81	178	134	73	176	124	76
Total (million transferable Lewa)	1378	2142	3543	1376	2345	3771	2754	4487	7314
Increase <sup>1)</sup> (%)	86	55	65	106	70	61	95	63	63

1) Increase compared with the last year of each five-year-plan

+) Estimated on the basis of the regional structure planned for 1975

Source : Official statistics

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Table 25

Rates of Growth of Foreign Trade 1965 - 1971

Imports Coverage

	1965	1966	1967	1968	1969	1970	1971
<u>Rates of growth in per cent compared with the year before</u>							
<u>Total turnover</u>	15.3	18.3	8.9	12.1	4.3	8.2	11.6*)
Socialist countries	14.2	12.9	13.6	14.7	6.8	5.9	12.5*)
COMECON <sup>1)</sup>	15.6	10.7	15.4	14.3	7.7	5.4	12.9**)
USSR	11.1	13.9	13.5	18.4	6.1	4.1	13.6**)
Western countries	25.0	44.0	-9.5	-2.2	-8.7	21.4	6.7**)
Development countries	-3.4	11.6	13.0	12.9	10.9	10.6	13.3**)
<u>Import Coverage in per cent</u>							
<u>Total trade</u>	100	88	93	91	103	109	104*)
Socialist countries	107	97	97	93	102	114	106*)
COMECON <sup>1)</sup>	104	94	99	94	101	129	.
USSR	108	94	97	93	101	113	.
Western countries	71	58	70	74	101	81	80**)
Development countries	135	164	134	117	113	151	155**)

1) without Cuba

\*) Preliminary data

\*\* ) Estimated

Source : Official statistics

Table 26

Regional Structure of Foreign Trade 1965 - 1980 (in %)

	1965	1966	1967	1968	1969	1970	1971	1975	1980
Trade with the:									
Socialist countries	76.8	72.8	75.9	77.6	79.4	77.8	78.5 <sup>2)</sup>	82.0 <sup>+</sup>	85.0 <sup>+</sup>
COMECON 1)	73.0	68.4	72.5	73.9	76.4	74.4	75.3 <sup>+</sup>	79.8 <sup>+</sup>	-
USSR	51.5	49.2	51.3	54.1	55.1	53.0	54.0 <sup>+</sup>	-	-
Other socialist countries	3.8	4.4	3.4	3.7	3.0	3.4	3.2 <sup>+</sup>	3.2 <sup>+</sup>	-
Western countries	19.1	23.2	19.3	16.9	14.8	16.6	15.8 <sup>+</sup>	11.9 <sup>+</sup>	8.5 <sup>+</sup>
Development countries	4.1	4.0	4.8	5.5	5.8	5.6	5.7 <sup>+</sup>	6.1 <sup>+</sup>	6.5 <sup>+</sup>

1) Without Cuba

2) Preliminary figures

+ ) estimated

Source: Official statistics

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Table 27

Commodity Structure of Foreign Trade 1961 - 1971 (in per cent)

	1961	1965	1966	1967	1968	1969	1970	1971 <sup>+</sup> )
Export	100	100	100	100	100	100	100	100
Machines and equipment	15.5	24.4	25.5	23.6	26.4	25.8	29.1	30.9
Fuel, minerals and metals	10.2	7.0	8.3	6.7	7.6	6.2	8.2	7.6
Chemical products, fer- tilizers and rubber	2.6	2.2	2.4	2.5	3.3	2.8	3.4	3.4
Building material and prefabricated parts	0.9	1.5	1.0	1.0	1.2	1.0	1.0	0.9
Agricultural raw materials	14.7	13.0	11.0	9.2	10.3	7.0	8.1	4.0
Living animals	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Raw materials for the food industry	4.6	6.4	8.9	6.8	5.1	4.2	4.1	8.3
Industrial consumer goods	16.9	14.4	14.6	20.8	15.8	22.0	14.9	13.5
Food	34.6	31.1	28.3	29.4	30.3	30.9	31.2	31.4
Import	100	100	100	100	100	100	100	100
Machines and equipment	46.7	43.6	47.1	47.0	44.9	40.5	40.6	43.2
Fuel, minerals and metals	25.2	26.2	25.4	24.1	24.1	26.8	29.1	28.6
Chemical products, fer- tilizers and rubber	6.5	7.2	6.8	9.3	8.7	7.9	7.9	6.7
Building material and prefabricated parts	0.8	0.9	0.8	0.7	0.7	0.7	0.8	0.9
Agricultural raw ma- terials	10.5	10.0	9.3	9.2	9.1	10.0	10.5	9.5
Living animals	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Raw materials for the food industry	1.3	3.0	2.6	1.5	2.1	2.6	1.4	3.4
Industrial consumer goods	6.4	5.4	4.6	4.7	4.4	3.8	5.6	5.7
Food	2.6	3.6	3.4	3.4	6.0	7.7	4.1	2.0

Basis: Comparable prices

+ ) Preliminary data

Source: Official statistics

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Table 28

<u>Imports of Selected Goods in 1970</u>	<u>USSR</u> %	<u>COMECON</u> %
<u>Raw materials</u>		
Coal	100	100
Coke	29	100
Mineral oil	81	no data
Petrol, Diesel oil and lubricants	83	no data
Iron ore	91	91
Cast-iron	70	88
Construction steel	79	92
Sheet steel and steel plates	97	100
Tin plates	79	85
Aluminium	85	88
Copper sulphate	100	100
Synthetic rubber	60	71
Cotton	70	70
Wool	77	92
<u>Machines and Equipment</u>		
Complete factory installations	55	60
Tractors	100	100
Combiners	98	100
Milling and polishing machines	36	97
Lathes	39	76
Power generation equipment	40	100
Excavating and road construction machines	62	74
Electromotors	80	95
Oil drilling facilities	97	99
Equipment for the food industry	65	93
Equipment for the light industry	32	87
Equipment for the Chemical industry	16	65
<u>Vehicles</u>		
Passenger cars	75	96
Buses	8	100

Source: Official Statistic

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