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B U L G A R I A

Draft Note by the German Delegation(1)

I. INTRODUCTION

Any assessment of the economic situation of Bulgaria must be seen against the background of the country's traditionally close relations with the Soviet Union. These friendly relations date back to 1877 when the Russian army intervened to assist Bulgaria in obtaining its national independence. The Bulgarian Communist Party had, from the very beginning, close ties with Russian Communism. In contrast, the economic relations between the two countries were insignificant before the Second World War; in 1939, the share of the Soviet Union in Bulgarian foreign trade was less than one per thousand, and until then, the Bulgarian economy was primarily oriented towards Central Europe.

2. After having established its military and political control over the country in 1944/1945, the Soviet Union undertook to remodel the structure of the Bulgarian economy according to its own pattern within a few years. The USSR's share in Bulgaria's total foreign trade soon reached over 50%, with complete industrial plant heading the list of Soviet exports. Though the industrialisation of the country made quick progress, Bulgaria, together with Rumania, has so far remained the least-developed COMECON country. Bulgaria is eager to maintain its rapid pace of industrialisation which seems to depend, at least to a certain degree, on a smooth development of Bulgaria's trade relations with Western industrialised countries, and on favourable conditions for a further expansion of these relations.

II. INTERNAL DEVELOPMENTS

Area

3. Bulgaria has an area of 110,900 sq. km. Among the other Eastern European countries, it ranges between the Soviet-occupied Zone of Germany (108,300 sq.km.) and Czechoslovakia (127,900 sq.km.). Approximately 51% of the total area is farmland and over 32% forests (see Table 1 at Annex).

- (1) The German Delegation kindly agreed to having the present note circulated in its draft form to speed up proceedings; it is possible that a corrigendum will have to be circulated later. The Statistical Annex will be circulated subsequently as an Addendum.

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Natural Resources

4. Bulgaria has no natural resources of importance for the world market but offers favourable conditions for a further development of agriculture, and some branches of industry. There are only a few hard coal deposits; however, brown coal and lignite resources are, for the time being, sufficient to meet domestic requirements and allow the installation of larger power stations. Hydro-electric power reserves are quite considerable. The oil deposits so far found and exploited are of relatively small importance. The extent of the newly-discovered natural gas deposits cannot yet be estimated. The 1980 plan targets for fuels and electric power are very high (see Table 8), considering the scope of necessary investments. A newly discovered iron ore deposit near Kremikoveci allows the installation of iron works with an annual capacity of several million tons. However, coal suitable for the production of metallurgical coke is almost non-existent and must be imported, while lead-zinc, copper and other nonferrous metals were found during the past ten years to an extent that exceeded previous expectations and affords Bulgaria good possibilities of developing its own nonferrous metallurgy (see Table 8).

Demographic Development

5. By mid-1965, Bulgaria will have a population amounting to about 8.2 million inhabitants (see following table), including about 5.2 million (63.1%) in the productive age(1).

Bulgaria's population according to official estimates  
(figures refer to estimates as at the middle of the year)  
(millions of inhabitants)

1955	1960	1961	1962	1963	1964(x)	1965(x)
7.50	7.87	7.94	8.01	8.08	8.14	8.20

(x) Provisional figures.

According to its population, Bulgaria ranges between Hungary (10.2 million) and Albania (1.8 million) among the Eastern European countries. The population of Bulgaria no longer increases as rapidly as in the times before the war. Birth rates today amount to practically only half the figures for the period before 1930 (see table 2 at Annex); they equal about those in France and in the Federal Republic of Germany; the death rate is somewhat smaller, resulting in a natural growth rate which is only insignificantly higher than that in the afore-mentioned NATO countries. For 1980, the Bulgarian Government estimates a population figure of about 9.2 million in their long-term plans. At present (1965) about 58.6% of the

(1) For the purpose of statistics, the "productive age" is between 16 and 65 years for men and between 16 and 60 years for women.

Bulgarian population are still living in the country. However, the urbanization process is in full swing. While during the past thirty years the urban population increased from 1.3 to 3.4 million, the rural population remained at about 4.8 million. In view of the increasing mechanization of agriculture it is hardly expected that immigration into towns will decrease during the period ending 1980.

Economic Policy According to the Soviet Pattern

6. In its economic policy, the Communist Government in Sofia closely follows the Soviet pattern (see also paragraphs 1 and 2 above).

- (a) Bulgaria was the first satellite country to have virtually completed the socialisation of its economy.
- (b) Bulgaria was the only satellite country to follow exactly a year later and after prior announcement the Soviet currency reform of 1st January, 1961 (by consolidating the Leva at the ratio 10 : 1).
- (c) The Bulgarian long-term plan for the period from 1961 to 1980 - called the "practical programme of the Party for the termination of the socialist build-up and for the gradual transition of our country to Communism" and unanimously approved by the Party Congress in November 1962 - shows a very close dependency on the directives adopted by the XXIInd Congress of the Soviet Communist Party in October 1961 for the long-term plan of the USSR covering the same period.
- (d) Finally, the criticism directed against the rigid system of a centrally-planned economy, which came up in the Soviet Union a few years ago, had an impact on Bulgaria and caused the government to follow Soviet principles in preparing its economic reforms.

Gross National Product and Gross Social Product

7. According to Western estimates, the Bulgarian GNP has developed as follows:

(in billion US \$ at 1963 market prices)

1955	1958	1960	1961	1962	1963
3.4	4.1	4.8	4.9	5.15	5.4

(based on AC/89-D/40)

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The per capita GNP for Bulgaria can thus be calculated at \$668, i.e. about the same amount as for Rumania. Higher per capita GNP has been recorded for Poland (\$830), Hungary (\$970), highly-industrialised Czechoslovakia, and the Soviet-occupied Zone of Germany. A similar assessment of the economic development of these countries is being used within COMECON. The Bulgarian GNP increases at an annual average of 4% to 5%, a growth rate corresponding to about the country's stage of industrialisation. The rate of increase of the Gross Social Product according to Soviet definitions - excluding "non-material services" - is much higher. Official Bulgarian figures for the development of the "GSP" are shown in Table 3 (see Annex). As shown in Table 3, the share of the non-socialist sector of economy in the Gross Social Product plays an insignificant part. In this context, it is noted that about two-thirds of the share of the non-socialist sector are furnished by the individually-operated small farm plots of collective farmers. These plots contributed a total of 680 million Leva to the Gross Social Product in 1962, while the share of the Agricultural Production Co-operatives amounted to only 2,320 million Leva in spite of an arable area about ten times as large. The very much higher productivity of the small remnants of private enterprise needs no comment.

Net Material Product

8. The Net Material Product of Bulgaria computed by the Main Administration for Statistics in Sofia are of much greater value for our study since double countings have been eliminated. This net domestic product - also computed in the sphere of material production only - is for the Communist Government an important yardstick in their planning. It is also used by the Council for Mutual Economic Aid in working out comparative studies on the state of development in member countries. The following official figures on the development of the national income in Bulgaria are available (see Table 4 at Annex). High growth rates have also been claimed by Rumania, whereas Czechoslovakia and the Soviet-occupied Zone of Germany had a more "normal" development.

Growth Net Material Product

(in % of previous year)

	1959	1960	1961	1962	1963	1964
Bulgaria	21.7	6.8	2.8	6.2	6.0	6.0
Rumania	13.1	10.7	10.0	4.4	9.7	10.0
Czechoslovakia	6.0	8.0	6.5	1.5	-4.0	0
Soviet-occupied Zone of Germany	8.7	4.5	3.0	2.1	2.7	4.7

9. The per capita quota of the Net Material Product amounted to 571 Leva in 1960, and 703 Leva in 1963, based on the average population figure of the year. According to the comparative studies carried out by the Council for Mutual Economic Aid, the per capita quota amounted in 1963 to about half that of the Soviet-occupied Zone. Since the latter was about 4,630 DM(East) in 1963, the per capita quota of Bulgaria should be about 2,315 DM(East). The Net Material Product of Bulgaria would then be 18,700 million DM(East) in 1963 as against 79,700 million DM(East) in the Soviet-occupied Zone. Even if Bulgaria and Rumania continue to develop at comparatively high rates during the next ten to fifteen years, it cannot be expected that they will reach the stage of development of fully industrialised economies such as that of Czechoslovakia and the Soviet-occupied Zone, though the latter will expand only slowly.

10. The official Bulgarian statistics contain information on the use of the Net Material Product (see Table 4). During the period from 1955 to 1964, the consumption share in the national income varied between 69.9% in 1959 and 85.7% in 1956. The share allotted to the accumulation fund amounted accordingly to a minimum of 14.3% in 1956 and a maximum of 30.1% in 1959. For 1964 and 1965, an accumulation fund of 23.4% and 24.6% was planned.

#### The Agricultural Situation

11. The share of Bulgaria's agriculture in the Net Material Product is a little over 30% (see Table 4 at Annex). However, its share in state investments is only just about 6%, and the major share of agricultural investment has to be covered by the farms themselves. So far, total investments have therefore been much too low. Although mechanisation has exceeded the pre-war level and the consumption of artificial fertilizer increased remarkably, the development started almost from nothing and it has by no means reached the stage appropriate to the country's excellent soil and climatic conditions.

12. Bulgaria's agriculture is now almost 100% collectivized and the régime has initiated - partly for doctrinary reasons - the Soviet pattern of giant agricultural production co-operatives as well as a hostile attitude towards the breeding of livestock on private plots. These new giant co-operatives, which sometimes cover about four times the area of former agricultural co-operatives, are lacking sufficient supervision and their equipment is inadequate. Undoubtedly these measures introduced in 1958 have caused a considerable drawback for Bulgaria's agriculture.

13. Agreements with other COMECON member countries and long-term trade agreements containing rigid delivery commitments have led to a complete change of Bulgaria's pre-war structure of agricultural cultivation. Grain cultivation has been considerably reduced and replaced by the cultivation of vegetables, fruit and fodder as well as an increase in viticulture (for wine as well as

grape production). These measures were sound in principle, but they could not be combined with an improvement in the grain production on the reduced area and the grain yield remained unstable and low.

14. The influence of doctrinary considerations in agriculture becomes particularly apparent in connection with the unrealistic planning targets which sometimes could not even be half fulfilled (see Table 5 at Annex). It would seem that a somewhat more realistic policy had gained the upper hand at present.

15. This policy started after the failure of the giant agricultural production co-operatives, created in the summer of 1962; a programme which was combined with an increase in producer price of between 9% and 33% for milk, butter, cheese, poultry, tomatoes, onions and strawberries. Undoubtedly, these price increases, together with an increase in the meat price which did not affect the producers, resulted in a drop in the standard of living of the urban consumers.

16. Prices for fuel, fertilizers and building material were reduced for the agricultural production co-operatives in July 1962, thus putting them on a level with the State farms as far as purchasing privileges for these goods are concerned. Moreover, a so-called government fund was created at the agricultural co-operatives in order to guarantee minimum wages for co-operative farmers. This fund consists partly of government grants and partly of the profits made by the co-operatives. Furthermore, since the spring of 1963, uncultivated small plots are given to co-operative farmers, workers, employees and retired people which can be cultivated for their private use. Co-operative farmers are furthermore invited to improve the cultivation of their private plots. Thus, the "private" sector of agriculture is being encouraged again without, however, abandoning the principle of collectivisation.

17. The agricultural measures mentioned above have shown positive results insofar as the production of grapes, tomatoes and fruit has considerably increased; Bulgaria's export capacity has been greatly improved and the food processing industry has also profited (see Table 8, No. 7). However, the régime has not yet succeeded in decisively changing the basic situation of Bulgaria's agriculture. Grain has still to be imported, which proves a heavy burden for the Bulgarian economy as for that of other COMECON countries. Therefore, the solution of the grain problem remains one of the main problems not only for Bulgaria's agriculture but of its entire economy.

#### Industrial development

18. The share of industry in gross production is about 60% and in net material product about 47% (see Table 4). Industry is rapidly developing thanks to its privileged position with regard to investments.

Index of industrial production

(on the basis of prices on the  
1st April, 1956  
and  
1st April, 1962)

1939	1948	1952	1960	1961	1962	1963	1964	1965 Plan
100	203	430	1,200	1,400	1,500	1,650	1,815	1,978
49	100	212	606	677	755	830	922	1,005

A comparison with the pre-war production level is, however, rather problematic since quite a number of industrial branches, which have today a considerable output, existed then only in their initial stages.

19. Since the war, industrial expansion has advanced more rapidly in the field of producer goods than in the field of consumer goods (see Table 6 at annex). While the share of producer goods in the gross industrial production was only 22.6% in 1939, it increased to about 50% during the last few years; (1962: 50.7%, 1963: 49.5%, 1964 about 51.4%).

20. The structure of industry has considerably changed in the post-war period (see Table below).

Share of the main branches in Bulgaria's gross  
industrial production

Main branch	1939	1948	1962
Combustibles and energy	6.4	6.0	4.6
Metallurgy	0.5	2.5	6.1
Metal processing (machines, motor vehicles, electro-technical equipment)	2.4	7.3	13.5
Chemical Industry	1.9	2.1	3.9
Building material, stones and earth	2.1	2.2	4.5
Timber, pulp, paper (including processing)	11.8	13.1	6.8
Textiles, ready-made clothes, leather	21.8	21.2	18.6
Food and luxuries	51.2	41.4	34.2
Other industries	1.8	4.3	7.8
Total gross industrial production	100.0	100.0	100.0

21. It also becomes apparent from the above table that the production of consumer goods is still quite important. This branch of industry has also grown considerably, though to a much lesser degree than the production of capital goods (see Table 7 at Annex).

22. From a quantitative point of view the present growth of Bulgarian industry has mainly been enabled by deliveries of capital goods from the Soviet Union and European satellite countries. At the beginning of 1964, 50% of Bulgaria's power stations, 100% of the iron and steel works, 70% of the non-ferrous metal production and 50% of the chemical production were working on the basis of Soviet equipment. Other Eastern European countries also contributed considerably towards providing the Bulgarian coal, electrical, chemical, cement and food industries with plant and equipment.

23. The share of Western supplies in this industrial growth was less important, although by no means insignificant, since these supplies have frequently provided the prerequisites for putting new industrial plants into operation at an accelerated speed. The more Bulgarian industry becomes differentiated, the greater the interest in technologically advanced equipment as it is available in Western industrial countries which offer a much greater choice than the USSR and other member countries of the Council for Mutual Economic Aid. In addition, there is an increased interest in Western know-how, in particular in the acquisition of Western licences.

24. The concept, pursued with remarkable perseverance by the industrialisation policy of the Bulgarian Government, is to exploit their own resources to create new jobs and to stop as much as possible the export of raw materials and semi-finished goods in order to process them into finished goods in their own country.

25. The industrialisation policy pursued by the Bulgarian Communist Government has been fully supported by the USSR. This support was inter alia due to the fact that Bulgaria has common borders with Greece and Turkey so that Bulgaria, with the intention of influencing these two countries which are also undergoing a process of industrial development, has to develop its industry at a very rapid rate. It would appear also that other member countries of the Council for Mutual Economic Aid recognised Bulgaria's special rôle as a border country of Communism since they often withdrew their objections against industrialisation projects in Bulgaria which were opposed to their own interests. It would appear that Bulgaria therefore succeeded in winning COMECON endorsement for its own industrialisation plans; thus, Poland and the Soviet-occupied Zone of Germany seem to have withdrawn their initial opposition against the installation of plant for oil refining and NF metal processing in Bulgaria though their own respective capacities were not fully used. Furthermore, Bulgaria succeeded in obtaining permission for the production of



firstly tractors and then lorries, though the limited size of such a plant might render production uneconomical, and in having this production incorporated in COMECON division of labour agreements.

26. Bulgaria has benefited considerably from COMECON, especially in the engineering sector where, as a partner in various division of labour agreements Bulgaria produces, in addition to the goods mentioned above, certain types of electro-motors, electric freight trucks, stacker trucks and other transport equipment as well as certain models of railway freight cars and freight vessels. All these products are sold to the other COMECON countries according to long-term agreements. Similar agreements are in preparation for other industrial sectors. Though this arrangement increases the country's dependence on COMECON for the sale of its products, it is as a whole beneficiary to Bulgaria since it guarantees a long-term outlet for its products.

27. The general concept for industrialisation as laid down in the long-term plan 1961-1980 will probably not be changed even if some unrealistic intermediate or final targets have to be corrected, as it was done for 1965. Table 8 (see Annex) shows how production has developed and what the main targets of the long-term plan for 1980 are like. This long-term plan provides for the improvement of the basic industries, including numerous investment projects requiring a long period of construction, which have been fixed in greater detail than those for the processing industries. In the energy production sector, (see Table 8, No. 1), it should be noted that the output of coal, petrol, natural gas and electric power has increased considerably and that it is planned to increase the petrol refining capacity by 10 million tons annually. According to the long-term plan, Bulgaria's 1980 iron and steel production will be approximately at the level of Poland's production in 1960, primarily by expanding the capacities of the metallurgical plant of Kremikovci. The improvement of the non-ferrous metals production is also remarkable (see Table 8, No. 2). Notwithstanding its rapid development (see Table 8, No. 2) the chemical industry is still incomplete and there is, for instance, no synthetic fibre industry for the time being; according to the long-term plan, the production of some important items will even exceed that of present Polish production. The same can be said for the production of pulp, cement and other construction materials. A similar expansion is planned for the machine-building industry and other metal-processing branches, but the details have not yet been published. It is surprising that Bulgaria, whose truck production is just in its earliest stage, even plans a production of about 120,000 passenger cars annually by 1980. When the Bulgarian long-term plan was being drawn up, COMECON countries had already agreed that the installation of new car factories in countries which so far had not produced them was not advisable, since it would only lead to a further scattering of the car production. It will be interesting to see whether Bulgaria will succeed in having its own way also in this branch of the industry.

28. Fifteen years ago, Bulgaria did not have any modern industrial plants for large-scale production. Now, there are the lignite mining and power combine of Marica-Iztok whose power-plant "Marica-Iztok I" has an installed capacity of 500 mW, the iron and steel plant of Kremikovci which is under construction and will have a final capacity of several million tons of steel annually, the copper plant "Georgi Damianov" near Pirdop with an annual electrolytic capacity of 55,000 tons and the large nitrogen plant near Stara Zagora which will be among the largest chemical factories in Europe after completion. In view of the fact that all these basic product plants have comparatively modern equipment permitting rational production, Bulgaria hopes to be able to provide its processing plants with cheap raw materials, and to make them more competitive also in foreign trade. Among these plants are production facilities of strategic importance (for synthetic ammonia, methanol etc.); but they are all relatively vulnerable because of their size and the complex nature of their installations.

29. As for the growth rate of Gross Industrial Production, Bulgaria ranged first among all COMECON countries until 1960; since 1961 it has to yield this place to Rumania (see following table). As is well known, these official figures are not fully comparable to Western figures because they are gross aggregates containing an element of double counting. Furthermore, the high rates of growth in these two countries are a symptom for the early stage of their industrial development.

Rates of Growth of Gross Industrial  
Production 1956/1964

(percentage increase over preceding year)

Country	Average Rate of Growth 1956-1960	1961	1962	1963	1964
Bulgaria	15.9	12.0	11.5	10.0	11.1
Rumania	11.1	15.6	13.7	12.5	14.1
COMECON average	10.3	9.2	9.0	7.1	7.5
USSR	10.4	9.0	9.8	8.1	7.1
Czechoslovakia	10.7	9.0	6.1	-0.6	4.1
Soviet-occupied Zone of Germany	9.2	5.4	3.9	3.6	6.7

Employment and Standard of Living

30. The development of the employment situation in Bulgaria since 1955 is described in Table 9. The figures do not include armed forces and students, nor assisting family members or other part-time employees in agriculture. The manpower requirements of the Bulgarian industry and other non-agrarian branches of the economy were filled by peasant migration: from 1950 to 1955,

about 1 million peasants moved to the towns, of whom about 50% went into industry. Agriculture still has adequate labour reserves. With the progress of agricultural mechanisation it can be expected that from 1966 to 1970 another 200,000 workers will be available from the agricultural sector.

31. The inadequacy of net earnings in agriculture stimulates part-time employed family members to go into industry. Though wages for unskilled labour are not high, (70 to 80 Leva per month)(1), they give the former peasants a chance to economise enough money to buy industrial consumer goods which would be hardly obtainable otherwise. Table 10 surveys the development of wages. While wages and salaries increased by little more than 5% from 1962 to 1964, the prices for food, except bread, rose by 25% to 35% during the same period. This increase has only partly been compensated by price reductions for industrial consumer goods, so that it may be assumed that there was at least some kind of stagnation if not even a decline of real wages. A comparison of real wages in Bulgaria with that in Western industrial countries is very problematic because of the different living conditions. A conversion from Leva into US dollars at the official rate of 1.17 Leva per dollar results in average wages of about US \$80 or DM. 320 per month. This sum represents, however, a purchasing power for food, clothes and all industrial consumer goods of high quality which is not much more than half the corresponding amount in the Federal Republic of Germany. It is true that rents are cheap and absorb only about 10% of monthly wages. Living conditions in Bulgaria are rather poor if compared to western standards. Frequent bottlenecks in the domestic supply system aggravate this situation. As in Poland, under-employment in agriculture does not exert a great pressure on the Bulgarian investment programme. Though rural migration exists, it can be well checked by the régime; on the other hand, agriculture is fully able to give food, clothes and accommodation to redundant labour, adequate for Bulgarian conditions.

#### State Budget

32. The Bulgarian State budget follows the same pattern as the budgets of the other COMECON members (see Table 11 at Annex). In 1964, the volume was inter alia reduced by about 20% as compared with the previous year by eliminating the transit items of foreign trade enterprises. Thus it is not fully comparable with the budget of previous years.

33. Within the budget, the defence vote deserves particular attention. Calculated on a per capita basis, it reached about 37 Leva in 1963, a peak for the period 1960-1965. The lowest per capita figure of about 23 Leva was reached in 1960 when it corresponded to about 6% of per capita personal income of the Bulgarian population; the maximum 1963 figure equalled about 7.8% of per capita personal income. Calculated in this manner, it would seem that the defence burden is quite heavy. In this respect, Bulgaria does not differ very much from other Eastern European Communist countries.

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(1) For the value of the Leva, see AC/127-WP/86

Investments

34. The overwhelming part of the accumulation fund of the Net Material Product is being used for investments. Table 12 (see Annex) surveys the development of investments; it reveals in particular the neglect of agriculture which had to make most investments from its own resources.

35. The share of expenditures for imported machinery and equipment in total investment increases from year to year. In the last few years, the Bulgarian economy suffered considerable losses by the lack of co-ordination between the plans for the completion of constructions, and delivery dates for their equipment. Since about 1962/1963, investments have successfully been concentrated on key projects.

Reforms of the Economic System

36. During the last ten years, Bulgaria has repeatedly changed the organization of its economic administration, mostly following the Soviet pattern. These organizational changes affected all levels, from Ministries down to the individual enterprises. The changes made at the ministerial level were primarily reshuffles of competences; some ministries were replaced by central Committees and other institutions controlled by the Council of Ministers. As for the enterprises, the changes consisted on the one hand of concentrations of small neighbouring factories into a group of larger compounds directed according to a uniform and more rational pattern, and on the other hand, of a regrouping of the sector of centrally directed enterprises and the sector of enterprises directed by the "Peoples Soviets" of the districts. Notwithstanding the fact that Bulgaria's economy is relatively small and can be easily controlled, it has not yet an optimum general organization.

37. Since 1963, there is some theoretical discussion about an extensive reform of the economic system. These discussions have already had practical results insofar as several experimental factories have been established in Bulgaria, especially in the consumer goods sector, whose experiences will be used to rationalise the entire economic system successively as from 1st January, 1966. As in other countries of the region, the present discussions in Bulgaria are dealing with the following main subjects:

- (a) the delegation of responsibilities which are so far concentrated excessively in government agencies, to lower administrative echelons while only the general direction and control functions are to be reserved for the higher ranks; the principle of a basic central plan is, however, not to be touched;
- (b) a reform of the price system by adapting prices to the costs; the final purpose of

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this reform is to abolish the complex system of open and hidden subsidies; moreover, the price control system is to allow a greater fluctuation of prices, so that they adapt themselves as quickly as possible to changing costs;

- (c) the adoption of the profit motive as a criterium of success for the various economic units; introduction of new incentives into the wage system in order to improve efficiency and working morale;
- (d) a typical Bulgarian variant seems to be the creation of "Workers' Committees" to safeguard party control in the factories; these committees will have greater authority and personal responsibility than the former party control services, and will see to it that the management does not deviate from the general party line.

III. FOREIGN TRADE RELATIONS

38. Bulgaria's foreign trade is developing at considerable speed. From 1960 to 1964, Bulgaria succeeded in increasing its total exports and imports by \$810 million (i.e. about \$ 100 per capita) (see Table 13). Since 1959 the trade balance has run a deficit. The cumulative deficit from 1960 to 1964 amounts to about \$242.2 million. The following table shows the rates of growth for imports, exports and total trade from 1961 until 1964:

Rates of growth of Bulgarian Foreign Trade  
from 1961 to 1964  
(increases in percentage of previous year)

	Imports	Exports	Total Trade
1961	+5.3%	+15.9%	+10.3%
1962	+17.8%	+16.6%	+17.2%
1963	+16.6%	+8.5%	+12.6%
1964	+15.6%	+15.1%	+15.6%

In 1964, per capita exports were \$119.6 and per capita imports \$127.8. The per capita share in total foreign trade would thus be \$247.4 or 38.5% of the per capita GNP of \$668 (see above). This high share shows that Bulgaria's industrialisation depends to a great extent on the development of foreign trade. Among the other countries of the region, Hungary, the Soviet-occupied Zone of Germany and Czechoslovakia have higher shares of per

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capita foreign trade, but these are relatively less important if compared with per capita GNP's. The per capita foreign trade of Rumania and Poland is lower than that of Bulgaria.

39. The growing industrialisation of Bulgaria has not only substantially changed the volume, but also the structure of Bulgarian foreign trade (see Table 14 at Annex). While the share of foodstuffs in Bulgaria's total exports amounted to nearly 100% in 1939, this category of goods accounted for only slightly more than one-third in 1963. In future, the share of foodstuffs will further decline, while the export of processed agricultural products will become increasingly important.

40. Bulgaria's imports of machinery in 1939 were insignificant; they amounted to only \$14.2 million, i.e. 14.2% of Bulgaria's total imports. In 1963, the share of machinery in imports amounted to about 46.8% and the long-term plan provides for this share to reach 52% in 1980. Since 1955, the export of machinery and equipment has considerably increased. While the engineering industry had a share of only 2.5% in exports in 1955, its share amounted to 21.5% in 1963 and 24.6% in 1964; it will reach 57% in 1980 according to the long-term plan.

41. In 1964, about 90% of Bulgaria's imports were composed of producer goods (about half of them raw materials and semi-finished products for the processing industry). About 37% of Bulgaria's exports were finished industrial products of agricultural and non-agricultural origin. Bulgaria's foreign trade deficit has steadily increased, from \$3.4 million in 1961 to about \$88.7 million in 1964. Bulgaria hopes to improve its balance of payments by an expansion of tourism. A newly-set-up Council for International Tourism, is attempting - supported by the Government enterprise "BALKANTOURIST" - to develop this branch into an essential earner of foreign exchange. Moreover, Bulgaria intends to extend its commercial fleet by the purchase of foreign ships and the construction of its own; by 1970, it is to reach about 360,000 dwt., and in 1980 about 1 million dwt.

42. Bulgaria maintains trade relations with nearly 100 countries, with 60 of them on the basis of formal agreements. More than 80% of Bulgaria's foreign trade is effected with Communist countries, mostly on the basis of long-term agreements. The share of these countries in Bulgaria's foreign trade was over 83% in 1960; it decreased to 78% in 1964 and will probably further decrease in 1965 and 1966. According to the long-term plan, this share will increase again after 1966 and reach 83% in 1970 and 85% in 1980.

43. The USSR is by far Bulgaria's most important trade partner (see Table 15 at Annex). Trade with the USSR accounts for over 53% of Bulgaria's total exchange of goods. According to the long-term plan, this share is to decrease slightly by 1965, to reach 53% again in 1970 and 56% in 1980. About 55% of Bulgaria's raw material imports come from the Soviet Union and a considerable part of its requirements in machinery and equipment is met by Soviet

supplies. The commodity and financial credits, which the Soviets have granted Bulgaria, can be estimated at about 1,500 million rubles including the credits promised in 1964 (about 460 million rubles for the extension of Bulgaria's oil processing plants, etc.). These credits and loans are to be repaid mostly by Bulgarian goods deliveries. Other Communist countries have also granted credits to Bulgaria, amounting to a total of about 300 million rubles.

44. With a share of 9.7% in Bulgarian foreign trade in 1963 and 8.5% in 1964, the Soviet-occupied Zone is the second most important trading partner, followed by Czechoslovakia (1963: 8.5%, 1964: 6.8%). The shares of the remaining COMECON countries are below 4% (see Table 16, Nos. 1 - 5).

45. Trade with China and other Communist countries of Asia (see Table 17) continues to be insignificant. Even Yugoslavia (see Table 16, No. 8) could, so far, only extend its trade with Bulgaria slightly, as they are not complementary; Yugoslavia's share is nevertheless twice as large as that of all East Asian Communist countries taken together. Trade with Cuba, non-existent before 1961, reached \$27.7 million in 1964 (see Table 17a).

46. The share of the countries of the free world in Bulgarian foreign trade (see Table 18) has increased eight-fold during the last 10 years. Their share grew from 10.5% in 1955 to 22% in 1964. The Bulgarian long-term plan provides for a further increase in volume, but a slight reduction of the share of these countries.

47. Bulgaria attaches particular importance to trade with the developing countries. Their share in Bulgaria's foreign trade increased from 1.7% in 1955 to 4.9% in 1964. The Asian and African countries are heading the list (see Table 18a at Annex). Bulgaria has concluded trade agreements with about 35 developing countries and is now aiming at the conclusion of long-term agreements like the one signed with India in 1964. By decision of the Council of Ministers, certain obstacles to the imports of goods from developing countries will be removed as from 1st March 1965. Bulgaria has so far granted developing countries, such as Ghana, Guinea, Indonesia, Mali and Cuba, credits totalling \$32.5 million. Bulgaria exports to these countries in particular machinery, equipment and chemical products in exchange for cotton, crude phosphates and natural rubber. Like other Eastern European countries, Bulgaria strives to extend its sphere of influence by sending technical experts and awarding scholarships to students who wish to study in Bulgaria. Furthermore, it is interested in co-operating with Western firms for the purpose of expanding its trade relations with developing countries.

48. Among the countries of the free world, Bulgaria's main trade partners are the Western European industrial countries. Bulgaria imports from them an important part of its investment goods, especially such plant and equipment which are either not available in the USSR and the other COMECON countries, or which

these countries are unable to deliver in due course. Thus, the importance of the Western European industrial countries to Bulgaria's foreign trade is much greater than is reflected in their share in Bulgaria's trade turnover. This applies in particular to Bulgaria's trade with the NATO countries which has increased more than eight-fold between 1955 and 1964, while their share in Bulgaria's total trade volume has grown from 6.2% in 1955 to 12.8% in 1964 (see Tables 19a to 19d, at Annex). With a share of 4.2% in 1964, the Federal Republic of Germany is still Bulgaria's most important Western trading partner. Bilateral trade relations are based on the long-term Trade and Payments Agreement signed on 6th March, 1964. At present, the share of agricultural products in Bulgarian exports to the Federal Republic of Germany still amounts to more than 80%. Machinery, tools, electro-technical equipment and motor vehicles account for more than a third of Bulgarian imports from the Federal Republic of Germany (see Table 20, No. 3); Italy comes next, followed by France, Austria and the United Kingdom (see Table 20, Nos. 1, 2, 4 and 5).

49. The Bulgarian foreign trade plan for 1965 provides for a turnover of more than \$2,130 million with exports worth \$1,110 million and imports \$1,020 million. As in previous years, imports are likely to exceed exports. Bulgaria will make every effort to increase its exports of machinery, electro-technical and related products, and to reach the planned target of 29.2% of these categories of goods in total exports. However, processed agricultural products will also continue to be Bulgaria's main export item in 1965. Bulgaria's import plan for 1965 provides for a share of raw and other materials in total imports of 48.4% and of machinery and equipment of 44.9%. The geographical pattern of Bulgarian trade is unlikely to change very much in 1965. The share of the USSR and other COMECON countries might be slightly reduced in favour of that of the free world countries, in particular with Western industrial countries. At the present stage of industrialisation, Bulgaria is particularly interested in safeguarding a smooth development of its investment programme. It may therefore attempt to obtain medium and long-term credits for the purchase of complete industrial plants and equipment apt to improve its industrial potential. Bulgaria is apparently also increasingly interested in industrial co-operation with Western enterprises which would generally promote trade relations and give the country easier access to Western credit facilities. Bulgaria's interest in expanding its trade with the West and in promoting the export of its commodities to Western markets in payment of capital goods, might also one day induce Bulgaria to take up contacts with GATT and other Western trade organizations. Any expansion of Bulgaria's trade with the West is, however, limited by the goals set by the Bulgarian long-term plan which provides for the following increases:



(billion US \$)

Year	Total trade turnover	Of this trade in the USSR	trade with free world countries
Actual 1964	2.0	1.1	0.4
Plan 1970	3.6	1.9	0.6
Plan 1980	8.5	4.8	1.3

This table shows that the Bulgarian Government expects trade with non-Communist countries to triple during the next fifteen years, but that the volume of Bulgaria's trade with the USSR alone will remain three times as large as that with all non-Communist countries together.

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