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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

ECONOMIC REVIEW OF EASTERN EUROPEAN COUNTRIES:

B U L G A R I A (1966)

Note by the German Delegation

I. INTRODUCTION

This report is to supplement document AC/89-WP/164 dated 1st and 14th June 1965. There are no essential changes in the basic data of the above document and its enclosed tables. Bulgaria's population has reached 8.29 million in 1966. The Bulgarian government estimates that this figure will attain 8.6 million by 1970. The aims and methods of the economic reform are now more clearly discernible. Information on these reform measures has thus been put at the head of this report. The targets of the 5th Bulgarian Five-Year Plan (1966 to 1970) have been given particular attention. The last part of the report contains a short summary of the main results and certain conclusions.

II. PRESENT SITUATION AND AIMS OF BULGARIA'S ECONOMIC REFORMS

2. The reform programme of the Bulgarian economic system which has been under discussion since the Plenary Session of the Communist Party in May 1963 has been implemented slowly and with much hesitation. As early as in 1963, the new economic planning and control system has been tested in several experimental enterprises. In January 1964, the Council of Ministers decided to introduce the new economic system on a tentative basis in approximately 50 state factories of various industrial branches as from April of the same year. Encouraged by the results, these experiments were extended in 1965 to entire economic branches (in about 300 factories). The discussions - which had been postponed several times - on the theses governing the new economic planning and control system submitted by the Politbureau of the Central Committee in December 1965, were finally held, at the party plenum in April 1966. After extensive final discussions at this meeting, the economic reform directives were approved and the Politbureau instructed to work out the final version of the new system. However, detailed implementing instructions with respect to these reforms have not been issued by January 1967, although the new economic system is to become effective progressively for all economic branches as from 1967.

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3. The reorganization of the existing economic system is characterised essentially by three reforms:

- the introduction of the new system of economic planning and control (see paragraph 4)
- the reform of the wage system (see paragraph 5)
- the price reform (see paragraph 6).

As a matter of principle, the socialist ownership of the means of production will be maintained under the new economic system, and the economic plan will continue to be the most important instrument of control of Bulgaria's economy. All great investment projects, the production of basic materials, the purchase of the most important agricultural products, the distribution of raw materials and bottleneck products as well as exchange control in foreign trade continue to remain under strict central planning.

4. However, the chief aim of the planned reforms is to do away with the unfavourable effects and the retarding influence which the existing economic system exerts on the development of Bulgaria's economy by the elimination of the excessive concentration of responsibilities and a relaxation of the too rigid and detailed planning system. According to the Central Committee theses, the new economic system will take economic principles into consideration more than before and use economic incentives and other means to improve labour productivity and thus the cost-effectiveness of the entire economy and, finally, achieve a substantial increase of the standard of living of the entire population.

5. The new system of economic planning and control is to replace the present "command" economy by "control economy". In future, the state will control the implementation of its economic policy by its organs (ministries and/or committees of the various economic branches, the so-called "branch committees") in a more indirect way. It will co-ordinate and supervise the planning and the fulfilment of the plan on the part of the industrial associations (concerns, trusts), and enterprises and control their economic situation and the quality of their products with the means at its disposal. Government contracts, taxes, the granting of credit, price and wage fixing will be the means of indirect control by the state organs over the various enterprises.

6. However, the greater independence of the individual enterprises planning under the new economic system will again be limited to a certain extent by the fact that they will be combined into industrial associations which will be directed by an "Economic Council" headed by a general manager. The general manager will be appointed by the government, while the other members of the Economic Council, the directors and managers of the various enterprises, will be appointed by the ministries or branch committees.

7. The industrial associations will comprise either enterprises belonging to similar branches of production by virtue of the inter-relationships between their production lines or enterprises belonging to the same branch of production in view of their similar interests. The work of these industrial associations extends to production, technology, projecting and design, research and sales. The industrial associations are entitled to conclude export and import contracts independently. They decide the direction of the activities of the enterprises under their control and the degree of their legal and economic independence, but they are not authorised, for instance, to redistribute the profits and losses of the enterprises under their control. The industrial associations are working, just as the individual enterprises, according to the principle of economic accounting and are responsible for the fulfilment of the contracts signed by them. They depend on the profits made by the enterprises under their control which contribute fixed amounts from their profits to the fund of their industrial associations to finance the measures which are of benefit to the enterprises under their control, such as research work, introduction of new technologies, reconstruction measures.

8. The individual enterprises are directed exclusively by a director. He is assisted by the production committee (industrial committee, factory council) which consists of members of the workers' collective. The latter has only a consultative function, and its responsibilities are still limited since the implementation of its decisions is entirely a matter for the director. A more direct participation of the production committee in the work of the enterprise is being widely discussed and demanded.

9. Under the new system, the individual enterprise no longer has to fulfil a planning target dictated by the state, but for all essential goods the state will place binding annual contracts which are to cover the basic requirements of the home market and the export trade. Taking into consideration their own economic necessities, the individual enterprises and industrial associations will co-ordinate their own plans with the government's contracts. The responsibility for the working-out of the national economic plan will in future lie more with the individual enterprises and the industrial associations.

10. The share of government contracts in total production, however, varies a great deal in the different economic branches; in the glass industry, for instance, it is only 40 per cent, while in the heavy and basic products industries it may reach 95 per cent. For the heavy industry, therefore, there has been little change under the new economic system as far as its economic dependence from the state is concerned. As for enterprises of other industrial branches with a smaller share of government contracts, their takings will be quite closely controlled by the state which will use the means mentioned above, such as flexible taxes, credit interest rates, depreciation allowances and wage fixing. However, greater independence and freedom of action of the individual enterprise is ensured by the fact that the prices of products in excess of government contracts may be negotiated freely between producer and customer (commercial enterprise). The smaller the share of government contracts in total production, the larger is the economic freedom of action of the individual enterprise.

11. The revenue left to the enterprise after the deduction of all expenditures will be transferred to various funds earmarked for specific purposes which can be used by the enterprise only in accordance with the established purpose and is to ensure the self-financing of the enterprise. Any residual profit still remaining is to be distributed to the workers as their share in the profit. Thus, the earnings of the workers will depend directly on the economic success of the enterprise. Up to now, however, the average annual profit bonus which is graded according to the performance and position of each employee, has been less than one month's wages.

12. The wage reform is to be carried out in stages and completed by the middle of 1967. It provides for more numerous wage scales than before and takes the qualifications and training of each employee into consideration more than before. In general, wages and salaries are to increase between 9 and 20 per cent as a result of this reform.

13. The planned price reform is also to be carried out until mid-1967. It will only concern factory prices. Retail prices will not be involved, they are under no circumstances to be increased but rather reduced. The main principle of the new price system is the accordance of the price with the "economic value" of the product. When establishing the new ex-factory price, greater consideration is to be given not only to the actual production costs but also to the technical progress and the price situation on the world market. There are three price groups, as in Czechoslovakia. The state will fix the prices for all essential items such as producer goods and certain consumer goods. For a second group which comprises a much smaller part of the total production in terms of value, but a great variety of products, contract prices may be negotiated between the producer and the traders within the price limits laid down by the state. Prices in the third group, that of non-essential products, are free, but the state will control them in order to prevent unjustified price increases which might arise as a result of a monopoly or a lowering of quality and, if necessary, will fix new prices if the interests of the state or the consumer are being neglected.

material product has risen from 58 per cent (1960) to 61 per cent (1964), the share of agriculture has decreased accordingly from 24 per cent (1960) to 22 per cent (1964). During the fifth Five-Year Plan (1966-70) the gross material product is to increase by 56.6 per cent, the share of industry in it is planned to amount to 65 - 70 per cent.

Net Material Product

18. According to official statistics, the net material product increased during the fourth Five-Year Plan (1961-65) from 4,489 million leva (1960) by 47.8 per cent to 6,636 million leva (1965). According to the original plans, the net material product was to increase to 7,450 million leva until 1965; this plan was later reduced to a 60 per cent increase which was also not reached (at current prices). Calculated on the basis of fixed prices, the net material product increased by 41.5 per cent from 1961 to 1965, so that the average annual increase was 7.2 per cent.

19. In 1966, Bulgaria's net material product increased by 8.3 per cent (at current prices) to 7,184 million leva. Calculated in fixed prices, the 1966 increase was 11 per cent and the value of the net material product close to 7,000 million leva (1960: 4,457 million leva). 75 per cent of this increase is due to higher labour productivity. For 1967 an increase of 10 per cent of the net material product is planned which would mean an increase to 7,900 million leva (at current prices). In total, the net material product is to increase to more than 10,000 million leva during the fifth five-year planning period (1966 - 1970), the average annual rate being 9 - 10 per cent.

20. The per-capita amount of the net material product which had grown during the fourth Five-Year Plan from 571 leva (1960) to 809 leva (1965) (at current prices), reached 866 leva in 1966 and is to rise to 1,100 or 1,200 leva by 1970. Compared with 1960, the per-capita amount would thus double.

21. In spite of the fast growth of the net material product, it cannot be expected that the gap between Bulgaria and the industrial COMECON countries (Soviet Zone of Germany, CSSR), where the rates of growth are much lower, will be closed in the next few years.

22. In 1964, the share of industry in the net material product has been 45 per cent, of agriculture 33 per cent. By 1970, the share of industry is to be extended to 52 - 53 per cent. In 1964, the share of the socialist sector in the net material product was 90 per cent, i.e. 60 per cent state enterprises and 30 per cent co-operatives. In 1964, 31 per cent of the net material product were used for accumulation (investments and stocks) and 69 per cent for consumption. By 1970, consumption is to increase to 73 per cent, but even then the accumulation rate of 27 per cent still appears rather high in comparison with more industrialized countries.

23. In 1966, the consumption fund had increased by 8 per cent compared with the year before and thus reached a per-capita quota of 629 leva (prices as on 1st January, 1962). Almost 90 per cent of the increase of the net material product during the fifth Five-Year Plan (1966-1970) are to be the result of increased labour productivity.

Gross Investments

24. The major part of the accumulation fund of the net material product is being used for investment purposes. During the fourth Five-Year planning period (1961-1965), about 7,500 million leva were invested into the Bulgarian economy, of which 4,841 million were limited and 2,650 million non-limited investment funds. The main share of capital investments, almost 3,500 million leva (46.7 per cent) went to industry, 1,750 million leva (23.4 per cent) were spent on the development of agriculture.

25. In 1966, 2,050 million leva were at the disposal of the economy as a whole, of which 1,602 million for limited and 448 million for non-limited investment funds.

26. The economic plan for 1967 provides for gross investments of 2,533 million leva, of which 2,028 million are limited and 505 million non-limited capital investments.

27. In total 13,000 million leva are to be made available for the development of the national economy during the fifth Five-Year Plan (1966 - 1970), of which 10,000 million are limited and 3,000 million non-limited investment funds. From this total investment, industry is to receive 6,700 million leva (52 per cent), 5,900 million of which as limited investment funds, while 2,350 million leva will be invested in agriculture, 1,700 million in housebuilding and 1,100 million in transport.

28. Of the industrial capital investments, 1,670 million will go to the development of energy production, 1,420 million to the expansion of the chemical industry, 940 million to the metal-processing and engineering industry, 862 million to black metallurgy, 326 million to the non-ferrous metals industry. For the consumer goods industry (light industry and food industry) there are 800 million leva and 313 million leva for the expansion of the building material industry.

Industry Development

29. During the planning period of 1961-65, industrial gross production increased by 73 per cent (planned 70 per cent), the average annual growth rate being 11.6 per cent (prices as on 1st January, 1962). The share of industry in the gross material product was 61 per cent in 1961 and in the net material product 45 per cent (46 per cent in 1965, 47 per cent in 1966).

30. The more rapid growth of producer goods is characteristic of the early stage of industrialization in Bulgaria. The share of producer goods in industrial production as a whole in 1965 was 52.3 per cent (1960 : 47.2 per cent), the share of consumer goods 47.7 per cent (1960 : 52.8 per cent).

31. Owing to the preferential allocation of investment funds, development during the previous planning period was particularly rapid in the energy industry, engineering, metallurgy, the chemical and the building industry. This development has substantially changed the structure of industrial production. Thus, the share of the metal-processing industry (engineering) increased in 1965 to 16.5 per cent (1960 : 12.4 per cent) and that of the chemical industry to 5.1 per cent (1960 : 3.7 per cent); the energy industry, the metallurgical and the building industry also increased their share in total industrial production, while the share of the woodworking industry, the paper and the pulp industry, the textile, clothing and leather industry, and the food industry diminished accordingly.

32. The rate of growth of the industrial branches mentioned above was made possible primarily by the creation of new industrial plants some of which, equipped with modern facilities and machines, possess substantial production capacities which are being continuously expanded. The major part of the new Bulgarian industrial facilities has been installed with the assistance of the USSR and other COMECON members. As industrialization progresses, there is an increased tendency to buy complete industrial installations, facilities and licences for modern production methods in the highly developed industrial countries of the Western world.

33. This is happening in full agreement with the USSR and the other COMECON countries which are unable to give additional aid to Bulgaria because of their own economic difficulties and because some of them are not in a position to deliver such industrial installations. The Soviet credit of 500 million rubles granted for the planning periods of 1960-1970 is to be used primarily for the expansion of the metallurgical combine of Kremikovci and the petro-chemical combine in Burgas, for the construction of a rubber factory and the expansion of energy production.

34. The main target of the current Five-Year Plan 1966-70 is the speeding-up of the industrialization process. For industrial production, an increase of 70 per cent, is planned during this period. The share of industry in the gross material product is to rise to 65-70 per cent, and in the net material product to 52-53 per cent. 70 per cent of the industrial increase are to be obtained solely by increasing labour productivity and improving the technological conditions. Bulgaria's indigenous resources are to be exploited more than in the past. Industrial branches which accelerate technological progress and show the highest cost-effectiveness rate will be developed with priority. Therefore, the manufacture of producer goods and the expansion of the basic industry will again be given preferential treatment during the current

planning period, as well as those industrial branches which have the best export chances in Western countries and those for which Bulgaria has accepted specialization obligations within the framework of COMECON. Economic and scientific co-operation with the East bloc countries which is important for Bulgaria will be increasingly expanded within COMECON.

35. The most essential condition to be met if the planned industrial development is to take place is the expansion and consolidation of the energy basis. By 1970, the production of primary energy is to rise to 40 million tons of coal (1965: 26.4 million tons) 1 million tons of oil (1965: 229,000 tons) and 7,000 million cbm. of natural gas. The production of electrical energy will be doubled during the same period (i.e. it will rise from 10,300 million KWh to 21,000 million Kwh). Until 1970, new capacities to talling 3,000 MW are to become operational of which the expansion of hydro-power stations alone will account for 800 MW. In spite of these increases in energy production, the share of requirements met from indigenous fuel and energy sources continues to decline considerably every year. To close its energy gap, Bulgaria will thus be compelled to import more than 40 per cent of its energy requirements in 1970 (1960: 15 per cent). It is therefore particularly interested in being linked up with the energy compound system of the COMECON area. In 1965, 94 per cent of its total energy imports were already supplied by the Soviet Union whose share in the Bulgarian energy consumption thus attained 36 per cent.

36. The size of the ferrous and non-ferrous metallurgical industries has also considerably increased and by 1970 will have grown to three times its size compared with 1965. When the metallurgical combine at Kremikovci will have become fully operational towards the end of the present Five-Year Plan, 65 per cent of Bulgarias requirements for black metallurgical products are likely to be met from indigenous sources (1965: 35 per cent). In 1970, 1.8 million tons of crude iron (1965: 547,000 tons), 2.3 million tons of crude steel (1965: 588,000 tons) and 1.8 million tons of rolled steel (1965: 431,000 tons) are to be produced. The mines producing non-ferrous ores are to be equipped with modern facilities and the degree of enrichment and processing of the non-ferrous metals is to be increased by applying the latest techniques. The capital required for the investments will be made available partly in co-operation with other COMECON countries (such as with Czechoslovakia by the joint exploitation of copper ore deposits).

37. In Bulgaria, the mechanical engineering industry and the other metal-processing branches will increase their production during the current planning period to 2.5 times the present volume (from 1961 to 1965 it increased to 2.2 times the former volume). By 1970, the mechanical engineering industry is supposed to meet about 45 per cent of the national demand for mechanical equipment (1965: 35 per cent) and to increase its share in total industrial production to 23 per cent (1965: 16.5 per cent). A particularly rapid growth can be expected in the production of such engineering products in which Bulgaria is specializing within the framework of COMECON as agricultural transportation, equipment, electrically and engine-driven trolleys, electrical motors, electronic products, appliances, metal and timber working machines, textile and agricultural machinery and tractors, will rapidly increase. An indigenous motor vehicle assembly industry is developing which will manufacture Soviet and French passenger cars under licence. Negotiations with the Volkswagen factory are under way.

38. The chemical industry, which played only a relatively secondary rôle within industrial production until 1960, was able to increase its output by more than 200 per cent during the previous planning period. In 1965, its share in total industrial production amounted to 5.1 per cent (1960: 3.7 per cent). As built up until now it had formed the basis for the anorganic basic material and fertilizer industry. During the new five-year planning period the chemical industry will begin its second development stage. The large petrochemical capacities which are to become operational during this period will provide the basis for modern synthetic chemistry permitting the production of plastics, synthetic fibre, synthetic rubber and the expansion of primary nitrogen production based on cheap petrochemical raw materials. During the current planning period, chemical production will treble owing to its priority in the allocation of investment funds. Its share in total industrial production will thus be increased to 10.8 per cent. In spite of its rapid development the Bulgarian chemical industry is still unable to meet the country's increasing demand for chemical products. The raw material requirements of the chemical industry must also be largely met by imports mainly from the Soviet Union. Chemical imports are even increasing every year and are much higher than imports in terms of value. This import surplus is likely to be only slightly reduced by 1970 in spite of the drive to export finished chemical products.

Agricultural Policy and Production in Bulgaria

39. The target of the Five-Year Plan, which expired in 1965, to increase agricultural production by 45 to 50 per cent has not been reached. Actual growth only amounted to about 17 per cent. Instead of the planned average annual production increase of 8 to 9 per cent only about 3.4 per cent were obtained. It is true that this unsatisfactory result was largely due to the unfavourable weather conditions in the years 1961 to 1963, but to a considerable extent it was also caused by unrealistic planning as well as by the inadequacy of the equipment and the supply of means of production to agriculture.

40. Nevertheless, in the years 1961 to 1965, Bulgaria's agriculture scored considerable successes in the production of fruit, vegetables (especially tomatoes), grapes and tobacco the cultivation of which is favoured by natural and traditional local conditions. Moreover, the sales of these products at home and abroad are profitable. Exports - predominantly into the COMECON countries - increased considerably between 1960 and 1965.

41. Grain and fodder are bottleneck products. While it is true that in 1965 and 1966 the wheat harvests were highly satisfactory due especially to the favourable weather conditions and the use of high-yield types, it cannot be said that the wheat or bread grain problem has been solved - official pronouncements notwithstanding. As an incentive to increase grain production bonuses are paid for the quantities delivered in excess of the Plan (Ordinance of 1 October 1965).

42. Because of the fodder shortage in recent years, emergency slaughtering of livestock has had to be repeatedly undertaken. In addition, pigs, sheep and cattle are dying off at a considerable rate. Considering the low output, animal husbandry is not paying its way.

43. The consumption of mineral fertilizers rose from 32.1 kg/ha to 75 kg/ha from 1960 to 1965 and is to rise further to 160 - 180 kg/ha in 1970. Up to now the results of the increasing use of fertilizers and insecticides were relatively insignificant because it was not accompanied by other indispensable farming methods.

44. The Bulgarian authorities feel that yields and harvests cannot be greatly increased without an adequate improvement of the irrigation systems. The irrigated area was extended from 67,000 ha in 1960 to 920,000 in 1965.

45. The Five-Year Plan 1966 - 1970 provides for an increase in agricultural production by 25 to 30 per cent as against 1961 to 1965, which shows that the targets are now far more moderate than in the previous planning period.

46. The main aims during the planning period 1966 to 1970 are as follows:

- increase in grain and fodder production, animal production, productivity and cost-effectiveness in animal husbandry, mechanisation of all working processes, use of mineral fertilizers and improvement of irrigation;
- from 1966 to 1970, total fodder production is to be doubled. This aim cannot be realized only by changing the structure of cultivation, but also requires an increase in yields per acre. It is hardly to be expected that the cultivation of field fodder crops can be expanded since the inadequate irrigation facilities obviously continue to prevent the cultivation of intermediary crops and thus an increase in fodder production. Moreover the lack of protein in animal fodder leads to a higher fodder consumption. According to official information only about 70 per cent of the present fodder requirements are being met from indigenous production;
- to increase animal production, bonuses of 30 to 50 per cent of the purchase or delivery price have been paid from 1st January, 1967, to agricultural production co-operatives and government-owned farms for any animal products delivered in excess of the 1966 level. The agricultural production co-operatives and government-owned farms have been instructed to increase especially the number of cows, since they amount to only one third of the cattle stock (about 50 per cent would be normal). The specialisation and concentration of production is to be strongly encouraged. The cultivation of vegetables and fruit is to be modernised and increasingly undertaken on large areas.

- It is further intended to produce a considerable percentage of eggs, poultry and pork on an industrial basis. Since such projects exceed the capabilities of individual agricultural production co-operatives, it is planned to rearrange the "production relations" between the agricultural production co-operatives and the government. Concrete indications may be expected from the congress of the agricultural production co-operatives scheduled to be held early in 1967.

47. Agricultural production can practically only be increased by intensification. But neither are investments sufficient nor have certain political, technological and social problems affecting agriculture been adequately solved. In the rural districts with intensive agriculture and crops requiring a good deal of manual labour, the migration of - predominantly young - workers is causing great difficulties, especially in view of the unsatisfactory level of mechanisation. This alone proves the need of mechanising all working processes. However, the mechanisation of the cultivation and harvesting of special crops is still in the beginning.

48. Owing to the lack of complete mechanical systems the available tractors could not be adequately employed. Only about 10 per cent of the cows held by the agricultural production co-operatives and government-owned farms are being mechanically milked. The planting and harvesting of potatoes, maize, fodder and sugar beets and almost all fodder crops (only about half were harvested by machines in 1965) require an excessive amount of manual labour. By 1970, the degree of mechanisation is to be increased by 35 per cent as against 1965. By the same year, the irrigated area is to cover 1.3 million ha and to amount to 24 per cent of the cultivated area(1). Irrigation is particularly important because of the extremely uneven distribution of rainfall over the year. Only about 25 per cent of the total amount of rain falls from June to September, i.e. during a period in which plants require more water than at any other time of the year. Owing to numerous deficiencies, however, the economic effects of irrigation are far from coming up to expectations.

49. The improvement of infrastructure and the "material-technical basis" of agriculture requires a considerable amount of capital. Total investments in agriculture (including expenditures for social and cultural institutions in the rural areas) are to amount to 2,350 million leva from 1966 to 1970, compared with 1,700 million leva from 1961 to 1965. The main share of 1,352 million leva will have to be financed by the agricultural production co-operatives from their own funds, i.e. mainly by long-term government loans at an interest rate of about 6 per cent. Of the governmental investments totalling 848 million leva, 337 million leva are earmarked for government-owned farms, 299 million leva for irrigation and 212 million leva for various other purposes. The share of government investments in agriculture amounts to 9 per cent of total government investments and is not in line with the importance of agriculture for the economy as a whole.

(1) Agriculturally usable area excluding pasture.

50. The basic problems affecting Bulgaria's agriculture for some years continue to apply to the planning period 1966 to 1970. The funds to be provided are not sufficient for a decisive and comprehensive increase in agricultural production by intensification alone. In these circumstances, it is very likely that the production of fruit, vegetables, grapes and tobacco will continue to be given priority. Bulgaria is also committed to this under the contractual agreements concluded within COMECON and under the long-term trade agreements with its partner countries. The grain and fodder crops on which the further development of animal production will depend are likely to increase only slowly and will not meet requirements even until 1970. It might be economically more advisable for Bulgaria in the long run and under certain conditions to import more grain and to use the areas which thus become available for other crops. For the time being, however, the Bulgarian Government continues to strive for self-sufficiency in the agricultural sector.

IV. National Budget

51. The data for 1964 contained in documents AC/89 - WP/164 of 1st and 14th June 1965 cannot yet be supplemented. In 1965, governmental revenue amounted to 3,132 million leva of which turnover taxes and industrial profits accounted for 63.7 per cent, while taxes collected from the population only accounted for 6.8 per cent. Of expenditures totalling 3,121 million leva, 1,622 million leva (i.e. about 52 per cent) went into the economy and 899 million leva (i.e. about 29 per cent) into the funds for social and cultural services (these figures are slightly different from those contained in document WP/164 mentioned above). 230 million leva (about 7.4 per cent) were spent on national defence and 77 million leva (about 2.5 per cent) on the maintenance of the governmental and administrative machinery.

52. For 1966 and 1967 budget estimates only are available. The 1966 budget estimates include a revenue of 3,702 million leva and expenditures of 3,689 million leva. According to these estimates, turnover taxes and industrial profits will account for roughly 60 per cent of the revenue and taxes collected from the population for about 6.4 per cent. Of the expenditures, 1,973 million leva (about 53 per cent) will be spent on the economy, 967 million leva (about 26 per cent) on social and cultural services and 239 million leva (about 6.5 per cent) on defence.

53. Under the 1967 budget plan revenues will increase to 4,079 million leva and expenditures to 4,064 million leva. About 73 per cent of revenues (2,982 million leva) are expected to come from the economy. Of the expenditures, 2,240 million leva (i.e. slightly less than 55 per cent) will go back into the economy, while 1,079 million leva (not quite 27 per cent) will be appropriated for social and cultural purposes and 96.5 million leva (about 2.4 per cent) for administration.

V. BULGARIA'S FOREIGN TRADE

54. In 1965/1966, Bulgaria maintained trade relations with more than 100 countries. During the fourth Five-Year Plan 1961-1965, foreign trade increased by 95.5 per cent from 1,409 million leva (= 1,214 million dollars) in 1960 to 2,754 million leva (= 2,353.5 million dollars) in 1965 with an average annual growth of 14.4 per cent (at current prices). The balance of trade remained unfavourable also during the fourth Five-Year Plan, although the import surplus could be considerably reduced in 1965. In the same year, Bulgarian exports had a value of 1,376 million leva (= 1,175.8 million dollars) and imports 1,378 million leva (= 1,177.7 million dollars).

55. During the past five years, the COMECON members remained the most important foreign trade partners with whom about 80 per cent of foreign trade was effected during this period. While foreign trade with the COMECON countries has steadily increased in value, the share of

these countries in Bulgaria's foreign trade has declined from 83.4 per cent (1960) to 77.6 per cent in 1965, of which the Soviet Union alone accounted for 1,407 million leva (= 1,202 million dollars) or 51.1 per cent (1960: 53.1 per cent). The share of the COMECON countries in Bulgaria's exports amounted in 1965 to 79.4 per cent and in imports to 74.2 per cent.

56. Main Bulgarian imports from the COMECON countries are raw materials, primary energy and industrial equipment, while exports to them consist of foodstuffs, clothes, footwear and the majority of its exports of heavy industrial products. 95 per cent of Bulgaria's exports of machinery go to the COMECON countries, especially those products in whose manufacture Bulgaria is specializing within COMECON, such as electric trolleys (96 per cent), agricultural transport equipment, accumulators (85 per cent).

57. Trade with the industrialized countries of the West has also considerably increased in recent years. It amounted in 1964 to 17.5 per cent (1960: 13 per cent) of Bulgaria's foreign trade and increased in 1965 to about 2.5 times the volume of 1960.

58. Among the Western trade partners the Federal Republic of Germany holds the first place. In 1964, it accounted for about 25 per cent of Bulgaria's total foreign trade with the industrialized countries of the West. In 1965, 4.7 per cent of 129 million leva (= 110.2 million dollars) (1960: 66.2 million leva = 56.6 million dollars or 4.7 per cent) of Bulgaria's foreign trade were effected with the Federal Republic of Germany, of which Bulgaria's total exports accounted for 3.5 per cent (49 million leva = 41.9 million dollars, 1960: 3.3 per cent) and total imports for 5.8 per cent (80 million leva = 68.2 million dollars, 1960: 6.0 per cent). In the years 1961 to 1965, trade with the Federal Republic of Germany has thus almost doubled (70 per cent consisted of machinery and equipment).

59. From the Western industrialised countries, Bulgaria mainly buys industrial equipment and complete industrial plants of all kinds, means of transport and such raw materials as it cannot obtain in the COMECON member countries. Bulgaria's exports into these countries consist primarily of foodstuffs, tinned food, tobacco products and in recent years to an increasing degree of industrial products (such as non-ferrous metals, lead, zinc, chemicals, electrical trolleys and motors, agricultural transportation equipment, accumulators).

60. In recent years, trade with the developing countries was increased from 40.9 million leva (= 35.0 million dollars) in 1960 to 115.3 million leva (= 98.5 million dollars) in 1964 or 4.8 per cent of the total foreign trade. In 1964, Bulgaria exported into these countries goods valued at 59.7 million leva (= 51 million dollars) and imported products valued at 55.6 million leva (= 47.5 million dollars).

61. As the economic development of the country proceeds, the commodity structure of Bulgaria's foreign trade has been steadily changing in recent years. In keeping with the increasing industrialisation of the country, the share of industrial products in the total foreign trade volume is rising. The share of engineering products in total exports has risen from 13.6 per cent (1960) to 26.8 per cent (1965) - thus the exports of machinery and equipment increased by 96.5 per cent during the previous Five-Year planning period, while the share of overall industrial production in exports rose from 25.1 per cent (1960) to 39.1 per cent (1965). In 1965 the share of engineering products in imports amounted to 48.9 per cent (1960: 43.2 per cent). Imports of consumer goods also increased considerably during this period, i.e. to 159 million leva (= 74.4 million dollars) in 1960, while the share of consumer goods imports in overall imports has slightly decreased.

62. In 1966, foreign trade increased by 15 per cent as against the previous year. The annual plan had provided for an increase of 16 per cent in foreign trade and an increase of 15 per cent in exports. The export plan was over fulfilled at 108.2 per cent and the import plan at 101.4 per cent. The Soviet-bloc countries accounted for 72.7 per cent of total foreign trade.

63. The 1967 economic plan provides for an increase in foreign trade of 16.2 per cent compared with 1966. Under the fifth Five-Year Plan 1966 to 1970, foreign trade is to rise by 66.5 per cent. The long-term trade agreements signed with the Communist countries will tie Bulgaria still more closely to the economy of COMECON. According to the plan for 1970, the share of the Communist countries will be between 83 and 85 per cent, of which the Soviet Union will account for between 55 and 60 per cent. Trade with the Soviet Union is to be increased by 70 per cent until 1970 compared with the period 1961-1965 and will amount to 7,200 million rubles. The Soviet Union will also in future mainly deliver capital goods and raw materials.

64. Trade with the Western industrialised countries is likely to decrease slightly in terms of the percentage but will increase in value. Trade with the developing countries is to be more than doubled by 1970.

65. As far as the commodity structure is concerned, some changes are to be expected by 1970. The share of machinery and equipment in exports will amount to 36 per cent, of which the Soviet Union alone will absorb 60 per cent. Exports of fuels and raw materials, semi-finished goods, foodstuffs and consumer goods will decline in percentage terms. Nevertheless, Bulgaria is endeavouring to increase its agricultural exports to Western Europe. No decisive structural changes are planned in the import pattern. Imports of machinery and equipment will have to be increased so as to promote the further industrial development as planned. In spite of the increased use of indigenous resources, imports of raw materials are also bound to increase. It is expected that the imports of semi-finished goods will also go up.

66. Tourism, a profitable source of foreign exchange, is to be further developed. Bulgaria's merchant fleet will amount to 360,000 tons in 1970.

VI. SUMMARY

67. Although Bulgaria's economy developed rapidly during the previous Five-Year planning period (1961-1965), the original planning targets were not reached because agriculture lagged behind in the fulfilment of the plan, while the industrial sector slightly overfulfilled the global target.

68. The targets of the current Five-Year Plan (1966 to 1970) have been set somewhat more realistically. On the whole, they are likely to be reached in the industrial sector, provided that the investment projects can be implemented more rapidly than in the past and that backlogs can be made good. In certain industrial branches, however, such as ferrous metallurgy, plastics and chemical fibre, the planning targets appear particularly problematic under this aspect. As to agriculture, the fulfilment of the planning targets will depend on the extent to which the level of mechanization can be improved, and on favourable weather conditions.

69. Moreover, Bulgaria's economic development continues to depend to a high degree on the Soviet Union and on the support by other COMECON member countries. The steadily increasing energy gap as well as the rising consumption of raw materials especially in the chemical industry - both being a result of industrialization - call for increasing Soviet deliveries. This heavy dependence on the other communist countries implies that Bulgaria must direct its exports largely to Soviet-bloc countries so as to be able to pay for vital imports. In addition, the communist market is able to absorb commodities of inferior quality and of a lower technical standard for which there is no demand in western industrialized countries.

70. However, having reached its present level, Bulgaria's industrialization can no longer be pushed forward sufficiently rapidly without the participation of western industry. If Bulgaria cannot meet its requirements for special equipment of high quality from the West and acquire western licences for modern production

processes, its economic development will be delayed for years and especially the desired rise in the standard of living of the Bulgarian population will not be achieved until much later. Some of these imports not only require long-term credits granted by the West, but also considerable efforts on the part of Bulgaria to adapt its supply of goods to western markets as far as selection, quality and prices are concerned. On the whole, the difficulties of selling Bulgarian products in the West are not negligible. It should be studied in detail how these problems can be solved and to what extent - for instance by concluding agreements of co-operation between western and Bulgarian industrial enterprises and also by expanding tourism - Bulgaria's situation can be sufficiently eased so that it could be interested in opening its frontiers more widely to the West.

71. The effects of the economic reform in Bulgaria areas yet hardly discernible. Further developments should, however, be carefully watched.

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