

CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

N A T O U N C L A S S I F I E D

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CONSEIL DE L'ATLANTIQUE NORD NORTH ATLANTIC COUNCIL

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ORIGINAL: FRENCH
13th October, 1970

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ECONOMIC REVIEW OF BULGARIA

Report by the Economic Committee

SUMMARY AND CONCLUSIONS

The economic development of Bulgaria is closely dependent on its relations with the Soviet Union, both as regards its industrialisation and as regards the implementation of economic reforms and the pattern of its foreign trade. A traditionally agricultural country, it has been developing its industry for some years with remarkable speed, the rate of growth being one of the highest in the world. Its standard of living is sufficiently high for the country to be considered as having progressed beyond the under-development stage. Nevertheless, as in most socialist economies, there has been a tendency for the rate of economic expansion to slow down during recent years. More heavily dependent on foreign trade than the other countries of Eastern Europe, Bulgaria at present conducts 55% of its transactions with the USSR and plans to raise this proportion to 70% during the next decade (paragraphs 1-3).

2. In spite of its small size, sparse population, limited natural resources and restricted domestic market, Bulgaria has carried through its industrial transformation mainly owing to the financial and technical help given by the USSR: the ratio between industrial output and agricultural output stood at 16:42 just before the war; it had become 49:26 in favour of industry in 1968 (paragraphs 4-11).

3. The first steps had been taken between 1966 and 1968 to implement an economic reform programme based largely on the Czechoslovak model; however, it had been introduced with much hesitation and only in certain limited sectors of the economy. After the events of the summer of 1968, the Bulgarian leaders thought it advisable to steer clear of the liberal reform philosophy of the Czech economists and to return more uncompromisingly to Soviet concepts. Very few of the original intentions have survived this reversal of policy, which has been accompanied by increased Party control over the economy. Future prospects depend primarily on the Soviet attitude (paragraphs 12-35).

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4. It has been announced that with the co-operation of the Soviet Union there is to be a reform of the planning system involving the use of computers; once this system has been worked out, it should serve as a prototype for all the countries of Eastern Europe (paragraphs 36-37).

5. As regards industrial output, Bulgaria had had the highest growth rate of the COMECON countries (15.9%) up to 1960; since 1961, however, this distinction has gone to Rumania. The originality of the 1966-1970 Five Year Plan lies in the fact that priority has no longer been given to iron and steel but to chemicals; industrial output is to rise at an average annual rate of 8.2% until it accounts for 52-53% of the national income in 1970 (paragraphs 38-43).

6. In the economic field, the last two years have been marked by a certain decline attributable mainly to the disappointing agricultural record resulting from bad weather. Bulgaria's agriculture, however, is one of the best organized in Eastern Europe; as a result of relentless and energetic efforts to modernise farming equipment and improve methods, yields, even during periods of drought, are $2\frac{1}{2}$ times higher than before the war. Industry is continuing to expand rapidly (the rate being 11.8% in 1968 and 9.9% in 1969) and special attention is being given to the demands of technology: the régime seems to be preoccupied with atomic power and computers. The standard of living of the Bulgarian population has improved considerably during recent years, and in 1969, which marked the 25th anniversary of the revolution, the growth rate of the consumer goods sector for the first time exceeded that of capital goods. Nevertheless, the high level of private savings indicates that the choice and quality of goods available are still inadequate (paragraphs 44-70).

7. Bulgaria's exports represent 22% of the net material product and the volume of trade is increasing more quickly than the growth rate of the national income. The trade pattern has noticeably improved as a result of industrial expansion, and the proportion of manufactured products in the country's exports rose from 32% in 1960 to 46% in 1969; however, this diversification is mainly confined to intra-COMECON relations. One of the salient features of the Bulgarian economy is its close dependence on the USSR whose deliveries of raw materials and equipment are of vital importance for industrialisation and which offers a practically unlimited outlet for a good many products which would be difficult to sell on Western markets. Bulgaria's trade with Western countries still represents only a small share of the total and its prospects in this direction are limited by its extensive indebtedness. The adoption of a restrictive policy in respect of imports as from 1968 resulted last year in a smaller number of foreign transactions, in particular with Western countries, and in the first positive trade balance (paragraphs 71-81).

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8. Bulgaria has greatly benefitted from its membership of COMECON, some countries of which (Czechoslovakia, the Soviet-occupied Zone of Germany, and Poland) have also provided substantial aid. This is why Bulgaria is not opposed to plans for co-operation and closer integration within COMECON. A decision was recently taken for joint planning in certain economic sectors between Bulgaria and the Soviet Union, and then with Poland as well. Like certain other countries of Eastern Europe, Bulgaria has lately shown an interest in the establishment of mixed enterprises to be managed jointly with Western companies (paragraphs 82-84).

9. At its present level, Bulgaria's industrialisation can no longer advance at a sufficiently rapid pace without the aid of the equipment and sophisticated technology of the West. In view of the substantial credits already granted, this means that it will have to make considerable efforts if its products are to be competitive on Western markets. The conclusion of co-operative agreements between Western and Bulgarian concerns and the growth of tourism might help to solve this problem. It is true that Bulgaria's very close ties with the Soviet Union discourage it from taking any initiative which might incur Moscow's displeasure, but the influx of tourists, besides bringing in foreign currency, has, no doubt, had some psychological effect on the population. However, the level of Bulgaria's trade with the West is so low that it could probably be developed without alarming the USSR.

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ECONOMIC PROFILE OF BULGARIA

	Hungary	Albania	Bulgaria	CSSR	Zone	Poland	Rumania
	Area (sq.km)						
Population	93,030	28,748	110,912	127,859	108,239	312,700	237,500
Net annual rate of increase	10,256,000 0.34%	2,019,000 2.8%	8,370,000 0.7%	14,362,000 0.6%	17,084,000 0.2%	32,305,000 1%	19,721,000 0.6%

National Income

Net material product: 8,556 million leva in 1968

of which: Industry: 49%
Building: 9%Agriculture and Forestry: 26%
Transport and Communication: 4.9%
Trade: 9.0%
Other: 2.1%Growth by Sector

	1961-1965 (average)	1968	1969 (actual)	1970 (plan)
National income	6.7%	6.4%	7.7%	9.0%
Gross industrial production	11.7%	10.4%	9.9%	8.2%
Gross agricultural production	3.2%	-8.7%	2.4%	12%-14.7%
Investment	10.8%	9.5%	6.5%	-1.5%
Employment	4.3%	1.2%	3.5%	-0.7%
Industrial productivity	6.9%	9.1%	6.5%	9.9%
Real income per capita	5.0%	2.7%	3.0%	7.0%

Defence budget as % of NMP (1969) = 3.3%Foreign trade (1969)Imports (f.o.b.): 2,046.7 million leva
Exports (f.o.b.): 2,107.2 million leva
Foreign trade per capita: \$405National currencyOfficial exchange rate: \$1 = 1.17 leva
Tourist exchange rate: \$1 = 2 levaTrade with the Soviet Union: 53.5%
Trade with other Communist countries: 25.9%
Trade with the industrialised West: 15%-16%
Trade with developing countries: 5.6%-6.6%

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