

# CONSEIL DE L'ATLANTIQUE NORD NORTH ATLANTIC COUNCIL

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## TRADE BETWEEN NATO AND COMMUNIST COUNTRIES

### Eighth Report by the Economic Committee

The present report by the Economic Committee, based on statistics prepared by the International Staff(1), comprises:

- on the one hand, a summary of recent trends in NATO countries' trade with the Communist countries and a brief description of the medium-term outlook for East-West trade;
- on the other hand, an analytical study of this trade from the standpoint of trends in value terms and of commodity composition.

2. It is supplemented by a series of statistical tables and charts. (2)

(Signed) Y. LAULAN  
Chairman

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- (1) NATO Countries' Trade with Communist Countries in 1970: see AC/127-D/360.  
Trade of the Seven non-NATO Member Countries of the CECD with Communist Countries in 1970: see AC/127-D/370.  
Commodity Composition of NATO Countries' Trade with Communist Countries in 1969: see AC/127-D/303.
- (2) Distributed as an addendum

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

TRADE BETWEEN NATO AND COMMUNIST COUNTRIES

I. SUMMARY OF RECENT TRENDS

(a) Trends in NATO Countries' Trade in 1970

1. In 1970, NATO country exports to the Communist countries as a whole(1) rose to a total of \$5,817 million(2) making an increase of 14.3% for the year(3). This rate of increase, although the highest since 1966, is slightly below the rate of total NATO country exports (+15.2%). It can be explained by:

- the upsurge in NATO Europe sales to Eastern European countries (+14.9%) and, to a considerably lesser extent, to China (8.8%) and the USSR (5.3%);
- North American exports which, although modest in value terms (\$625 million in 1970), likewise rose sharply (+60%).

2. In that same year, the rate of growth of NATO country imports from Communist countries totalled 11.5% (\$5,359 million(4)) which is slower than the rate of growth of their imports from the world in general (13.5%).

3. The Communist countries' share in the total trade of the NATO countries dwindled slightly (3.3% in the case of exports and 3% in the case of imports), even in the case of those countries - Greece, Turkey, Iceland - which traditionally trade extensively with the Communist countries.

4. While the importance to NATO countries of trade with the East is very slight, the converse is not true. In 1970, the NATO countries accounted for 14% of Soviet foreign trade (imports and exports). In 1969, this percentage was 26.7% for Rumania, 21% for Poland, 18.5% for Hungary, 16% for the GDR and 15% for Czechoslovakia(5). In the case of Bulgaria, the percentage was 12.4% in 1968(5).

(1) Communist countries:

Eastern Europe: Poland, Hungary, Bulgaria, Rumania, Czechoslovakia and the GDR.

USSR

China

Other Communist countries: Albania, North Korea, North Vietnam

- (2) Eastern Europe: \$3.84 milliard, USSR: \$1.68 milliard, China and other Communist countries: \$642 million.
- (3) Owing to price variations and inflationary tendencies, the growth expressed in value terms is higher than the growth in the volume of trade.
- (4) Eastern Europe: \$3.22 milliard, USSR: \$1.72 milliard, China and other Communist countries: \$409 million.
- (5) Detailed statistics for 1970 are not available for these countries.

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5. In 1970, the NATO countries' balance of trade with the Communist countries showed the highest surplus for the whole of the period 1960-1970: \$458 million or 60% more than in the previous year.

(b) 1970 Trends in the Trade of non-NATO Members of OECD

6. In 1970, the seven OECD countries which are not members of the Alliance (Austria, Spain, Finland, Ireland, Switzerland, Sweden and Japan) exported goods worth a total of \$2,467 million to the Communist countries, i.e. just over 42% of the value of the sales of the NATO countries. Japan, with exports of \$1,045 million, heads this group and ranks number two among the OECD countries as a whole next to the Federal Republic of Germany.

7. In 1970, the imports by these countries from the East totalled \$2,267 million or just over 42% of the total for the NATO countries, with Japan in the lead (\$887 million). There was a small surplus in their balance of trade with this area.

8. The Eastern countries accounted for slightly more of the foreign trade of those countries than they did of the foreign trade of the NATO countries. Their share of the exports and imports of the first-named countries was 6.2% and 5.1% respectively.

(c) Breakdown by Products for 1969

9. In 1969, NATO countries' exports to the European Communist countries consisted of 82% of manufactured goods, including chemicals, 10% of foodstuffs, beverages, edible oils and fats and 8% of raw materials and mineral fuels. Machinery and transport equipment were the main items accounting for 38% of the total. The next largest category consisted of miscellaneous manufactured items(1) accounting for 25% of the total. It should be noted however that the North American members of NATO only accounted for a very small proportion of sales of manufactured goods to the European Communist countries: \$138.5 million out of a total of \$3,650 million.

10. The USSR constitutes the main market for NATO country deliveries to European Communist countries of machinery and transport equipment as well as miscellaneous manufactured items (precision tools, scientific instruments, consumer durables and non-durables).

11. As suppliers to the Communist countries, the NATO countries can be divided into three main groups:

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(1) In particular, paper and paperboard, various types of iron and steel and non-ferrous metals.

- countries principally exporting manufactured goods (over 70% of the total) including a high proportion of machinery and transport equipment (over 35% of total sales): Denmark, France, Federal Republic of Germany, Italy and the United Kingdom. However, the Benelux countries supply a smaller proportion of machinery and transport equipment;
- countries striking a relative balance between non-manufactured and manufactured goods: Norway, United States and Canada;
- countries principally exporting non-manufactured goods (over 70% of total): Greece, Turkey, Iceland and Portugal.

12. In 1969, NATO countries' imports from the European Communist countries comprised only 43% of manufactured goods(1) including chemicals, 25% of foodstuffs, beverages, edible oils and fats and 32% of raw materials and mineral fuels.

13. Of the European Communist countries, the USSR is the leading supplier of non-manufactured goods to NATO countries. In 1969, the value of these goods totalled just over one milliard dollars or 64% of total Soviet sales.

## II. FUTURE OUTLOOK

14. In considering the outlook for trade between the NATO countries and the countries of the Communist world, a distinction must be made between the USSR, the East European countries and China respectively.

### (a) USSR

15. The simple extrapolation of trends during the period 1965-1970 as a means of forecasting future exports by NATO countries to the USSR could be misleading.

16. In 1970, after three years of rapid growth, Soviet purchases in NATO Europe marked time. The 1971-1975 Plan provides for a cutback in the expansion of foreign trade which will rise by some 6% per annum as compared with nearly 10% during the previous five-year period. According to the Soviet leaders, trade with the COMECON countries should rise by about 8.5% per annum. In 1970, this group of countries accounted for about 56% of Soviet foreign trade; in making provision for a more than proportionate increase in trade with them the Soviet Union is reducing the margin for the development of trade with the rest of the world.

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(1) Of which only a few highly sophisticated items.

17. In recent years, there has been a big increase in Soviet indebtedness to the West. However, the Soviet Union has sold practically no gold since 1966 and its reserves, depleted by sales in the years 1963-1965, have probably been reconstituted. Consequently it could well resume such sales to finance part of its imports.

18. State control of foreign trade is not conducive to the creation of a genuine market for Western exporters in the Soviet Union. The big jump in Western exports as from 1965 was the outcome of a small number of extremely large transactions with certain Western European countries and with Japan. The growth of Western sales therefore rests on a very narrow basis. Consumer durables and processed goods which account for a substantial proportion of intra-Western trade still represent only a small fraction of Soviet purchases from the West.

19. There are, however, a number of indications - particularly the recent long-term trade agreements with various Western countries - that trade with the USSR may continue to develop. In June, an agreement was signed with Canada for the delivery of wheat and flour to the value of \$235 million in 1971 and 1972. Soviet feelers have also been put out in connection with a number of projects the total value of which has been estimated, very approximately, at over \$5 milliard (Kama lorry works, working of the Kola iron ore deposits, nickel deposits in the Southern Urals and copper mines in Udokan, expansion of the oil pipeline and gas pipeline networks and creation of a container industry).

20. The projects which could materialize between 1971 and 1975 are the construction of the Kama lorry works, the foreign currency cost of which has been estimated at \$1,400 million, the purchase of steel pipe (\$200 million) and the working of the Kola iron ore deposits, which would involve the enlargement of the port of Murmansk (\$250 million).

21. Prompted by the desire to harness its resources, the Soviet Union could well continue to seek co-operative agreements under which deliveries of Western equipment would be paid for in Russian raw materials and semi-manufactures. The time-lag between the two operations (five years, for example) could be covered by financial arrangements with the West.

22. It is clear that any lasting improvement in Western sales to the Soviet Union will depend on the expansion of Soviet exports which would enable that country to finance its imports and refund the export credits granted by the West.

23. Such exports to the West will, over the next few years, consist primarily of raw materials, fuels and semi-manufactures rather than of processed goods, from the engineering industry in particular.

24. Within a few years, natural gas will play an important part in the growth of Soviet sales to the West. It is already being supplied to Austria and deliveries to Italy, Germany will probably start in 1973, and somewhat later to France. It is anticipated(1) that these four countries will purchase some 13 milliard cubic metres per annum at least from the USSR, once the supply network has been completed, which should be by 1975-1976. Assuming a minimum price of \$13.2 per 1,000 cubic metres, the Soviet Union could earn \$171.6 million per annum from the contracts already concluded.

25. Crude oil and petroleum products may also provide an additional source of currency should exports to non-Communist countries rise during the next five years as forecast by a number of Western experts(2). Although this forecast has not been accepted by all NATO countries, it can be taken as a working assumption. Sales of 70 million tons in 1975 would represent earnings of \$1,070 million (at a minimum price of \$15.3 per ton f.o.b.)(3).

(b) East European Countries

26. The long-term trade agreements between the USSR and its East European partners leave the latter a very narrow margin for the development of trade with the West. Even the Rumanians and the Hungarians who are particularly interested in the non-Communist markets have stated that their trade with the Soviet Union comes first. The two most advanced industrial countries (the GDR and Czechoslovakia) have already entered into substantial commitments for the delivery of manufactured goods to the USSR and the other COMECON countries. This being so, the possibility of stepping up deliveries to the West will be limited.

27. This major restriction is complicated by other specific difficulties. Thus, Rumania, Bulgaria and Hungary, which export mainly non-manufactured goods to the West are experiencing difficulty in finding new markets for them. It also happens that the amount of such goods available for export shrinks as a consequence of a rise in internal demand. This is the case for agricultural produce in Poland and for oil in Rumania. The future expansion of sales will consequently hinge on increased exports of manufactured goods. In this connection, it would not appear that the quality of such goods has been sufficiently improved to bring about a marked increase in outlets in the industrialized countries of the non-Communist world.

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(1) See AC/127-D/352

(2) See C-M(71)5

(3) The figure of \$15.3 per ton is obtained by the extrapolation of the 1969 OECD product statistics. It is a c.i.f. price. In regarding it as a f.o.b., allowance can be made, up to a point, for rises in the price of oil since 1969. Current Soviet sales of petroleum to the non-Communist world are of about 40 million tons a year.

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28. The East European countries will thus probably try to find special means of obtaining the Western plant and goods which are essential to their industrial development. These means will include agreements for industrial co-operation with Western firms, regulations to facilitate Western investment in national firms, the quest for new sources of export credits and borrowing on the international money market (Euro-dollars for example), increased participation in or membership of certain international bodies: GATT, IMF, etc.

(c) China

29. Close on 75% of China's trade is with non-Communist countries. If Chinese trade with the Free World has increased steadily over the last few years, this is mainly because the Western countries have gradually supplanted the Soviet Union and certain other East European countries on the Chinese market. Overall Chinese trade in 1970, however, did not exceed the 1959 level. China's improved relations with several Western countries, particularly the United States, may provide fresh opportunities for the expansion of trade. Everything will depend on the pace of future Chinese economic development, the import requirements to which this development will give rise and the country's capacity to export. These factors are linked to political stability and population growth. It is also possible that the current Sino-Soviet tension will prompt the Chinese leaders to redouble their efforts to catch up in certain economic sectors so as to strengthen China's military potential more rapidly.

30. China needs basic raw materials, capital equipment and sophisticated industrial goods. It is fundamentally dependent on the major Free World countries for supplies of certain raw materials (grain, chemical fertilizer, and non-ferrous metals), metallurgical products, plant and equipment and certain technical know-how. Population growth may cause China to continue purchasing wheat abroad (4 to 6 million tons per annum in the Sixties), but there are a number of reasons why these imports may go down (build-up of big grain stockpiles, improvement in production, reduction of rice exports). China has not yet, however, in 1971, signed an agreement with Australia and the contract concluded with Canada covers the purchase of only 2.6 million tons of wheat (worth about \$175 million). On the other hand, it is possible that China will increase its purchases of chemical fertilizer, of which it was the world's biggest importer in 1970 with 8 million tons. The non-ferrous metals (copper, aluminium, nickel, lead and zinc) and the rare metals purchased in 1970 throughout the Free World were worth some \$300 million. China buys most of its sophisticated industrial goods (such as alloys and steel tubes), tools and modern equipment

including transport material, from Japan and Western Europe, particularly the NATO countries. In 1970, two important agreements were signed with Germany and France for the procurement of 70 diesel and electric locomotives. Another recent agreement with the United Kingdom provides for the purchase of six commercial aircraft. It is unlikely, however, that complete factories will again be procured at the same rate as in the past (24 factories were purchased between 1963 and 1966). The leadership seems more set on importing manufacturing techniques and a carefully chosen range of machinery which can be copied and adapted to meet requirements.

31. China's export capacity and its unfavourable trade balance with the Western countries impose limits on imports from these countries. But the granting of long-term credits by the European countries and, possibly, by the United States could bring about an expansion of Chinese imports. At present China accepts short-term credits but fights shy of getting involved for longer periods as it did with the Soviet Union until 1960. However, the gradual improvement of relations with the West and new circumstances may well persuade the Chinese to change their attitude. Any forecast of how Chinese market prospects are likely to develop for the countries of the Alliance is made all the more difficult by the privileged position certain competitors already have in China's foreign trade. For example, in 1970 Japan's sales to China were equal to those of all the NATO countries put together.

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ANALYTICAL STUDY OF TRADEPART I: DEVELOPMENT IN VALUE TERMS OF TRADE IN 1970A. EUROPEAN NATO COUNTRIES' TRADE WITH THE COMMUNIST COUNTRIES(a) Exports(i) Eastern Europe

1. In 1970, as in the previous year, exports by the European NATO countries to Eastern Europe rose sharply, by almost 15%, to a total of \$3,216. The countries mainly concerned were Hungary with an increase of 43.7%, Czechoslovakia with an increase of 25.2%, Bulgaria with an increase of 23.7% and the GDR with an increase of 12.3%. The rise in exports to Poland (3.2%) and to Rumania (2.5%) was far smaller. In the case of the last two countries, sales have levelled out since the "leap forward" in 1967(1).

2. The Federal Republic of Germany heads the NATO countries as a supplier of the Eastern European countries. In 1970 its share was 47.6% of NATO-Europe sales and 43.9% of NATO-wide sales. The Federal Republic leads in every case and in certain countries - Czechoslovakia, Hungary and Rumania - the value of its sales is between 55% and 287% higher than those of Italy which ranks second. A point worth noting is the strong increase (between 20% and 30%) in Belgian, Greek and French sales after three years of stagnation or even recession.

(ii) Soviet Union

3. After rising steeply for three years, exports from NATO Europe countries to the Soviet Union (\$1,474 million(2)) virtually levelled off in 1970: the growth rate dropped from 21.3% to 5.3% in the space of one year. In view of price inflation in Western Europe in 1970, it seems likely that the increase in the volume of exports was small. No country, with the exception of Denmark (48%) and Norway (62%), was able to improve very much on its export performance. Exports from the Netherlands in fact dropped and those from Turkey continued to stagnate. This lull may be a sign that after increasing 2.5 times in five years, any further rise in exports could depend to some extent on the introduction of new sales formulae. Deliveries of complete factories and plant under contracts agreed in the mid-sixties should be tailing off. The very substantial long-term export credits granted in 1969 and during the first-half of 1970(3) did not provide sufficient stimulus for deliveries in 1970 as their effect on exports is not felt until some time after the conclusion of the sales contracts. There was also the possibility that 1970 having been the last year of the eighth Five-Year Plan, the purchasing agencies preferred to await new directives from the Soviet planners before placing new orders.

(1) See AC/127-D/360, pages 6, 7 and 8

(2) See AC/127-D/360, page 6

(3) C-M(71)24

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(iii) China

4. Because of a steep increase in sales by France, Belgium and the Federal Republic in 1970, NATO-Europe exports to China totalled \$473 million, representing an increase of 8.8% over 1969(1). This development which is in contrast with the sharp drop in exports over the preceding two years, would seem to indicate that Chinese foreign trade has recovered from the effects of the "Cultural Revolution". Nonetheless, China is still taking only a modest proportion - 9.1% - of NATO sales to Communist countries, smaller even than that of Rumania.

(b) Imports and the balance of trade with Communist countries(i) Eastern Europe

5. In 1970, as in 1969, NATO-Europe imports from Eastern Europe rose sharply (by 16.8%) to a total of \$3,016 million. Two countries in particular contributed to this rise: the Federal Republic of Germany and Italy whose purchases increased by \$284 million and \$88 million respectively. They are the Eastern European countries' main NATO customers and are followed by the United Kingdom and France.

6. Poland and Rumania in particular boosted their sales in 1970, to total of \$703 million (+23.6%) and \$459 million (+23.1%) respectively. In the case of the GDR, an increase in sales to the Federal Republic of Germany, \$116 million, more than offset the decline or stagnation in its deliveries to most of the other NATO countries, and NATO-Europe imports from the GDR finally totalled \$788 million (+14.4%). Bulgaria also increased its sales by 14.4%, but in terms of value (\$191 million), they nonetheless remain small. Increases in sales by Hungary, (+12%) and Czechoslovakia (+10%) were below those of the other countries(2).

7. The considerable growth of sales by Eastern Europe enabled the countries concerned to keep their balance of trade deficit with NATO-Europe down to about \$200 million which is 7% below the 1969 figure. Poland was the only country to have a trade surplus, \$98 million and was thus \$115 million to the good by comparison with the previous year when it had an adverse balance of trade. The trade gaps of Czechoslovakia, Hungary and Bulgaria widened appreciably, while the trade gap of the GDR remained substantially unchanged. Rumania reduced its deficit by 60% bringing it down to \$35 million (i.e. just over 7% of its purchases from NATO-Europe in 1970).

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- (1) See AC/127-D/360, page 6  
(2) See AC/127-D/360, pages 11 and 12

(ii) Soviet Union

8. In 1970 NATO-Europe purchased goods from the USSR to the value of \$1,643 million, 8.2% more than in 1969(1). This growth rate is well below the rate for total NATO-Europe imports: 15.9%. A comparison of the periods 1960 to 1965 and 1965 to 1970 will show that total imports rose by 54.1% and 63.7% respectively as compared with 44.9% and 49.7% in the case of imports from the USSR. These differences are evidence of the difficulties encountered by the Soviet Union not only in increasing its share of Western markets, but also in keeping it at a fairly steady level.

9. Among NATO countries, the United Kingdom is the Soviet Union's chief customer. Its purchases in 1970 rose by 11.6% to \$528 million which was almost a third of total Soviet Union sales to NATO-Europe. About half of those sales were to the three other main customers, namely, Germany, Italy and France. All in all, 82% of Soviet sales to NATO-Europe went to these four countries.

10. In 1970 the Soviet Union had a positive balance of payments with NATO-Europe, \$170 million, mainly as a result of its trade surplus with the United Kingdom and the Benelux countries. France, Germany and Italy sold more than they bought(2).

(iii) China

11. In 1970 NATO-Europe imports from Communist China dropped by 6.2% to \$353 million which in terms of value is below the 1969 figure. Because of this development and of the concomitant growth of Chinese purchases, the trade gap with NATO-Europe more than doubled within the space of a year (\$120 million).

B. TRADE OF NORTH AMERICAN NATO COUNTRIES

12. In 1970, North America's share of the NATO countries trade with the Communist countries rose sharply as regards exports: 10.8% as compared with 7.7% in 1969 but fell again as regards imports: 5.3% compared with 6.1%(3).

(a) Exports to Communist countries(4)

13. In the case of Eastern Europe, United States sales rose from \$144 million to \$235 million, and Canadian sales from \$15.6 million to \$35 million. The increase in Canadian sales was fairly evenly spread between all the Eastern European countries with the exception of the GDR where they fell to a

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- (1) See AC/127-D/360, page 10
  - (2) See AC/127-D/360, page 14
  - (3) See AC/127-D/360, pages 23 and 24
  - (4) See AC/127-D/360, pages 6, 7 and 8

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mere \$360,000. The position is not quite the same as regards United States sales which rose especially in Hungary (\$28.3 million as against \$7.3 million in 1969) Rumania, (\$66.4 million as against \$32.4 million in 1969) and Bulgaria (\$15.4 million as against \$4.6 million). United States sales to Poland (\$70 million) and to Czechoslovakia (\$22.6 million) increased appreciably but were nevertheless below their 1966 or 1968 level.

14. Canadian sales to the USSR increased more than ten-fold in a year, reaching a total of \$97.2 million(1). They consisted mainly of grain supplied under the three-year agreement of 14th July, 1966, the expiry date for which (31st July, 1969) was extended by common accord to enable the Russians to honour their commitments. United States sales (\$118 million) rose by 12.4% as compared with 1969. This is the highest level reached by US exports in any year of the period 1960 to 1970 with the exception of 1964 (\$146.4 million), a year of massive deliveries of United States wheat.

15. Exports to China, from Canada only, rose from \$113 million in 1969 to \$135 million in 1970. The development of Canadian sales will depend on Chinese grain requirements.

(b) Imports and Balance of Trade with the Communist Countries

16. In 1970, Canadian imports from the Communist countries (\$83 million) fell by 13.2%. Just over two-thirds of Canadian purchases were made in the Eastern European countries, particularly Czechoslovakia (\$26 million) and Poland (\$11.5 million). Purchases in the USSR (\$8.8 million) and in China (\$18.2 million) dropped appreciably but are so small that no particular meaning can be attached to the fluctuations registered.

17. In 1970, United States imports from Eastern Europe (\$153 million) and the USSR (\$72 million) rose by 6.7% and 40.6% respectively. On the other hand, no purchases were made in China. In view of the small sums involved, all that can be detected is a slightly higher trend in purchases, matched by a more pronounced upward trend in sales. This trend could gather momentum in the present climate of relations between the United States and most of the Communist countries.

18. It is traditional for North America to have a surplus balance of trade with the Communist countries. This was again true in 1970 with a surplus \$316 million, of which trade with the USSR accounted for \$134 million, with China \$117 million and Eastern Europe \$61 million(2).

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(1) This figure roughly equals the yearly average for 1967-1968.  
(2) See AC/127-D/360, page 14

C. TRADE OF NON-NATO MEMBERS OF OECD(1) WITH THE COMMUNIST COUNTRIES IN 1970

19. It is felt that some purpose may be served by supplementing the information on NATO countries' trade with the Communist countries by a brief survey of the performance in 1970 of the seven non-NATO members of OECD(2) which have trading relations with the East.

(a) Exports

20. In the period 1965 to 1970 the trends of exports from the NATO countries and the "seven" OECD countries to the Communist countries was very similar. In the case of the NATO countries, they rose by 82.8% and in the case of the seven OECD countries by 89.4%. There is however a marked difference in the growth rates recorded in 1970 over 1969: 14.3% in the case of NATO and 24.3% in the case of the other countries. Exports of the "seven" to Communist China rose in 1970 by 47.3%, to Eastern Europe by 19.7% and to the USSR by 16.8%. The percentages for the NATO countries were 10.9%, 17.9% and 11.6% respectively. It seems clear therefore that exports by the "seven" in 1970 were more buoyant.

21. Unlike NATO country exports which are directed more particularly towards the East European countries, the exports of the "seven" seem more evenly distributed between Eastern Europe (\$907 million in 1970), the USSR (\$893 million) and Communist China (\$630 million).

22. As regards geographical distribution, Japan sent almost 55% of its 1970 exports to China (\$569 million which is higher than total NATO-Europe sales of \$473 million), about 33% to the Soviet Union (\$341 million) and the balance to Eastern Europe (\$106 million) and the other Asian Communist countries. In contrast, the six European non-NATO members of OECD sold very little to China (\$52 million), a great deal to Eastern Europe (\$801 million) and a little less to the USSR (\$552 million). Austria is the chief exporter to Eastern Europe (\$286 million) and Finland ranks next to Japan as an exporter to the USSR (\$282 million).

23. Australia's impact on East-West trade is primarily as an exporter. There being no detailed statistics available for 1970 as a whole, the information available relates to 1969(3). In that year, Australian exports to the Communist countries

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(1) See statistics in AC/127-D/370

(2) Australia became a member of OECD in June 1971. The Organization has not as yet issued statistical data for that country. However, a certain amount of information on Australia's trade with Communist countries is provided in a separate paragraph. The seven countries are: Austria, Ireland, Finland, Japan, Spain, Sweden and Switzerland.

(3) Source: United Nations Statistical Yearbook, volume 19, series D.

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totalled \$198.4 million, of which China accounted for \$119 million, the USSR for \$45 million and Poland for \$21 million. Sales to China consisted mainly of grains (\$106 million) and to a lesser extent of hides and wool. In contrast, it was these two last items which accounted for the bulk of sales to the USSR, Poland and the other Communist countries. Australia's imports totalled \$57 million of which \$35 million were accounted for by China and the balance by the European Communist countries. In 1969 Australia had a favourable trade balance of \$141 million with the Eastern countries.

(b) Imports and the Balance of Trade

24. In 1970, as in 1965, imports by the "seven" from the Communist countries accounted for just over 42% of imports by the fifteen NATO countries. The 1970 figure (\$2,267 million) was 60% higher than the 1965 figure which indicates that the rate of growth was similar to that recorded by the NATO countries. The similarity goes even further since in 1970 the "seven" like the "fifteen" had favourable payments balances with the Communist countries in general but an adverse balance with the USSR. Three distinctions must however be made:

- the \$200 million surplus of the "seven" is well below the NATO countries' surplus of \$458 million;
- this surplus is a new factor and is mainly the consequence of the reversal of Japan's balance of trade which shows a big surplus. Between 1965 and 1969 on the other hand the "seven" had an adverse trade balance;
- the deficit in the balance of trade of the "seven" with the USSR in 1970 is much higher than the NATO country deficit with that country, i.e. \$195 million as compared with \$35 million.

25. Of the "seven", Japan is the Communist countries' main customer with \$887 million worth of imports in 1970, the USSR accounting for \$481 million, Communist China and the other Asian Communist countries \$294 million and the East European countries \$152 million. Finland comes next with imports totalling \$431 million of which about three quarters are provided by the Soviet Union. Sweden has spread its purchases almost equally between Eastern Europe (\$175 million) and the Soviet Union (\$156 million), a small balance being imported from China (\$19 million). As for Austria, which ranks fourth as an importer, it shops mainly in Eastern Europe (\$253 million), its purchases in the Soviet Union (\$78 million) and in China and the other Asian Communist countries (\$14 million) being distinctly smaller. The three other countries belonging to this group are mainly interested in what the Eastern European countries have to offer and their purchases from the Soviet Union and China are relatively small.

PART II: PATTERN FOR 1969 BY PRODUCTS OF TRADE BETWEEN NATO AND COMMUNIST COUNTRIES(1)A. TRADE BETWEEN EUROPEAN MEMBERS OF THE ALLIANCE AND COMMUNIST COUNTRIES IN EUROPE(a) Exports

26. In 1969, out of total sales of \$4,168 million to Communist countries in Europe, the European members of the Alliance supplied manufactured goods(2) worth \$3,511.5 million, i.e. 16.6% more than in 1968. The importance of this category of goods in exports to Communist countries in Europe is shown by their share in total deliveries which has reflected a slow, but persistent up-swing: 80.3% in 1960, 83.8% in 1968 and 84.2% in 1969.

27. In 1969 sales of manufactured articles worth \$1,081 million reflected the highest increase, i.e. 28.1% more than in 1968, compared with 15.1% for exports of machinery and transport equipment, 7.1% for chemical products and 6.8% for other manufactured articles. However, a comparison with 1960 shows that compared with other groups of products classified as "manufactured goods", the category of manufactured articles has reflected the slowest growth, 80% in nine years (from \$601 million in 1960 to \$1,081 million in 1969). Consequently these articles which lead the export list in 1960 are currently in second place, far behind machinery and transport equipment, whose sales in 1969 reached \$1,616 million.

28. In 1969, deliveries of "non-manufactured goods"(3) which increased by 13% compared with 1968, reached \$657 million. However, their share in total exports sagged, i.e. 15.8% compared with 16.8% in 1968 and 19.7% in 1960.

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- (1) See AC/127-D/303 distributed in November 1970 for full statistics. The figures in this document are taken from the OECD which only issues statistics on the commodity composition of international trade towards the end of the year following the one for which the data were compiled.
- (2) In this paper "manufactured goods" connote all items within the following SITC categories: Section 5: chemicals; Section 6: manufactured articles; Section 7: machinery and transport equipment; Section 8: other manufactured articles; Section 9: non-classified articles.
- (3) In this report "non-manufactured goods" connote the items within the following SITC categories: Section 0: food-stuffs; Section 1: beverages; Section 2: raw materials; Section 3: mineral fuels; Section 4: oils and fats.

(i) Exports to the USSR

29. In 1969, almost half of all NATO-Europe countries' sales to the USSR were made up of machinery and transport equipment; \$675 million out of a total of some \$1.4 milliard. Manufactured articles (strip and sheet iron and steel, steel tubes and pipes, fibres and yarns, tools, tin and various alloys), worth \$325 million, ranked second with approximately 23% of sales. These two categories of products constituted 96% of the total growth in sales during 1969 compared with 1968: \$239 million out of \$248 million.

30. An examination of the period 1960 to 1969 shows that in nine years, the value of exports to the USSR of machinery and transport equipment almost tripled, whereas that of manufactured articles (mainly semi-finished products) increased by only 47%. The difference in growth rates may be explained by the Soviet Union's growing technological requirements which can only be met by purchases in the West of machine tools, electrical equipment, transport material and complete units; these purchases are facilitated by the long-term credits provided by Western exporters. By contrast, the USSR produces a very extensive range of semi-manufactures; it purchases in Western Europe only those categories of articles which it either lacks or for which Soviet, or COMECON, production facilities are inadequate (e.g. sheet metal, steel pipes and tubes).

31. Exports in 1969 of chemical products and other manufactured articles (precision and scientific instruments, footwear, clothing, furniture, paper products, etc.) reached \$169 million and \$104 million respectively; compared with 1968, these figures remained basically unchanged. Nevertheless, during the period 1960 to 1969, the export of these products showed a strong up-swing; the value of chemical products exported increased fourfold and that of other manufactured articles sevenfold.

32. There has been a drop in the share of non-manufactured goods in total sales to the USSR: 8.7% in 1969 compared with 10% in 1968 and 11.4% in 1960. However, in 1969 deliveries of these categories of goods showed a slight upturn and reached \$121 million, i.e. 8% more than in 1968.

(ii) Exports to East European Countries

33. The pattern of exports from NATO-Europe countries to the Communist countries of Eastern Europe differs somewhat from that of exports to the USSR. Although manufactured goods have a predominant share (\$2.2 milliard in 1969, i.e. approximately 81% of total exports), sales of non-manufactured goods were considerable (\$536 million, i.e. 19%). Moreover, although in 1969, East European countries purchased 70% of all chemical products and manufactured articles sold to European Communist countries as a whole, they purchased only 58% of machinery and transport equipment and 53% of other manufactured articles.

34. The GDR is the main customer of NATO-Europe countries for non-manufactured goods, chemical products and manufactured articles sold to East European countries. Its main supplier is the Federal Republic of Germany (84% of chemical products and 56% of food products).

35. In 1969, some 90% of Rumanian purchases from NATO-Europe countries comprised manufactured goods; this is the highest percentage recorded among East European countries. Rumania is also the main importer of machinery and transport equipment: \$248 million in 1969. Although this figure is below that for 1968 which rose to \$279 million, it is distinctly higher than the import figures for Poland (\$211 million), or the GDR and Czechoslovakia (\$167 million each).

(b) Imports

36. In 1969, NATO-Europe countries imported \$4,150 million worth of goods from European Communist countries, 41.5% of which went on manufactured goods and 58.5% on non-manufactured goods. During the same year, they sold slightly more than twice as many manufactured goods to European Communist countries as they purchased from them; by contrast, they purchased 3.7 times more non-manufactured goods than they delivered.

37. However, the import pattern in the 1960s reflected a gradual contraction in the non-manufactured goods sector (69% in 1960 compared with 58.5% in 1969).

38. In 1969, purchases by NATO-Europe countries of manufactured articles - particularly non-metallic products, non-ferrous metals and diamonds - reached \$922 million. This figure almost equals that of food product purchases, i.e. \$936 million which headed the import list and which increased by 27% compared with 1968. This evolution reflects the increase in the industrial potential in European Communist countries. However, most of the articles mentioned above are not very complex and seldom contain technologically sophisticated components. Frequently, they are semi-finished items which are processed in the West and incorporated into finished products.

(i) Imports from the USSR

39. The increase in 1969 of Soviet deliveries to NATO-Europe countries - which reached \$1,519 million - was due to the considerable boost in sales of manufactured goods: \$526.3 million in 1969, i.e. 27.5% more than in 1968. This is a much higher upswing than was achieved by the other European Communist countries (+16.2%). However, this increase concerned only sales of semi-finished products, particularly diamonds, non-ferrous metals (silver, platinum, copper, nickel, aluminium) iron and steel castings and veneers. By contrast, sales of chemical products, machinery and transport equipment as well as

durable consumer goods, which were already small, remained either unchanged or even dropped. The type of manufactured goods sold by the USSR emphasizes how closely its sales depend on the economic situation prevailing in the importer countries. The reason for this is that most of the goods sold by the USSR have to be incorporated into finished products, the demand for which lies outside the Soviet Union's influence.

40. The share of non-manufactured goods in Soviet sales to NATO-Europe is considerable. In 1969, it reached \$992 million, i.e. 65.3% of total sales. However, this figure has declined, compared with 1960, when it reached 82.8%. The weak upturn in sales of non-manufactured goods, compared with 1968 (+1.75%), is due to the 12% decline in sales of mineral fuels(1) (\$366 million in 1969 compared with \$414 million in 1968). This downswing was only just offset by the firm upswing in deliveries of food products (especially, corn, dried vegetables and oil-cakes), whose value rose from \$103 million to \$141 million in one year, and by the 7% increase in raw material exports which reached \$453 million and comprised, particularly, non-finished pelts, oilseeds, undressed timber, coniferous wood, phosphates and various ores.

(ii) Imports from East European Countries

41. Imports by NATO-Europe countries from East European nations carry a higher percentage of manufactured goods (45%) than imports from USSR (35%). However, as the following table shows, the situation varies considerably from one country to another:

NATO-EUROPE IMPORTS - 1969  
1,000 Dollars

Country of Origin	Total Value	Non-Manufactured Goods	Manufactured Goods
GDR	730,576	42.1%	57.9%
Poland	569,147	73.0%	27.0%
Czechoslovakia	446,144	35.7%	64.3%
Rumania	373,894	66.0%	34.0%
Hungary	340,219	59.8%	40.2%
Bulgaria	165,604	61.8%	38.2%
Albania	5,700	74.2%	25.8%
East European countries	2,631,284	54.7%	45.3%
USSR	1,518,526	65.3%	34.7%

(1) See document AC/127-D/338 on volume imports by NATO countries of petroleum from the East in 1969.

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42. In 1969, the GDR and Czechoslovakia exported respectively around three times and twice as much machinery and transport equipment to the West as did the USSR. All the countries of Eastern Europe, with the exception of Bulgaria and Albania, sell more consumer durables and scientific and precision instruments than the USSR. The GDR alone sells almost 15 times more and Czechoslovakia 4.6 times more than the Soviet Union. The GDR also sells more chemical products than the USSR. Nevertheless, it should be noted that during 1969, the export upswing of manufactured goods to NATO-Europe countries from East European countries was less dynamic (16.2%) than that of the USSR (27.5%).

43. In 1969, NATO-Europe imports of non-manufactured goods from East European countries reached \$1,438.8, i.e. 17% more than in 1968. An even greater upturn can be seen in the case of purchases (\$824 million) of food products (approximately half of which comprised livestock and meat) and of beverages which increased by 25% in one year and constituted 57% of imports of non-manufactured products. By contrast, imports of mineral fuels dropped from \$202 million to \$190 million.

B. TRADE BETWEEN NORTH AMERICAN NATO COUNTRIES AND EUROPEAN COMMUNIST COUNTRIES

(a) Exports

44. The most remarkable aspect of exports from North American NATO countries - particularly from the United States - is the growing share of sales of manufactured goods which went up from 29.5% in 1960 to 50% in 1969. This was the result of the removal of various trade barriers which restricted the growth of sales to Eastern Europe of American industrial goods. However, their overall value remains slight: \$138.4 million in 1969(1) compared with \$78.2 million in 1968 and \$67.7 million in 1960. The main recipient of these exports was the USSR: \$84.3 million in 1969, followed by Rumania with \$22.4 million and Poland with \$14.2 million. The other East European countries purchased only minor quantities of manufactured goods from North America.

45. Sales of non-manufactured goods, \$138 million in 1969, reflected a sharp downswing compared with 1968 (\$264.7 million) or even with 1960 (\$162.1 million). This downswing reflects, basically, fluctuations in grain exports, the volume of which depends on the harvests both in Eastern European countries and in the USSR which - in good years - imports little corn and supplies substantial amounts of grain to its COMECON partners. Canada, even more than the United States, has suffered from these fluctuations in annual deliveries.

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(1) United States: \$133 million; Canada: \$5.4 million.

(b) Imports

46. In 1969, imports by North American NATO countries from European Communist countries were running at \$266 million compared with \$269 million for the previous year. The share of manufactured goods in these imports was 64%, a higher figure than in 1960, when it only came to about 50%. In 1969, the main North American imports comprised:

- semi-finished products (\$104 million) - mainly from the USSR, Poland and Czechoslovakia;
- food products (\$58 million) - largely from Poland (\$52.4 million);
- consumer durables (\$40.5 million) - particularly from Czechoslovakia, Poland, Hungary and Rumania.

C. TRADE BETWEEN NATO COUNTRIES AND CHINA

(a) Exports

47. Since 1960, there has been practically no change in the pattern of exports from NATO-Europe countries to China. In 1969, as was the case nine years earlier, 90% of all sales were in the manufactured products sector (\$397 million out of a total of \$428 million). Heading this list were manufactured articles (\$225 million) and chemical products (\$118 million). On the other hand, sales of machinery and transport equipment (in contrast to the export pattern for the USSR and Eastern Europe) are weak: \$43 million in 1969 compared with \$59 million in 1968 and \$41 million in 1960. After allowance is made for price increases, Communist China bought less machinery from NATO-Europe countries in 1969 than in 1960. In contrast to the USSR and several other European Communist countries, China does not give priority in its purchases from NATO-Europe countries to industrial equipment, but to products which may increase its agricultural output (e.g. chemical fertilizers), or be processed by its industries (e.g. organic chemical products, iron, steel, non-ferrous minerals). Nevertheless, it is possible that the gradual normalization of relations between China and the non-Communist developed countries could lead to an increase of deliveries of machinery and transport equipment, especially through the granting of export credits.

48. North American sales are dominated entirely by Canadian grain deliveries (\$111 million in 1969). In contrast to previous years, Canada sold practically no manufactured goods to China in 1969. However, in view of the low percentage of this type of sales in the past, no particular importance should be attached to this downswing which is doubtless temporary. In the years ahead, Canada could become an important supplier of aluminium to China.

(b) Imports

49. NATO-Europe purchases (\$375 million in 1969) from China cover both non-manufactured and manufactured goods. However, the former predominate over the latter: 64% compared with 36%. Basically these imports consist of food products, animal hair, furs, silk fabrics, bristles and feathers. They also include consumer durables particularly of the cottage industry type.

50. As regards North American imports, the United States buys very little (\$29,000); the very modest Canadian imports (\$25 million) follow the European import pattern.

TABLE I

NATO COUNTRIES' EXPORTS TO  
COMMUNIST COUNTRIES AS A PERCENTAGE  
OF THEIR WORLD TRADE

	1960	1968	1969	1970
Belgium/Luxembourg	3.7	2.0	1.6	1.7
Denmark	3.9	3.5	3.5	3.6
France	4.0	5.1	4.1	4.1
Federal Republic of Germany(1)	6.6	6.0	6.4	6.1
Greece	22.0	15.3	16.2	16.6
Iceland	23.1	15.0	11.4	10.1
Italy	5.8	6.0	6.1	5.8
Netherlands	1.7	2.5	2.3	2.0
Norway	4.8	3.1	2.8	2.9
Portugal	2.3	0.9	0.9	0.8
Turkey	12.2	18.3	16.9	14.4
United Kingdom	3.5	4.0	3.9	3.8
Total NATO-Europe	4.7	4.8	4.6	4.4
Canada	0.8	2.2	1.0	1.7
United States	1.0	0.6	0.7	0.8
Total NATO North America	0.9	1.1	0.7	1.1
TOTAL NATO	3.3	3.5	3.3	3.3

(1) In the case of the FRG, the figures used cover deliveries to the GDR in addition to exports to Communist countries.  
Source: AC/127-D/360.

TABLE II  
NATO COUNTRIES' IMPORTS TO  
COMMUNIST COUNTRIES AS A PERCENTAGE  
OF THEIR WORLD TRADE

	1960	1968	1969	1970
Belgium/Luxembourg	2.2	2.0	1.7	1.7
Denmark	4.9	4.0	3.7	3.6
France	2.8	3.1	3.1	2.8
Federal Republic of Germany(1)	7.1	6.1	5.7	5.7
Greece	7.9	8.0	6.1	5.2
Iceland	22.7	11.9	12.4	10.8
Italy	6.1	6.9	6.2	6.0
Netherlands	2.6	2.2	2.2	1.8
Norway	3.4	3.0	2.6	2.4
Portugal	1.5	1.4	1.4	0.6
Turkey	9.1	12.9	13.2	13.0
United Kingdom	3.6	4.3	4.5	4.4
Total NATO-Europe	4.5	4.4	4.2	4.1
Canada (f.o.b.)	0.3	0.8	0.7	0.6
United States (f.o.b.)	0.5	0.6	0.5	0.6
Total NATO North America	0.5	0.7	0.6	0.6
TOTAL NATO	3.3	3.2	3.1	3.0

(1) In the case of the FRG, the figures used cover deliveries to the GDR in addition to exports to Communist countries.  
Source: AC/127-D/360.

TABLE III

NATO COUNTRIES' BALANCE OF TRADE  
WITH COMMUNIST COUNTRIES

(In \$ million)

	1960	1968	1969	1970
Belgium/Luxembourg	+53.16	+1.44	-6.00	+4.44
Denmark	-30.48	-35.64	-36.36	-40.32
France	+96.00	+221.76	+65.88	+199.32
Federal Republic of Germany(1)	+25.29	+274.76	+452.45	+384.84
Greece	-10.56	-40.09	-7.20	+5.05
Iceland	-4.80	-4.06	-3.05	-2.24
Italy	-78.00	-93.00	-45.36	-126.12
Netherlands	-49.32	+2.28	+2.04	-7.20
Norway	-6.60	-23.64	-14.52	-16.32
Portugal	-0.72	-8.16	-10.01	-1.36
Turkey	-3.36	-7.88	-9.22	-30.16
United Kingdom	-99.12	-192.48	-203.28	-228.24
<b>Total NATO-Europe</b>	<b>-108.51</b>	<b>+95.29</b>	<b>+185.37</b>	<b>+141.69</b>
Canada (f.o.b.)	+26.52	+185.16	+45.96	+188.28
United States	+114.00	+18.36	+53.76	+127.80
<b>Total NATO North America</b>	<b>+140.52</b>	<b>+203.52</b>	<b>+99.72</b>	<b>+316.08</b>
<b>TOTAL NATO</b>	<b>+32.01</b>	<b>+298.81</b>	<b>+285.09</b>	<b>+457.77</b>

(1) In the case of the FRG, the figures used cover deliveries to the GDR in addition to exports to Communist countries.  
Source: AC/127-D/360.