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COMMITTEE OF ECONOMIC ADVISERS

TRADE BETWEEN NATO COUNTRIES AND THE SINO-SOVIET BLOC

Note by the Chairman

Attached is a description of the value and direction of overall trade between NATO countries and the Sino-Soviet bloc in the five years 1958/62, based on the statistics in document AC/127-D/126. The most important figures from this latter document have been assembled in five simplified tables. It has been thought that this documentation might be of use to members of the Committee in future discussions on trade with Communist countries.

(Signed) F.D. GREGH

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largest single bilateral trade flow between NATO countries and the Sino-Soviet bloc and was close to one-third of the Federal Republic's trade with the bloc. The United Kingdom, second in importance only to the Federal Republic of Germany in trade with the Sino-Soviet bloc as a whole, was the principal NATO trading partner of the USSR in all five years, and of Poland in 1961 and 1962. France was third in importance among NATO countries in 1958 and 1959, but was surpassed in 1960 by the more rapid growth in Italian trade. The share of the German Federal Republic, the United Kingdom, France and Italy together in NATO countries' trade with the Sino-Soviet bloc grew from 70.6% in 1958 to 73.6% in 1962; while that of each of the smaller European NATO countries declined, with the exception of that of Denmark. The share of European NATO countries as a whole in total NATO trade with the Sino-Soviet bloc declined from 93.6% in 1958 to 91.5% in 1962.

4. United States trade with the Sino-Soviet bloc increased less than the average for NATO countries as a whole, her relative share in such trade declining from 5.0% in 1958 to only 4.2% in 1962. Over two-thirds of all United States trade with the Soviet bloc was with Poland, reaching a peak in 1960, when the United States was Poland's most important trading partner in NATO. Canadian trade with the Sino-Soviet bloc was insignificant from 1958 to 1960; in 1961 and 1962, however, her exports to Communist China increased considerably over previous years and accounted for close to one-half of all NATO countries' exports to Communist China. As a result of this development, Canadian trade with the Sino-Soviet bloc surpassed that of the United States in 1961 and equalled it in 1962.

(b) The growth of exports(1)

5. The growth in NATO countries exports to either the USSR, the European satellites or both was highest among the larger trading countries of the Alliance. The largest increases between 1958 and 1962 were: of 1,006% in Canadian exports to the European satellites, from \$3.8 million to \$42.5 million; of 557% in United States exports to the Soviet Union from \$3.6 million to \$20.0 million; of 233% in Italian exports to the USSR, from \$31 million to \$103.2 million and 144% in Italian exports to the European satellites, from \$56.9 million to \$138.7 million; of 204% in United Kingdom exports to the European satellites from \$68.4 million to \$207.7 million and of 187% in the German Federal Republic's exports to the USSR from \$72.1 million to \$206.8 million. Exports from a number of the smaller trading members of the Alliance either grew less (Portugal), were barely maintained (Norway) or declined (Turkey and Iceland). With the exception of Canadian exports which increased from \$8.0 million in 1958 to \$138.1 million in 1962, all NATO countries' exports to Communist China in 1962

(1) See tables A.1 on page 4 and 3(a) on page 14 of AC/127-D/126 and the annexed abstract of the latter, table I(a).

were below 1958 levels: the largest absolute decline was registered by exports from the Federal Republic of Germany, the United Kingdom and Belgium/Luxembourg. Such exports were nil in all five years for the United States, Turkey, Greece and Iceland.

(c) The growth of imports(1)

6. The largest increases in imports from the Soviet bloc during this period were accounted for by: Italy, whose imports from the USSR rose by 320% from \$39.8 million to \$166.9 million and from the satellites by 170% from \$61.7 million to \$166.4 million; and by the German Federal Republic, whose imports from the USSR increased by 103% from \$91.9 million to \$186.4 million. Imports from the USSR into the United States, Norway, the Netherlands, Turkey, Portugal and Iceland were in 1962 below 1958 levels. The increase in imports from the satellites was above the NATO average for Italy, the United Kingdom, the Netherlands, Belgium/Luxembourg, Denmark, Canada and Portugal; Turkish and Icelandic imports declined. Imports from Communist China were below 1958 levels for all NATO countries other than the United Kingdom (who accounted for 40% of NATO countries' imports from Communist China in 1962), France, Italy and Portugal. There were no imports from Communist China into Turkey and Iceland throughout this period, and only insignificant imports into the United States and Greece.

III. THE DEVELOPMENT OF INDIVIDUAL SINO-SOVIET BLOC COUNTRIES' TRADE

7. Among countries of the Sino-Soviet bloc, the Soviet Union was the foremost trader with NATO countries, followed by the Soviet-occupied Zone of Germany, Poland, Communist China and Czechoslovakia from 1958 to 1960: in 1961 and 1962, however, Polish trade surpassed that of the Soviet-occupied Zone of Germany and Czech trade that of Communist China. The share of the Soviet Union in Soviet bloc trade with NATO countries increased from 34.9% in 1958 to 37.5% in 1962, while the shares of both the Soviet-occupied Zone of Germany and of Poland declined significantly; the former from 20.3% to 15.4% and the latter from 20% to 17.9%; Czechoslovakia's share in such trade declined less during this period, from 12% to 11.3%. The highest rate of growth in NATO countries' trade with the Soviet bloc occurred with the smaller European satellites other than Albania; trade with Roumania rose 159%, with Bulgaria 114% and with Hungary 80%.

(1) See tables B.1 on page 7 and 3(b) on page 15 of AC/127-D/126 and the annexed abstract of the latter, table I(b).

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IV. THE BALANCE OF TRADE(1)

8. The balance of trade with the Sino-Soviet bloc was favourable to NATO countries as a whole in 1958, 1960, 1961 and 1962, when exports (f.o.b.) earned a surplus over imports (c.i.f.) (2) of 7%, 3%, 6% and 2% respectively. The balance was unfavourable in 1959 only, when imports rose 3% above exports. If Communist China is excluded, the balance of trade with the Soviet bloc was favourable in 1961 only; in 1959, imports from the Soviet bloc exceeded exports by 13%, but in 1960 and 1962 did not rise more than 2% above exports. The balance of trade with Communist China was favourable to NATO countries in all five years and with the European satellites as a whole from 1959 to 1962; with the USSR it was unfavourable throughout the period. If both NATO imports and exports were calculated on an f.o.b. basis, there is likely to have been an export surplus in trade with the Sino-Soviet bloc in the entire period and with the Soviet bloc from 1960 to 1962.

9. There were marked differences in the balance of trade of individual NATO countries. With the Soviet bloc, Canada and the United States have continually run a favourable balance. This is also the case for the Federal Republic of Germany since 1959 and for France since 1960, while the opposite is true for Italy and the United Kingdom, whose imports regularly exceeded their exports. In trade with Communist China, Canada earned large surpluses in 1961 and 1962 and the balances of France and Italy have been continually favourable. German and United Kingdom exports also exceeded their imports between 1958 and 1960, but their position was reversed in 1961 and 1962.

V. THE LEVEL OF DEPENDENCE OF NATO COUNTRIES ON TRADE WITH THE SINO-SOVIET BLOC(3)

10. Trade between NATO countries as a whole and the Sino-Soviet bloc as a percentage of their trade with the world rose slightly in this period, but remained low at only 3.2% for exports and 3.1% for imports in 1962, whereas Sino-Soviet bloc dependence on trade with NATO countries was then several times higher. If Canada and the United States are excluded, the level of dependence of European NATO countries was greater: 4.6% and 4.3% for exports in 1958 and 1962 respectively, and 4.2% for imports in both years. If Communist China is excluded, European NATO countries' dependence on the Soviet bloc rose from 3.5% to 4.0% for exports and from 3.7% to 3.9% for imports.

(1) See table 4(a) on page 16 of AC/127-D/126 and the annexed abstracts, tables II(a) and II(b).

(2) United States and Canadian imports are valued (f.o.b.).

(3) See tables 1(a) on page 10 and 1(b) on page 11 of AC/127-D/126 and the annexed abstract, table III.

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11. The level of dependence of a number of NATO countries on trade with the Sino-Soviet bloc was substantially above the average for the Alliance as a whole. In 1962, this stood at: 18.5% for Icelandic exports and 19.2% for imports; 20.3% for Greek exports and 7.8% for imports; 7.0% and 6.1% for Turkish exports and imports respectively. While Turkish and Icelandic dependence was considerably lower in 1962 than in 1958, such dependence was higher for Greece. The lowest percentage in trade with the Sino-Soviet bloc relative to the world as a whole was shown by Canadian imports at 0.3% in all five years and by United States exports at 0.6% in 1958, 1960 and 1961. Among the four largest NATO traders with the Sino-Soviet bloc, dependence rose most for Italy, from 4.7% to 5.6% of exports and from 3.6% to 5.7% of imports. The rise for the United Kingdom was from 3.1% to 3.6% for exports and from 3.2% to 4.0% for imports. French dependence also rose from 3.7% to 4.2% for exports but fell from 3.3% to 2.8% for imports. A substantial decrease in dependence for both imports and exports was shown by the Federal Republic of Germany: from 7.0% to 5.6% for exports and from 7.2% to 5.9% for imports.

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TABLE I (a)

THE DEVELOPMENT OF NATO COUNTRIES' EXPORTS TO
THE SINO-SOVIET BLOC AND THE WORLD1958 to 1962

(1958 = 100)

Importing countries Exporting countries	1962			
	USSR	European satellites	Communist China	World
Belgium/Luxembourg	144.9	136.8	15.2	142.5
Denmark	159.3	182.5	93.7	130.6
France	182.7	185.3	97.6	143.6
Federal Republic of Germany(1)	286.7	132.1	19.2	149.9
Greece	115.1	150.3	-	107.4
Iceland	101.1	39.0	-	128.8
Italy	333.3	243.9	58.5	185.2
Netherlands	295.6	108.8	30.3	142.5
Norway	71.3	120.9	20.5	131.0
Portugal	-	176.9	50.0	127.6
Turkey	42.6	42.8	-	144.7
United Kingdom	110.7	303.7	31.7	117.7
TOTAL NATO EUROPE	173.6	153.4	34.5	140.0
Canada	16.0	1,106.2	1,717.8	116.8
United States	556.7	97.0	-	120.7
TOTAL NATO	169.8	150.8	68.6	132.0

Source: Table 3(a) page 14 of AC/127-D/126

- (1) Figures for the Federal Republic of Germany comprise both interzonal trade and trade with the various states of the Sino-Soviet bloc.

TABLE I (b)

THE DEVELOPMENT OF NATO COUNTRIES' IMPORTS FROM
THE SINO-SOVIET BLOC AND THE WORLD

1958 to 1962

(1958 = 100)

Exporting countries / Importing countries	1962			
	USSR	European satellites	Communist China	World
Belgium/Luxembourg	171.0	170.8	78.0	142.6
Denmark	142.3	145.7	97.0	158.0
France	116.8	110.0	150.0	134.1
Federal Republic of Germany(1)	202.7	128.2	67.1	164.2
Greece	143.2	135.4	-	124.3
Iceland	69.4	53.8	-	103.8
Italy	420.2	269.8	108.3	192.4
Netherlands	88.9	172.0	81.7	147.5
Norway	96.2	125.0	59.1	126.5
Portugal	-	205.6	100.0	122.4
Turkey	94.7	62.1	-	197.8
United Kingdom	141.4	172.3	125.0	118.9
TOTAL NATO EUROPE	161.5	142.1	96.9	143.5
Canada	100.0	171.0	76.1	109.4
United States	97.1	140.0	-	127.6
TOTAL NATO	159.4	142.3	96.4	136.6

Source: Table 3(b) page 15 of AC/127-D/126

(1) Figures for the Federal Republic of Germany comprise both interzonal trade and trade with the various states of the Sino-Soviet bloc.

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TABLE II (a)

NATO COUNTRIES' BALANCE OF TRADE
(IMPORTS C.I.F., EXPORTS F.O.B.)
WITH THE SINO-SOVIET BLOC IN 1958 AND 1962

(in million US \$)

	SINO-SOVIET BLOC	
	1958	1962
Belgium/Luxembourg	+ 51.60	- 7.32
Denmark	- 14.28	- 7.44
France	+ 4.80	+ 96.12
Federal Republic of Germany(1)	+ 82.36	+ 25.42
Greece	- 2.16	- 4.44
Iceland	- 4.80	- 1.56
Italy	+ 6.00	- 86.52
Netherlands	- 30.84	- 33.00
Norway	- 3.36	- 10.68
Portugal	+ 2.16	+ 1.08
Turkey	+ 5.16	- 11.04
United Kingdom	- 48.00	-113.64
TOTAL NATO EUROPE	+ 48.64	-153.02
Canada(2)	+ 15.84	+163.68
United States(2)	+ 50.40	+ 45.08
TOTAL NATO	+114.88	+ 56.74

Source: Table 4(a) page 16 of IC/127-D/126

- (1) Figures for the Federal Republic of Germany comprise both interzonal trade and trade with the various states of the Sino-Soviet bloc.
- (2) Canadian and United States imports are valued f.o.b.

TABLE II (b)

NATO COUNTRIES' BALANCE OF TRADE
(IMPORTS C.I.F., EXPORTS F.O.B.)
WITH THE SINO-SOVIET BLOC IN 1962

(in million US \$)

	USSR	European satellites	Communist China
Belgium/Luxembourg	- 17.52	+ 6.96	+ 3.24
Denmark	- 2.76	- 4.44	- 0.24
France	+ 27.48	+42.24	+ 26.40
Federal Republic of Germany(1)	+ 20.40	+13.06	- 8.04
Greece	- 1.08	- 3.24	- 0.12
Iceland	+ 0.60	- 2.16	-
Italy	- 63.72	-27.72	+ 4.92
Netherlands	- 4.44	-18.24	- 10.32
Norway	- 7.80	- 2.28	- 0.60
Portugal	-	+ 1.08	-
Turkey	- 0.96	- 1.08	-
United Kingdom	- 74.52	+ 1.56	- 40.68
TOTAL NATO EUROPE	-124.32	- 3.26	- 25.44
Canada(2)	+ 1.44	+28.32	+133.92
United States(2)	+ 3.72	+42.60	- 0.24
TOTAL NATO	-119.16	+67.66	+108.24

Source: Table 4(a) page 16 of IC/127-D/126

- (1) Figures for the Federal Republic of Germany comprise both interzonal trade and trade with the various states of the Sino-Soviet bloc.
- (2) Canadian and United States imports are valued f.o.b.

TABLE III

NATO COUNTRIES' TRADE WITH THE SINO-SOVIET BLOC
AS A PERCENTAGE OF THEIR TOTAL TRADE WITH THE WORLD

(5)

	Exports		Imports	
	1958	1962	1958	1962
Belgium/Luxembourg	3.8	2.2	2.0	2.3
Denmark	3.8	4.9	4.6	4.1
France	3.7	4.2	3.3	2.8
Federal Republic of Germany(1)	7.0	5.6	7.2	5.9
Greece	16.2	20.3	7.0	7.8
Iceland	34.9	18.5	32.1	19.2
Italy	4.7	5.6	3.6	5.7
Netherlands	2.0	1.7	2.6	2.1
Norway	5.6	4.0	3.4	3.0
Portugal	1.8	1.5	0.6	0.8
Turkey	23.6	7.0	18.2	6.1
United Kingdom	3.1	3.6	3.2	4.0
TOTAL NATO EUROPE	4.6	4.3	4.2	4.2
Canada	0.6	3.1	0.3	0.3
United States	0.6	0.6	0.5	0.5
TOTAL NATO	3.1	3.2	3.0	3.1

Source: Tables 1(a) on page 10 and 1(b) on page 11, of AC/127-D/126

- (1) Figures for the Federal Republic of Germany comprise both interzonal trade and trade with the various states of the Sino-Soviet bloc.

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