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Revised Index

OUTLINE FOR A BALANCE OF PAYMENTS OF THE INDIVIDUAL  
EASTERN EUROPEAN COUNTRIES AND THE SOVIET-OCCUPIED ZONE  
OF GERMANY WITH OECD COUNTRIES

Note by the Secretary

The attached table on the balance of payments of the individual Eastern European countries and the Soviet-occupied zone of Germany with OECD countries has been established by the Economic Directorate to meet the wish expressed by several delegations in the Sub-Committee on Soviet Economic Policy and in the Committee of Economic Advisers. Statistics on the balance of payments of these countries had already been collected by the International Staff for the period 1959-62(1). While these previous statistics were computed for the Eastern European countries as a whole, the attached table shows the situation for each individual country in 1963 and 1964.

2. Although account has been taken of information obtained during the examining sessions of the Sub-Committee on Soviet Economic Policy, on the economies of the individual Eastern European countries(2), the attached table is very tentative. Consequently, member countries are invited to seek from their financial services and central banks the data which would permit the Committee to arrive at a more accurate assessment of the situation. The present paper will be placed on the Agenda of the next meeting of the Committee of Economic Advisers for a first exchange of views.

(Signed) A. TAMBEVER

OTAN/NATO,  
Paris, XVie.

- (1) AC/127-TP/126.  
(2) C-M(65)88 and documents mentioned therein.

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THE EASTERN EUROPEAN COUNTRIES' ESTIMATED BALANCE OF PAYMENTS  
WITH OECD COUNTRIES IN 1963/64

(in million US \$)

	Poland		Czechoslovakia		Hungary		Rumania		Bulgaria		Zone	
	1963	1964	1963	1964	1963	1964	1963	1964	1963	1964	1963	1964
1. Imports (fob)	495	544	284	360	268	289	237	281	106	170	172	212
- from NATO countries	426	480	219	295	207	220	193	220	81	138	121	158
- from other OECD	69	64	65	75	61	69	44	61	25	32	51	54
2. Exports (fob)	471	526	320	350	223	229	229	231	102	104	171	215
- to NATO countries	378	434	252	276	166	173	188	184	88	85	120	158
- to other OECD	93	92	68	74	57	56	41	47	14	19	51	57
Visible trade balance	-24	-18	+36	-10	-45	-60	-8	-50	-4	-66	-1	+3
3. Freight	-30	-33	-17	-22	-16	-17	-14	-17	-6	-10	+25	+25
4. Tourism	+3	+4	+3	+5	+8	+10	+2	+2	+5	+10	+9	+9
5. Private unilateral transfers	+5	+5	0	0	+10	+10	0	0	0	0	0	0
6. Interest on outstanding credits	-24	-22	-5	-7	-5	-7	-5	-7	-5	-7	-4	-3
7. International payments	-10	-10	-5	-7	-5	-5	-5	-5	-2	-3	-4	-4
Balance of payments	-80	-74	+12	-41	-53	-69	-30	-72	-12	-76	-11	-15
8. Sales of gold	0	0	0	0	0	0	+10	+10	0	0	0	0
9. Net credits received	+57	+110	+56	+42	+56	+45	+64	+53	+45	+34	-9	+30
Total financing	+57	+110	+56	+42	+56	+45	+74	+63	+45	+34	-9	+30
10. Errors and omissions	+23	-36	-68	-1	-3	+24	-44	+9	-33	+42	+20	-15
	+80	+74	-12	+41	+53	+69	+30	+72	+12	+76	+11	+15

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COMMENTS ON THE OUTLINE OF A BALANCE OF PAYMENTS BETWEEN  
THE INDIVIDUAL EASTERN EUROPEAN COMMUNIST COUNTRIES AND THE FREE WORLD

1 and 2 Imports and Exports

Sources: OECD - Series A - Overall trade by countries and  
AC/127-D/169 (Revised)

The figures are based on Western countries' statistics and rarely correspond with Eastern statistics. Discrepancies are sometimes important in particular imports from the United Kingdom as reported by Eastern European countries exceed Western figures by 30% to 50%. Thus, the trade balance would show even larger deficits if Eastern European sources were used. The figures for OECD exports (c.i.f.) as reported in the above statistics have been reduced by 6% to calculate the Eastern European countries' imports (fob) from OECD countries. As Interzonal Trade is bilateral barter trade, i.e. has to be balanced at certain intervals, and earnings resulting from a temporary surplus are not transferable, such trade has been excluded.

3. Freight

It has been assumed that costs for freight and insurance amount to about 6% of imports for the Eastern European countries. For the Soviet-occupied zone of Germany, the estimate is based on the following calculation:

(c.i.f.) as 6% of fob imports = \$ 10 million (1963) and \$ 13 million (1964); this figure was written off against the deficit in the balance of services of Interzonal trade (49.2 million accounting units = \$ 12.6 million for 1963 according to AC/89-P/148, table 36, and an estimate of \$ 15 million for 1964), which has been taken as being the sum paid by the Zone to the Federal Republic for the transit of goods imported from the West via Hamburg, etc. Zonal Transit receipts for freight transport between Sweden/Austria/Switzerland etc. have been estimated at \$ 5 million, receipts from the goods traffic to and from Berlin at \$ 20 million - figures which are, of course, subject to confirmation by the German Delegation. Thus, the "freight balance" would yield an annual surplus of \$ 25 million.

4. Tourism

The information contained in the United States monthly "East Europe" of November, 1964, pages 22 - 26, has been used as a basis for the following table:

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Corr following

(in 1,000 persons and million US \$)

		Poland	Czecho- slovakia	Hun- gary	Ruma- nia	Bulg- aria	Zone
Number of foreign tourists	1963	400	1,000	585	162	414	291
	1964	500	2,000	1,200	180	620	350
of which OECD	1963	68	150	175	30	65	158
	1964	90	200	250	35	126	190
Receipts in conver- tible currencies	1963	3.5	4.0	8.5	2.0	5.0	4.2
	1964	4.6	5.3	12.0	2.3	10.0	5.0
Number of citizens visiting OECD countries	1963	10	60	100	5	5	10
	1964	10	70	180	5	5	300
Expenditure in cen- vertible currencies	1963	0.2	0.6	1.0	0.1	0.1	0.2
	1964	0.2	0.7	1.8	0.1	0.1	0.6
Balance of tourist payments	1963	+3.3	+3.4	+7.5	+1.9	+4.9	+4.0
	1964	+4.4	+4.6	+10.2	+2.2	+9.9	+4.4

The great discrepancy between expenditure of eastern tourists in the West and of western tourists in the East results from the fact that the vast majority of eastern tourists are only allowed to convert \$5-10 worth of domestic currency for the whole trip and must be supported by relatives when abroad, while western tourists have to exchange \$10-20 per day for their stay in Eastern European countries. In the case of the Soviet-occupied Zone and Czecho-slovakia, a great number of western visitors are considered to be short-term visitors (to East Berlin and Bratislava, for example). To the tourist receipts of the Soviet-occupied Zone of Germany, an estimated amount of \$5 million has been added for transit passengers to and from Berlin and as receipts from the City Railway (S-Bahn) which is run by the East Berlin authorities; 300,000 East German visitors came to the Federal Republic in 1964 under the "Old age pensioners visiting scheme" inaugurated that year; subject to confirmation by the German Delegation, it has been assumed that these people were only allowed to exchange DM. 5.0 (\$1.25) into DM(West) for the whole of the trip, and that the railway tickets were paid for entirely in DM(East).

##### 5. Private unilateral transfers

Only in the case of Poland has an attempt been made to calculate the importance of private transfers: according to the EEC's "Basic statistics of the community", 5th edition (1964), table 12, 17,431 Polish workers have been employed by Common Market countries at the end of 1963, mainly in France and Belgium; by a comparison with the private transfers of Yugoslav workers, those of Polish workers have been estimated at \$5 million. It would seem that United States and other citizens of Polish origin are allowed to support their relatives financially, but no information on the importance of such payments is so far available. In the case of Hungary, it is only known that they are "substantial". The Central Banks of NATO member countries might be in a position to check these figures.

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6. Interest on outstanding credits

AC/127-D/192(Revised) gives only figures for outstanding credits of over 180 days granted by NATO countries to Poland, to the Soviet-occupied Zone of Germany, and to the total of the other Eastern European countries taken together. On that basis, the interest on outstanding credits granted by all western industrialised countries has been calculated as follows:

(in million US \$)

	Outstanding credits from:					
	NATO		Total OECD		6% interest	
	mid-1963	mid-1964	mid-1963	mid-1964	1963	1964
Poland	309	291	400*	375*	24	22
Czechoslovakia	60*	90*	80*	120*	5	7
Hungary	56*	80*	80*	115*	5	7
Rumania	61*	92*	80*	120*	5	7
Bulgaria	56*	80*	80*	115*	5	7
Soviet Zone	48	35	70*	50*	4	3

7. International payments

For this calculation it has been assumed that political representation is carried out on a reciprocal basis, i.e. that the political staff of diplomatic missions would be equal in number and diplomatic expenditure in an OECD country therefore be balanced by that country's expenditure in a given Eastern European country; the fact, however, that Communist countries' trade is conducted by the state obliges these countries to maintain large permanent trade missions in OECD countries; it has been assumed that expenditure for such staff would amount to about 1% of the Communist countries' foreign trade turnover with OECD countries. In the case of the Soviet Zone, to the estimated expenditure of \$3-4 million for trade and similar representatives in western countries a substantial amount has to be added for the financing of subversive activities in the Federal Republic; this has been tentatively estimated at \$36-37 million, subject to confirmation by the German Delegation. Drawings on credits extended to developing countries have not been considered in this context though they might sometimes be payable in convertible currencies.

8. Sales of gold

Eastern European countries do not seem to sell or buy gold on the international markets. The \$10 million worth of sales of Rumanian gold is based on United States estimates (see AC/89-D/39, paragraphs 42 to 44).

9. Net credits received (actual drawings minus repayments)

Figures are only available for the credit balance of Poland, the Soviet-occupied Zone of Germany and the total of the other Eastern European countries with NATO countries (see AC/127-D/192(Revised), page 16). The figure for Poland given in that document does not include United States sales to Poland under "Public Law 480" which, according to "United States Overseas Loans and Grants 1945/1964", page 125, amounted to \$51.6 million in 1963, and to \$60.9 in 1964. The balance of credits with respect to all western industrialised countries has very tentatively been calculated as follows on the basis of the above documents:

	<u>NATO countries</u>		<u>Total OECD countries</u>	
	<u>1963</u>	<u>1964</u>	<u>1963</u>	<u>1964</u>
Poland	+49	+96	+57	+110
Czechoslovakia	+43 <sup>x</sup>	+34 <sup>x</sup>	+56	+42
Hungary	+43 <sup>x</sup>	+34 <sup>x</sup>	+56	+45
Rumania	+52 <sup>x</sup>	+41 <sup>x</sup>	+64	+53
Bulgaria	+34 <sup>x</sup>	+28 <sup>x</sup>	+45	+34
Soviet Zone	-15	+22	-9	+30

10. Errors and omissions

They include a number of factors such as: balance of payments position at end of previous year; aid programmes in convertible currencies; freight expenses in trade with less developed countries; net receipts/payments in western currencies from/to the Soviet Union; other invisibles, such as payments for and earnings from patents; earnings on funds held abroad; and other capital items.

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