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ECONOMIC COMMITTEE

NATO COUNTRIES' TRADE WITH COMMUNIST COUNTRIES IN 1974

Draft of 12th Report

Note by the Economic Directorate

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

- a summary;
- the main report on trade relations between NATO countries and Communist countries(2) in 1974 and comments on trade prospects for 1975 and 1976;
- six statistical Tables;
- two Annexes: the first constitutes a list of orders placed by Communist countries in the Alliance members for machinery and equipment during the first half of 1975; the second gives information on credits offered to some Communist countries by a number of Alliance members, and on Euroloans to Communist countries;
- six graphs.

(1) AC/127-D/516, dated 28th July, 1975

(2) Communist countries

Eastern Europe: Poland, Hungary, Bulgaria, Romania, Czechoslovakia and the GDR

USSR

China

Other Communist countries: Albania, Korea, North Vietnam.

Trade with other Communist countries, however, represents only 1.5% of total NATO country trade turnover with the Communist countries. The report therefore leaves out a discussion in depth of NATO trade relations with these countries.

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SUMMARY

NATO country trade turnover with Communist countries increased by almost one third in 1974 to reach \$31.7 billion; an overall surplus of \$4.3 billion was recorded. The bulk of the surplus, derived primarily from trade with East European countries and with China, accrued to Germany (\$3.0 billion) and the United States (\$1.2 billion).

2. Exports to East European countries recorded the most dynamic growth - 41%. Growth in sales to the USSR registered a significant contraction falling from 61% in 1973 to 13% in 1974 owing to reduced Soviet grain purchases. The downturn in the growth of exports to China was even more marked: sales increased by 29% compared to 129% in 1973.

3. Imports from the Soviet Union recorded the most rapid growth - 48%. Purchases in East European countries and China rose less fast - 25% and 28%, respectively.

4. Inflationary price increases reaching 20-25% accounted for the bulk of growth in NATO exports to Communist countries.

5. The impact of inflation was also reflected in NATO imports from Communist countries and, in particular, from the Soviet Union. The sharp rise in world prices of oil, timber, metals and other raw materials, of which the USSR is a major exporter, enabled that country to increase significantly its exports to the Alliance in value terms but not in volume. In contrast, China and most East European countries probably had to expand the volume of their exports in order to maintain or increase their export earnings; recession and falling demand in the West constituting a serious impediment to a sharp increase in their export prices.

6. Among the Alliance countries Germany continued to be the leading trading partner, accounting for almost 40% of total NATO trade turnover with Communist countries. Germany supplied almost one half of total NATO exports to East European countries, and 38% of those to the USSR. Its share in total NATO purchases from those two areas was 39% and 25%, respectively. Germany accounted for almost one-fifth of NATO trade with China.

7. Italy was the second largest trading partner of Communist countries with a trade turnover amounting to \$3.8 billion. Italian sales registered a record expansion of 65% - the highest in the last five years as well as among the Allies - with the only exception of Portugal. Italy reduced sharply the growth of its purchases in East European countries (from 32% in 1973 to 5% in 1974). Purchases in China were cut down by 9%. Imports from the Soviet Union, however, rose substantially - 81% - as a result of increased oil import bill.

8. In 1975, NATO countries may score a sizeable export surplus in their trade with the USSR which will exceed \$1 billion as a result of a steady growth in exports, including grain sales, and a slowdown in imports because of the recession.

9. Growth in trade with East European countries may well decline; NATO countries are expected, nevertheless, to accumulate a large trade surplus of the order of \$3 billion.

10. Trade with China will probably contract further, declining possibly by as much as one quarter.

11. In 1976, the two-way trade between NATO countries and East European countries will probably slow down. By contrast, the expansion of trade with the Soviet Union is likely to continue.

I. NATO COUNTRY TRADE WITH COMMUNIST COUNTRIES
IN 1974

12. In 1974 NATO country trade with Communist countries expanded much less rapidly than in 1973: by 31.9% compared to 51.3% in 1973. Unlike in 1973, NATO country trade with the world grew slightly faster (35.6%). The slowdown in NATO country trade with Communist countries was mainly due to the following factors: (i) North American exports to the USSR dropped by 57% owing to a cutback in Soviet grain purchases; (ii) European members of the Alliance which are the principal customers of East European countries, in particular Germany and Italy, increased their purchases much more slowly than in 1973: these grew by 21.8% in 1974 as against 36.2% in 1973.

13. In 1974, there has been no change in the Communist countries relative share of NATO countries' exports, which remained at 4.3%. The decline in the North American share (down to 2.2% from 3.3%) was offset by the steady increase in Eastern countries' share in the exports of NATO Europe (5.3% against 4.8% in 1973). The percentage share of Communist countries' in total imports by the Alliance members registered a slight decline from 3.2% in 1973 to 3.1% in 1974.

14. These averages, however, should not lead to an under-estimation of the importance of Eastern markets for certain members of the Alliance. In this connection it may be worth noting that in 1974 German sales to the Communist countries represented 8.3% of total exports, this percentage was higher than that obtaining for sales to the United States (7.5%) or even to some of Germany's European Community partners such as Italy (8.1%) and Belgium/Luxemburg (7.6%)(1).

(1) See Tables I and II

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(a) Trade Balance

15. In 1974, the NATO country trade balance with Communist countries once again showed a sizeable surplus in favour of the Alliance, rising from \$3391.8 million in 1973 to \$4298.8 million in 1974. The bulk of the surplus (\$3029.9 million) accrued to Germany. The United States, after having recorded the largest surplus in the previous year, accumulated the second largest surplus totalling \$1233.6 million(1).

16. Almost all of the NATO country trade surplus with Communist countries derived from trade with East European countries (\$2770 million - up from \$1283 million in 1973) and with China (\$1287 million - up from \$988 million in 1973), while the surplus recorded in the previous year with the USSR totalling over \$1 billion disappeared almost completely, owing to the drop in North America's trade surplus with the Soviet Union: the latter fell from \$1245 million in 1973 to \$265 million in 1974, which in turn was evened out by the trade deficit of some \$261 million accumulated by European NATO countries. Among the latter countries Germany, however, scored a surplus of the order of \$633 million with the Soviet Union. Germany also accounted for the bulk of the NATO country trade surplus with East European countries. Almost half of the German export surplus, totalling \$2097 million, accrued from trade with Poland (\$849 million). In trade with China, however, the United States accumulated the largest surplus, amounting to some \$692.8 million.

(b) The Growth of Trade in 1974

(i) Exports

17. In 1974, the expansion rate in the NATO country exports to all Communist countries was much slower than in 1973 but close to that registered in 1972, amounting to 31.3% compared to 59.7% in 1973. The growth in exports to East European countries, however, reached 41%, only six percentage points below the 1973 level, while exports to the Soviet Union increased by only 12.7% as against 61% in 1973. Similarly, the growth rate in exports to China registered a sharp drop falling from 129% in 1973 to 29% in 1974(2).

18. The percentage changes quoted here refer to changes in the dollar value of NATO country exports. They do not, therefore, measure the growth in volume. Although the growth in exports from European NATO countries in value terms reached 41% in the case of exports to East European countries and 50% to the USSR, the growth in real terms probably ranged between 20% and 25%. The difference between the growth rates in value

(1) See Table III

(2) See Table IV

and volume was mainly due to the inflationary increases in Western countries which pushed up export prices by some 20% in 1974 over 1973 for industrialized European countries(1). Over the period the fluctuations of the dollar, vis-à-vis NATO Europe currencies, played only a minor role in the rise of the dollar value of trade.

19. The real growth in NATO exports to China, however, was probably much smaller: the volume expansion of exports from the European Allies was possibly no more than 10%; that of the United States must have contracted since export prices of agricultural products in the United States rose faster than the 17% increase registered in that country's exports - mainly foodstuffs - to China. The growth rate of exports from Canada (+55%) practically kept pace with the rise recorded in the prices of that country's agricultural exports and therefore, volume-wise, exports remained practically unchanged.

(ii) Imports

20. In 1974, NATO imports from Communist markets grew, in value, at almost the same rate (33%) as exports to those markets. The expansion in the volume of imports, however, may well have lagged behind that of exports owing mainly to the sharp price increase recorded in Soviet oil and other exports. In the case of Eastern countries it is more difficult to measure the effect of inflation on exports. It nevertheless may well be assumed that Eastern countries' export prices follow the world price trends.

21. The bulk of the 48% growth recorded in NATO imports from the USSR must indeed be attributed to the sharp rise in oil prices. This has made it possible for the USSR to reduce sales of oil to non-Communist countries - and therefore possibly to Allied countries - without curtailing its hard-currency earnings.

(1) NATO exports to East European countries and to the Soviet Union comprise mainly machinery and equipment. The price increase in German exports, which account for 49% and 38% respectively, of total NATO sales to those areas registered probably no more than an increase of 10-15% in prices. The rate of increase of export prices of other Alliance members, however, was much higher, ranging between 20% and 30%. The average price increase, therefore, may well have amounted to 20-25% in 1974.
Sources: OECD Statistics, June 1975, "Trade Indices" pages 22-33

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22. NATO country purchases in East European countries registered an increase of 25% in value terms. Purchases of the European Allies grew by 22% whereas those of the United States rose by 77%, or twice as fast as in 1973. United States purchases in Hungary and Romania, starting from a much smaller base, grew even faster, 358% and 134%, respectively. In contrast, Hungary's major customers in the Alliance, i.e. Germany increased its purchases by only 10% while Italy cut down its imports by 15%. The 7% value growth registered in imports of the European Allies from Hungary, therefore, reflects a decline in volume which is bound to have adverse implications for Hungary's future procurements in the West.

23. The 16% and 5% growth in dollar value registered in NATO imports from Czechoslovakia and Bulgaria respectively (compared to 33% and 36% recorded in 1973) would also suggest that growth in the volume of imports was either negligible or negative.

24. Romania managed to increase its sales to the Alliance as a whole slightly faster (39%) than in 1973 (35%) owing to a more than twofold rise in North American purchases, mainly of oil and petroleum products. Purchases of the European Allies recorded almost as rapid a growth (32%) as in 1973 (33%), owing to the sharp rise in the purchases of Romania's less important trading partners such as Turkey, the Netherlands, Denmark and Belgium: their purchases rose in value by 885%, 82%, 136% and 94%, respectively. Such a growth in value implies a non-negligible expansion in the volume of imports as well as a sharp increase in the price of oil and petroleum.

25. While the North American Allies increased their purchases in Poland by as much as 47% compared to 31% in 1973, those of the European member countries grew by only 24% as against 43% in the previous year. In some cases a sizeable decline in the rate of growth has been recorded: from 31% in 1973 to 3% in the case of Italy, from 51% to 19% in that of Germany and from 31% to 11% in that of the United Kingdom.

26. NATO imports from the GDR grew almost as rapidly (30%) in value as in 1973, although the volume growth was smaller than that of 1973 owing to inflation.

27. Growth rate in NATO imports from China declined from 45% in 1973 to 28% in 1974. North American imports, however, rose by 51%. The growth rates in the purchases of Germany and France declined by 12 and 17 percentage points respectively, while Italy cut down its imports by 9%. China's sales to the United Kingdom and the Netherlands, however, continued to grow at the same pace (33% and 47%, respectively) as in the previous

year. China's sales in volume too may well have grown considerably, since world prices for the type of many commodities that it exports have fallen in 1974. This development may explain the more cautious approach adopted by the Chinese towards their purchases abroad.

(c) Trade with Eastern Europe: Major suppliers and customers

28. The bulk of NATO country exports to all Communist countries, totalling \$17986.8 million, was once again directed towards East European countries, whose purchases in the Alliance reached \$10,501 million. Germany again supplied nearly one half (\$5124 million) of total exports. Italy, expanding its sales by as much as 63%, raised its share of the market to almost one-tenth. A much smaller increase (29.9%) of exports (\$950.5 million) from France has resulted in a slight decrease of that country's share in the market (from 9.8% to 9.1%). Despite a sharp contraction in the growth rate of North American sales their share of the market, nevertheless, remained almost unchanged (9.1%).

29. Germany and Italy, in that order, remained the principal customers of East European states with imports totalling \$3027 million and \$1084 million, respectively. These two countries together thus accounted for over one-half of total NATO country imports (\$7731 million) from East European states.

30. Among East European countries Poland remained the leading customer with purchases totalling \$3517.4 million. Poland, however, no longer constituted the most rapidly expanding market for NATO country deliveries. While NATO country exports to Poland increased by 39.7% in 1974 compared to 97.8% in 1973, sales to some of the smaller East European trading partners, such as Bulgaria and Hungary, recorded a growth rate of 75% and 53% respectively - a striking phenomenon especially considering that their sales to the Alliance members grew by only 5% and 14%, respectively. They therefore had to face a marked deterioration of their trade deficit with NATO countries, which reached over \$300 million for the first time in many years. Similarly, NATO country imports from other East European countries showed declining rates of growth in 1974 compared to those registered in 1973. The only exception was imports from Romania which grew even faster than in 1973 benefiting from the rise in oil prices.

(d) Trade with the Soviet Union

31. While the pace of growth (48%) in NATO country imports from the Soviet Union in 1974 remained comparable to the one (52%) recorded in the previous year, the growth rate in NATO country sales to the USSR recorded a sharp decline: it fell

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from 61% in 1973 to 12.7% in 1974 owing to a drastic reduction in North American sales which dropped by 57%. In contrast, European members of the Alliance, recording a 50% growth, managed to expand their sales nearly as fast as in the previous year. Sales from Germany rose by 57% to \$1856 million. Germany thus supplied a growing share (38%) of total NATO country exports (\$4830.8 million) to the USSR. Italy, expanding its exports to the Soviet Union twice as fast as in 1973 - by some 76% - raised its share of the market to 12.8%.

32. Germany, the United Kingdom, Italy and France, with purchases totalling \$1222.7 million, \$928.6 million, \$801.6 million and \$587.6 million, respectively, accounted for almost three-quarters of total NATO country imports (\$4826.6 million). Among them, Italy raised its imports most rapidly - by 81% as against 36% in 1973, while Germany followed with an increase of 71%. Price hikes recorded in Soviet raw material and energy exports accounted for most of this rise. The growth in volume, however, may well have been limited to no more than 10%.

(e) NATO country trade with China

33. NATO country exports to China rose by 29% to some \$2304.5 million. The United States and Canada, continuing to be the principal suppliers, once again accounted for over one-half of total NATO exports. Among European Allies Germany remained the leading supplier with exports totalling \$420.7 million. France managed to raise its share of the market from 5% to 7% by expanding its exports by almost 80% to \$160 million, while the United Kingdom's share dropped by four percentage points to 7% as a result of a 19% decrease in exports.

34. NATO country imports from China, rising by 27.6% in 1974 compared to 44.9% in 1973, reached \$1017 million. The increase in the purchases of the United States, however, was striking: 79%, thus raising their share in total NATO imports by three percentage points to 11%. Among European NATO members Germany and France, with purchases totalling \$192.8 million and \$183.7 million, respectively, remained the principal customers. Italy, on the other hand, reducing its purchases by 8.9% to \$116.9 million, dropped to the fourth rank after the United Kingdom.

35. In trade with China NATO countries once again recorded a sizeable export surplus of the order of \$1287.2 million, or some \$300 million more than in the previous year. The bulk of the trade surplus again accrued to the United States (\$692.8 million), Canada (\$384 million) and Germany (\$227.9 million).

II. DEVELOPMENTS AND PROSPECTS OF NATO COUNTRY
TRADE WITH COMMUNIST COUNTRIES' IN 1975

(a) Trade with the Soviet Union

36. If the trend recorded in the first quarter of 1975 compared to the first quarter of 1974 holds true over the whole year, NATO country exports to the USSR might show a rapid growth of at least 50% in value, if not more. The expansion in machinery and pipe sales probably accounted for most of the rise in the first quarter and will probably continue to do so over the whole year. Such a rapid rise in these commodities could have been expected, since over the last few years the Soviet Union has been placing in NATO countries, and also in other Western countries, increasing volumes of orders for machinery and equipment. Orders in the Alliance members have been estimated to have grown from \$2.7 billion in 1972 to \$4.9 billion in 1974(1). A growing share of these orders are linked to self-liquidating projects. For instance, orders placed in Italy for such projects amounted to \$2.4 billion in 1974.

37. In 1975 foodstuffs will contribute, to some extent, to the rise in NATO country exports to the USSR. The USSR is reported to have already purchased some 9.8 million tons of wheat and corn from the United States(2) and 3.8 million tons from Canada. If in 1975 the Soviet crop production does not exceed a predicted 165 million tons(3) - 50 million tons short of the original estimate of 215 million tons for 1975 - the USSR may well be forced to purchase some 30 million tons of grain on the world market for delivery this year and next. If so, Soviet purchases in NATO countries may well amount to over 20 million tons.

38. In contrast to the rapid growth recorded in NATO country exports to the USSR, growth in imports of the Alliance members from the Soviet Union in the first quarter of 1975 over that of 1974 was slow - 13%. This is not surprising: the recessionary pressures in Western countries have had a curbing affect on demand; the prices of several primary products have declined from their 1973-1974 peak and are unlikely to go up in the near future.

39. As a consequence of these developments, in the first quarter of 1975 NATO countries accumulated a large surplus (some \$600 million) in their trade with the Soviet Union. The surplus over the year will exceed \$1 billion. North American member countries and Germany will probably continue to accumulate the largest trade surpluses with the USSR.

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- (1) This figure is based on NATO document AC/127-WP/425 and revised in accordance with supplementary information provided by the UK Delegation document dated 11th August, 1975
- (2) Financial Times, dated 13th August, 1975
- (3) This conflicts with the US Department of Agriculture estimate of 185 million tons

(b) Trade with East-European countries

40. While in the first quarter of 1975 the growth rate in exports from NATO countries to East European countries showed some decline compared to the growth registered in 1974, the rate in imports growth from East European countries recorded a sharp drop and amounted to only 14% compared to 36.7% for the first quarter of 1974 and 25% for the whole of last year.

41. As with the Soviet Union, machinery exports based on past orders placed by East European countries in NATO members in the last few years should help to sustain the expansion of NATO exports to those countries in 1975.

42. The pace of expansion, however, may decline. This should be attributed to certain developments within the COMECON. The terms of trade within that area have improved in favour of the Soviet Union, following the introduction of world-wide price increases in raw materials to trade between COMECON members. East European countries, therefore, will have to increase their exports to the USSR in order to maintain and/or to increase their purchases of Soviet raw materials. To do so these countries may be forced to divert their hard currency earning exportable goods from the West to the USSR.

43. The Soviet Union is also insisting for the participation of East European countries in the exploration and exploitation of Soviet natural resources. This too should result in a substantial increase in exports from the former countries to the USSR.

44. The foregoing, together with the recession in the West, will reduce the hard currency earning capacity of the East European countries which may, therefore, be obliged to decrease the growth pace of their imports from the West. In spite of that, they may not be able to avoid the accumulation of a sizeable trade deficit with the West. In the first quarter of 1975 NATO country trade balance with East European countries recorded a surplus of about \$1 billion, mainly with Poland, Romania and Hungary. If there is no change in the growth rate of either NATO country exports to or imports from East European countries over the current year, the NATO country surplus with East European countries may well reach \$3,000 million or even more. A rising trade deficit, with little or no prospects of increasing significantly hard currency earnings, will most probably have a gradual adverse impact on East European countries' imports.

(c) Trade with China

45. If the trend registered in the first quarter of 1975 remains valid for the whole year of 1975, China might reduce considerably - by almost one-quarter - its purchases in NATO countries. This may well be due to a deliberate attempt on the

part of the authorities to curb China's rising trade deficit with NATO countries. It could also be that owing to a favourable harvest, China's import requirements of agricultural products may be temporarily declining. Exports from the United States, which comprise mainly agricultural products, in fact registered a sharp decline in the first quarter of 1975, a trend likely to continue over the year.

46. The rate of growth of China's exports to NATO countries continued to decline; it was only 10% over the first quarter of 1974. This percentage may well obtain for the whole year.

47. Despite a 25% cut in China's imports from NATO countries in the first quarter of 1975, that country's trade balance still showed a deficit of some \$200 million which, nevertheless, was considerably less than the deficit totalling \$370 million recorded in the first quarter of 1974.

III. PROSPECTS FOR 1976

48. In 1976 the two-way trade between NATO countries and East European countries will probably slow down. By contrast, the expansion of trade with the Soviet Union is likely to continue. This will be due to the rapid increase in NATO country exports to the USSR rather than to that in imports from that country. Since a large proportion of NATO country exports benefit from export credits and other financial facilities, the growing Soviet trade imbalance may not pose a serious problem for the USSR. A substantial part of the imbalance will be corrected when the repayments in kind take place (e.g. in oil, natural gas, coal, timber, etc.).

49. In 1976, the price increases decided in the COMECON context will take their full effect. As explained above, this is likely to inhibit the growth of East European trade with the West. Moreover, a prolongation of the present recession in the West may curtail East European sales to Western markets. By contrast the Soviet Union may continue to raise substantially its imports, even if its sales to the West may lag behind.

50. The shift in NATO country trade away from East European countries to the Soviet Union is also borne out by the trend in Eastern orders(1): in 1975, for instance, the Soviet Union continued to place large volumes of orders for machinery and equipment in the West while those from many East European countries, with the exception of Poland, were curbed. Up to the end of July 1975, orders placed in NATO countries by the Soviet Union, Poland, East Germany, Romania and Czechoslovakia, are

(1) See Annex I

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estimated at \$1.6 billion, \$835 million, \$270 million, \$60 million and \$3 million, respectively. The Soviet Union thus enjoyed a considerable lead over other Eastern countries by the size of its orders.

51. Western credits have undoubtedly played an important part in the expansion of machinery exports to Communist countries and in particular to East European states. Although in the past the latter countries resorted to credits to a larger extent than the Soviet Union, in future East European countries may be more cautious in their approach to purchases on credit. East European countries may prefer to cut back buying on credit, knowing that the decline in their export earnings may reduce their ability to service debt obligations. Western countries, too, may well hesitate to expand the volume of credits to be extended to some of those countries in view of their precarious financial position as well as of the large size of the debt they have already accumulated.

52. In contrast, the Soviet Union's natural resources and gold reserves represent an asset which will encourage that country to increase its borrowings in the West and, thereby, its purchases of Western technology. This should be reflected, in due course, in NATO countries' trade figures. Western countries too, anxious to export as well as to secure access to raw materials, may not hesitate to extend large volumes of credits, hence goods, to the USSR. Three countries already, France, the United Kingdom and Italy, have each offered the USSR large volumes of credit totalling over \$2 billion(1).

(1) See Annex II

TABLE I
NATO COUNTRY EXPORTS TO COMMUNIST COUNTRIES AS
A PERCENTAGE OF THEIR TOTAL EXPORTS

	1960	1971	1972	1973	1974
Belgium/Luxembourg	3.7	1.5	1.7	2.4	3.1
Denmark	3.9	4.0	3.5	3.2	3.9
France	4.0	4.1	3.9	4.1	4.1
Federal Republic of Germany(1)	6.6	6.8	7.0	7.6	8.3
Greece	22.0	13.0	13.6	11.7	11.6
Iceland	23.1	10.9	12.1	8.7	12.4
Italy	5.8	5.4	4.7	4.8	5.9
Netherlands	1.7	1.9	2.1	2.2	2.6
Norway	4.8	2.8	3.7	3.5	4.2
Portugal	2.3	0.6	0.6	0.6	0.9
Turkey	12.2	12.3	11.9	10.1	10.6
United Kingdom	3.5	3.1	3.2	3.3	3.1
Total NATO Europe	4.7	4.4	4.4	4.8	5.3
Canada	0.8	2.1	3.1	2.7	2.0
United States	1.0	0.9	1.8	3.5	2.3
Total NATO North America	0.9	1.2	2.2	3.3	2.2
Total NATO	3.3	3.4	3.7	4.3	4.3

(1) In the case of the Federal Republic of Germany the figures cover both exports to the Communist countries and deliveries to the GDR

TABLE II

NATO COUNTRY IMPORTS FROM THE COMMUNIST COUNTRIES AS
A PERCENTAGE OF THEIR TOTAL IMPORTS

	1960	1971	1972	1973	1974
Belgium/Luxembourg	2.2	1.9	1.9	2.0	2.1
Denmark	4.9	3.3	3.4	3.8	4.6
France	2.8	3.1	3.1	3.1	2.9
Federal Republic of Germany(1)	7.1	5.8	5.9	6.2	6.4
Greece	7.9	5.0	5.5	5.5	4.7
Iceland	22.7	10.2	10.4	8.9	13.5
Italy	6.1	6.0	6.2	5.8	4.9
Netherlands	2.6	1.9	2.1	2.0	2.3
Norway	3.4	4.2	3.2	3.0	2.8
Portugal	1.5	1.2	0.9	1.0	0.8
Turkey	9.1	10.4	10.8	8.5	7.1
United Kingdom	3.6	3.9	3.8	3.8	3.2
Total NATO Europe	4.5	4.1	4.2	4.2	4.0
Canada (fob)	0.3	0.7	0.8	0.8	0.8
United States (fob)	0.5	0.5	0.6	0.8	1.0
Total NATO North America	0.5	0.5	0.7	0.8	0.9
Total NATO	3.3	3.0	3.1	3.2	3.1

(1) In the case of the Federal Republic of Germany the figures cover both imports from the Communist countries and deliveries by the GDR

TABLE III
 TRADE OF THE ALLIANCE MEMBERS WITH EASTERN COUNTRIES

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NATO countries	East European countries			USSR			China		
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance
Belgium	463.44	300.48	162.96	369.60	270.96	98.64	34.56	46.20	- 11.64
Denmark	236.52	299.04	- 62.52	42.60	125.16	- 82.56	14.16	29.40	- 15.24
France	950.52	739.20	211.32	660.24	587.64	72.60	160.44	183.72	- 23.28
FRG	5124.23	3027.21	2097.02	1856.04	1222.68	633.36	420.72	192.84	227.88
Greece	146.76	132.36	14.40	74.28	62.76	11.52	1.92	2.16	- 0.24
Iceland	17.40	20.52	- 3.12	23.64	49.08	- 25.44	0.12	0.48	- 0.36
Italy	1030.56	1084.08	- 53.52	618.00	801.60	-183.60	105.00	116.88	- 11.88
Netherlands	586.68	413.16	173.52	170.64	237.12	- 66.48	62.52	97.08	- 34.56
Norway	159.00	157.08	1.92	39.96	69.60	- 29.64	66.72	9.60	57.12
Portugal	17.76	30.84	- 13.08	1.44	2.40	- 0.96	0.60	0.96	- 0.36
Turkey	68.04	162.36	- 94.32	77.76	95.16	- 17.40	16.68	4.80	11.88
UK	746.76	663.00	83.76	257.28	928.56	-671.28	167.40	156.24	11.16
Total NATO Europe	9547.67	7029.33	2518.34	4191.48	4452.72	-261.24	1050.84	840.36	210.48
Canada	131.76	161.88	- 30.12	30.12	23.64	6.48	446.16	62.16	384.00
US	821.88	540.00	281.88	609.24	350.28	258.96	807.48	114.72	692.76
Total NATO N. America	953.64	701.88	251.76	639.36	373.92	265.44	1253.64	176.88	1076.76
TOTAL NATO	10501.31	7731.21	2770.10	4830.84	4826.64	4.20	2304.48	1017.24	1287.24

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TABLE IV

THE NATO COUNTRY TRADE
WITH EASTERN COUNTRIES

1974

	Exports million US \$	% change over the previous year	Imports	% change over the year	Trade balance
Eastern countries	17986.79	+ 31.3	13688.01	+ 32.8	+ 4298.78
USSR	4830.84	+ 12.7	4826.64	+ 48.3	+ 4.20
East European countries	10501.31	+ 40.6	7731.21	+ 25.0	+ 2770.10
Poland	3517.44	+ 39.7	2160.84	+ 27.0	+ 1356.60
GDR	2047.31	+ 30.5	1883.13	+ 30.1	+ 164.18
CSSR	1339.68	+ 27.2	1125.48	+ 16.0	+ 214.20
Hungary	1304.76	+ 52.6	967.56	+ 14.4	+ 337.20
Romania	1648.32	+ 49.1	1278.12	+ 39.3	+ 370.20
Bulgaria	643.80	+ 75.3	316.08	+ 5.1	+ 327.72
China	2304.48	+ 29.1	1017.24	+ 27.6	+ 1287.24

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TABLE V/TABIEAU V

RECAPITULATION OF OVERALL DEVELOPMENT 1959-1974 FOR NATO EUROPE, NATO NORTH AMERICA AND TOTAL NATO
 RECAPITULATION DU DEVELOPEMENT GLOBAL 1959-1974 POUR L'EUROPE OTAN, L'AMERIQUE DU NORD ET TOTAL OTAN

1. EXPORTS TO EASTERN EUROPE, THE USSR, COMMUNIST CHINA AND THE WORLD
 1. EXPORTATIONS VERS L'EUROPE DE L'EST, L'URSS, LA CHINE COMMUNISTE ET LE MONDE

Millions US Dollars (Annual Totals) - Millions de Dollars EU (Totaux annuels)

	EASTERN EUROPE EUROPE DE L'EST			USSR URSS			COMMUNIST CHINA CHINE COMMUNISTE			TOTAL COMMUNIST COUNTRIES TOTAL DES PAYS COMMUNISTES			NATO EUROPE	NATO NORTH AMERICA	TOTAL NATO
	NATO EUROPE	NATO NORTH AMERICA	TOTAL NATO	NATO EUROPE	NATO NORTH AMERICA	TOTAL NATO	NATO EUROPE	NATO NORTH AMERICA	TOTAL NATO	NATO EUROPE	NATO NORTH AMERICA	TOTAL NATO			
1	1959	963	107	403	20	423	330	2	332	1,696	129	1,825	38,282	22,778	61,060
2	1960	1,066	182	624	48	672	335	9	344	2,025	239	2,264	45,512	25,861	69,373
3	1961	1,187	159	691	70	761	156	121	277	2,034	350	2,384	46,724	26,448	73,172
4	1962	1,237	147	733	23	756	134	138	272	2,104	308	2,412	49,205	27,293	76,498
5	1963	1,282	184	630	162	792	157	97	254	2,069	443	2,512	53,767	29,393	83,160
6	1964	1,470	342	585	439	1,024	164	126	290	2,219	907	3,126	59,927	33,785	93,712
7	1965	1,760	194	590	227	817	313	97	410	2,663	519	3,182	67,118	35,111	102,229
8	1966	2,283	218	587	338	925	423	171	594	3,322	734	4,056	73,407	39,871	113,278
9	1967	2,461	178	870	180	1,050	531	84	615	3,887	447	4,334	76,938	42,082	119,020
10	1968	2,436	201	1,154	140	1,294	451	151	602	4,069	495	4,564	86,233	46,963	133,196
11	1969	2,766	159	1,399	155	1,554	435	113	548	4,667	391	5,058	96,974	51,742	148,716
12	1970	3,220	270	1,474	215	1,689	473	135	608	5,197	625	5,822	112,382	59,361	171,743
13	1971	3,704	263	1,451	287	1,738	417	202	619	4,667	763	5,430	128,071	61,813	189,884
14	1972	4,753	336	1,825	833	2,658	456	322	778	7,073	1,503	8,576	158,968	69,854	228,821
15	1973	6,781	685	2,802	1,482	4,285	808	977	1,785	10,531	3,169	13,699	219,171	95,510	315,681
16	1974	9,548	953	4,151	639	4,830	1,051	1,253	2,304	15,029	2,897	17,986	286,252	131,286	417,538

TABLE VI TABLEAU VI

RECAPITULATION OF OVERALL DEVELOPMENT 1959-1974 FOR NATO EUROPE, NATO NORTH AMERICA AND TOTAL NATO
 RECAPITULATION DU DEVELOPPEMENT GLOBAL 1959-1974 POUR OTAN EUROPE, OTAN AMERIQUE DU NORD ET TOTAL OTAN

2. IMPORTS FROM EASTERN EUROPE, THE USSR, COMMUNIST CHINA AND THE WORLD
 2. IMPORTATIONS EN PROVENANCE DE L'EUROPE DE L'EST, L'URSS, LA CHINE COMMUNISTE ET LE MONDE

Millions US Dollars (Annual Totals) - Millions de Dollars EU (Totaux annuels)

	EASTERN EUROPE EUROPE DE L'EST			USSR URSS			COMMUNIST CHINA CHINE COMMUNISTE			TOTAL COMMUNIST COUNTRIES TOTAL DES PAYS COMMUNISTES			WORLD MONDE		
	NATO EUROPE	NATO NORTH AMERICA	TOTAL NATO	NATO EUROPE	NATO NORTH AMERICA	TOTAL NATO	NATO EUROPE	NATO NORTH AMERICA	TOTAL NATO	NATO EUROPE	NATO NORTH AMERICA	TOTAL NATO	NATO EUROPE	NATO NORTH AMERICA	TOTAL NATO
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1 1959	957	62	1,019	642	30	672	191	5	196	1,790	97	1,887	40,080	20,885	60,965
2 1960	1,145	67	1,212	758	26	784	231	6	237	2,134	99	2,233	47,494	20,515	68,009
3 1961	1,202	71	1,273	790	25	815	181	4	185	2,173	100	2,273	50,131	20,054	70,185
4 1962	1,256	76	1,332	858	18	876	159	4	163	2,273	98	2,371	54,295	22,101	76,396
5 1963	1,450	76	1,526	930	24	954	163	5	168	2,543	105	2,648	60,354	23,113	83,467
6 1964	1,554	101	1,655	896	24	920	220	9	229	2,670	134	2,804	67,504	25,652	93,156
7 1965	1,781	123	1,904	1,098	52	1,150	293	14	307	3,172	189	3,361	73,213	29,268	102,481
8 1966	2,037	168	2,205	1,216	60	1,276	361	19	380	3,623	248	3,871	79,219	34,669	113,888
9 1967	2,143	187	2,330	1,323	63	1,386	320	24	344	3,796	273	4,069	82,085	37,066	119,151
10 1968	2,249	191	2,440	1,388	78	1,466	322	22	344	3,977	291	4,268	90,558	44,553	135,111
11 1969	2,568	203	2,771	1,519	63	1,582	376	25	401	4,499	291	4,790	106,557	49,188	155,745
12 1970	3,016	209	3,225	1,643	81	1,724	353	18	371	5,050	309	5,359	123,526	53,271	176,797
13 1971	3,496	232	3,728	1,790	70	1,860	378	28	406	5,708	331	6,039	137,891	61,062	198,953
14 1972	4,236	311	4,546	2,023	111	2,134	469	81	550	6,782	503	7,285	162,501	74,477	236,979
15 1973	5,771	412	6,183	3,016	237	3,254	680	117	797	9,541	767	10,308	228,444	92,427	320,871
16 1974	7,029	702	7,731	4,453	374	4,827	840	177	1,017	12,435	1,253	13,688	312,417	133,265	445,682

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ESTIMATED ORDERS PLACED BY COMMUNIST COUNTRIES
DURING THE FIRST HALF OF 1975

<u>USSR orders placed in NATO countries</u> :	Total \$1400-1600	US \$ (millions)
<u>France</u>		
6 electronic communication centres (order by USSR and Hungary)	FF. 35 million	8,6
Contract for pharmaceutical products	FF. 10 million	2.5
Printed circuit plants (being nego- tiated)	FF.450 million	(111.2)
Hotel deal		180
Coal mining equipment	FF. 50 million	12
Steel abrasives plant	FF. 48 million	11.9
2000 ton geological survey vessel	FF.100 million	24.7
Ethylene oxyde and glycol factory (total cost of the project	FF.400 million)	(98)
Gas desulphurisation equipment	FF.960 million	237
2 Iris-80 computers	FF. 41 million	10
<u>France and the United States</u>		
Ammonia pipeline construction		300
<u>Federal Republic of Germany</u>		
High pressure fittings for power stations in the USSR	DM. 50 million	21.3
Petrochemical plant	DM.250 million	106.5
Electronic plant and computer programmes	DM. 17 million	7.2
<u>Italy</u>		
2 chlorofluro methane plants c. 30,000 t/y		80
Pirelli-Dunlop equipment and know-how for the rubber components		39.3
Pirelli equipment for making cars and heavy duty tyres		23.3
Montecatini Edison SPA, 1500 tonnes per day capacity urea production plant		?

Source : International press and Reuters East-West Trade News

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		US \$ (millions)
<u>Netherlands</u>		
10 gas turbines	H.fl. 30 million	12.5
<u>United Kingdom</u>		
Valve manufacturing equipment	£ 4.25 million	9.8
300 forklift trucks (loan to the tune of £5.1 million)		?
Valve body forge (loan = £3.4 million)		?
Top coats	£ 300,000	0.7
Machines and control systems for two cable ships	DM. 18 million	41.6
Shoes	£ 1-2 million	2.3 4.6
Materials and machines for plug factories	£ 3 million	6.9
Containers	£ 2 million	4.6
23 turbine meters and electronic readout instruments	£ 200,000	0.462
Technical coo-operation and know how for toy manufacture	£ 2.5 million	5.8
<u>United States</u>		
Engine bearing manufacturing plant		47
Artificial fur making equipment		23
Petroleum production systems		27
Conveyor system for a foundry		5
Computer-based reservation system		10
calculator component three phases		7
Iron ore pelletizing plant		50
<u>United States-FRG (subsidiary in West Germany)</u>		
Polyvinyl chloride production facility		65
<u>United States-Belgium</u>		
Equipment for the manufacture of tooling (subject to US export licence)		14

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US \$
(millions)
835

Polish orders placed in NATO countries : Total

France

Serete S.A. and S.A.T.	FF. 335 million	82
Hydro-dynamic tunnel	FF. 8 million	1.9
4 tank-filling pump units + computer and equipment	FF. 35 million	8.6
Polythylene plant at Plock	FF.+300 million	74
Restoration equipment for Warsaw Centrap station	FF. 6.5 million	1.6

France and the FRG

Sodium carbonate plant capacity 460,000 tonnes	FF. 800 million	197
---	-----------------	-----

Federal Republic of Germany

PVC plant, capacity 250,000 ton		?
3 giant excavators	DM. 145 million	61.8

United Kingdom

Licence of zinc-lead plant		?
Foundry facilities in Lublin enlar- gement and modernisation of the Ursus foundry	£ 50 million	115
Synthetic leather plant at Pionki (loan up to £ 1.7 million)		?

United States

Grinding wheel manufacturing facility		20
US copper mill equipment		4.2

German Democratic Republic orders placed
in NATO countries

France

Paper factory	FF. 16 million	3.9
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Federal Republic of Germany

3 turnkey PVC plants	DM. 600 million	255
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N A T O U N C L A S S I F I E D

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United Kingdom

US \$
(million)

Aircraft

£ 19 million

43.9

Hungarian orders placed in NATO countries

Federal Republic of Germany

Propathene plant, capacity
40,000 tonnes per year

?

United Kingdom

Simon Engineering Dudley Ltd.
14 hydraulic access platforms

£ 250,000

0.6

Czechoslovakian orders placed in NATO countries

United Kingdom

ICL system 4-72 computer

£ 1½ million

2.9

Source : Conversion rates are of May 1975

CREDITS OFFERED(1)
(US \$ million)

(a)	<u>To USSR</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
	From: France	2000		
	United Kingdom		2400	
	Italy			900
	Canada			500
(b)	<u>To Poland</u>			
	From: France	900		1700(2)
	Germany			426
	United Kingdom			100
(c)	<u>Euroloans</u>			
	IBEC (International Investment Bank)		50	240(3)
	IIB (COMECON Investment Bank)			70
	USSR		100	350
	Poland		400*	290
	Hungary		190*	100
	GDR		100*	100
	Bulgaria		85*	45
	Cuba			160
(d)	Borrowings from United States Commercial Banks			950(4)
(e)	Overdraft facilities accorded by Germany to the GDR		900(5)	

-
- (1) Credits offered cover both disbursed and non-disbursed credits
- (2) Source: International Herald Tribune, 22nd June, 1975 (according to Financial Times, 10th June, 1975 \$1,000 million)
- (3) This may possibly reach \$400 million. The Reuter No. 38, dated 18th September, 1975
- (4) Commitments outstanding. The Reuter East-West Trade News No. 30, dated 24th July, 1975
- (5) The Reuter No. 37, dated 11th September, 1975
- * Source: UK comments on AC/127-WP/425 dated 11th August, 1975

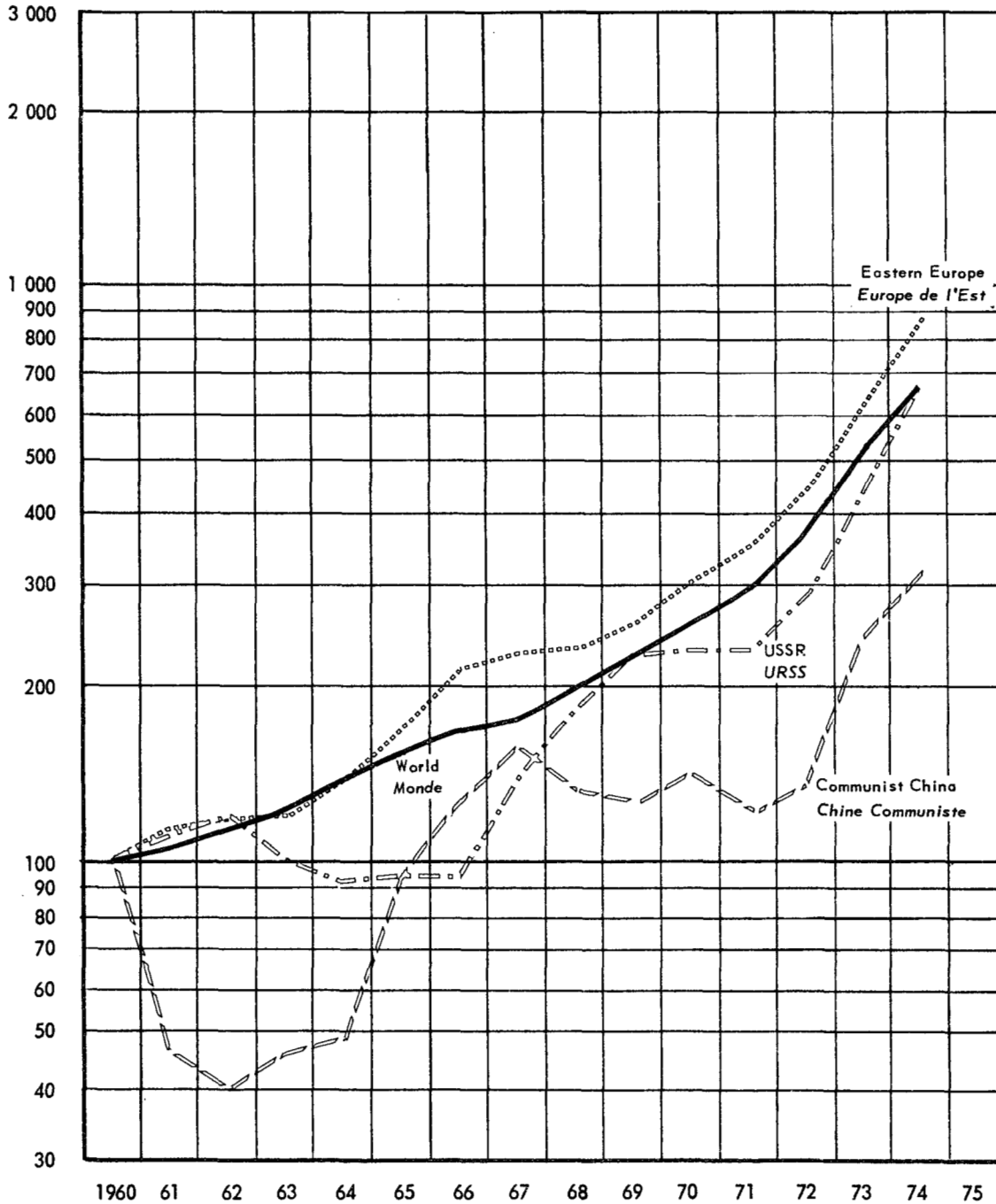
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GRAPH I - GRAPHIQUE I

**THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1960 - 1974**

**LE DEVELOPPEMENT DU COMMERCE DES PAYS DE L'OTAN
AVEC LE MONDE ET LES PAYS COMMUNISTES 1960 - 1974**

NATO EUROPE EXPORTS 1960 = 100 (*)
EXPORTATIONS OTAN EUROPE 1960 = 100 (*)



(*) The absolute values (million US \$) for 1974 would read as follows :
USSR = 4.191; Eastern Europe = 9.548; Communist China = 1.051; World = 286.252 (see Annex, page 35)

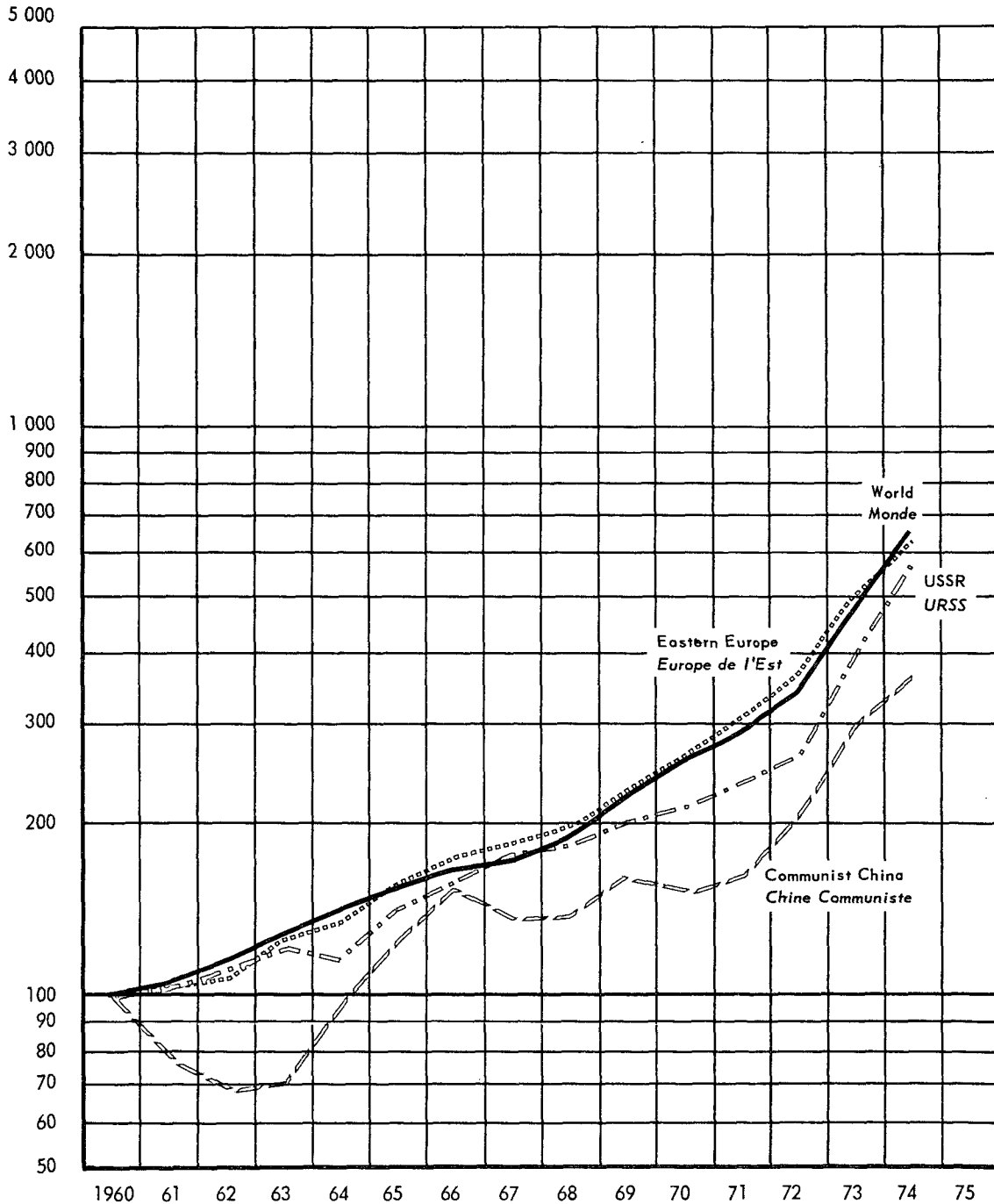
Les valeurs absolues (en millions \$ EU) des exportations pour 1974 s'établissent comme suit :
URSS = 4.191; Europe de l'Est = 9.548; Chine Communiste = 1.051; Monde = 286.252 (voir Annexe, page 35)

GRAPH II - GRAPHIQUE II

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1960 - 1974

LE DEVELOPPEMENT DU COMMERCE DES PAYS DE L'OTAN
AVEC LE MONDE ET LES PAYS COMMUNISTES 1960 - 1974

NATO EUROPE IMPORT 1960 = 100 (*)
IMPORTATIONS OTAN EUROPE 1960 = 100 (*)



(*) The absolute values (million US \$) for 1974 would read as follows :
USSR = 4.453; Eastern Europe = 7.029; Communist China; 840; World = 312.417 (see Annex, page 36)

Les valeurs absolues (en millions de \$ EU) des importations pour 1974 s'établissent comme suit :
URSS = 4.453; Europe de l'Est = 7.029; Chine Communiste = 840; Monde = 312.417 (voir Annexe, page 35)

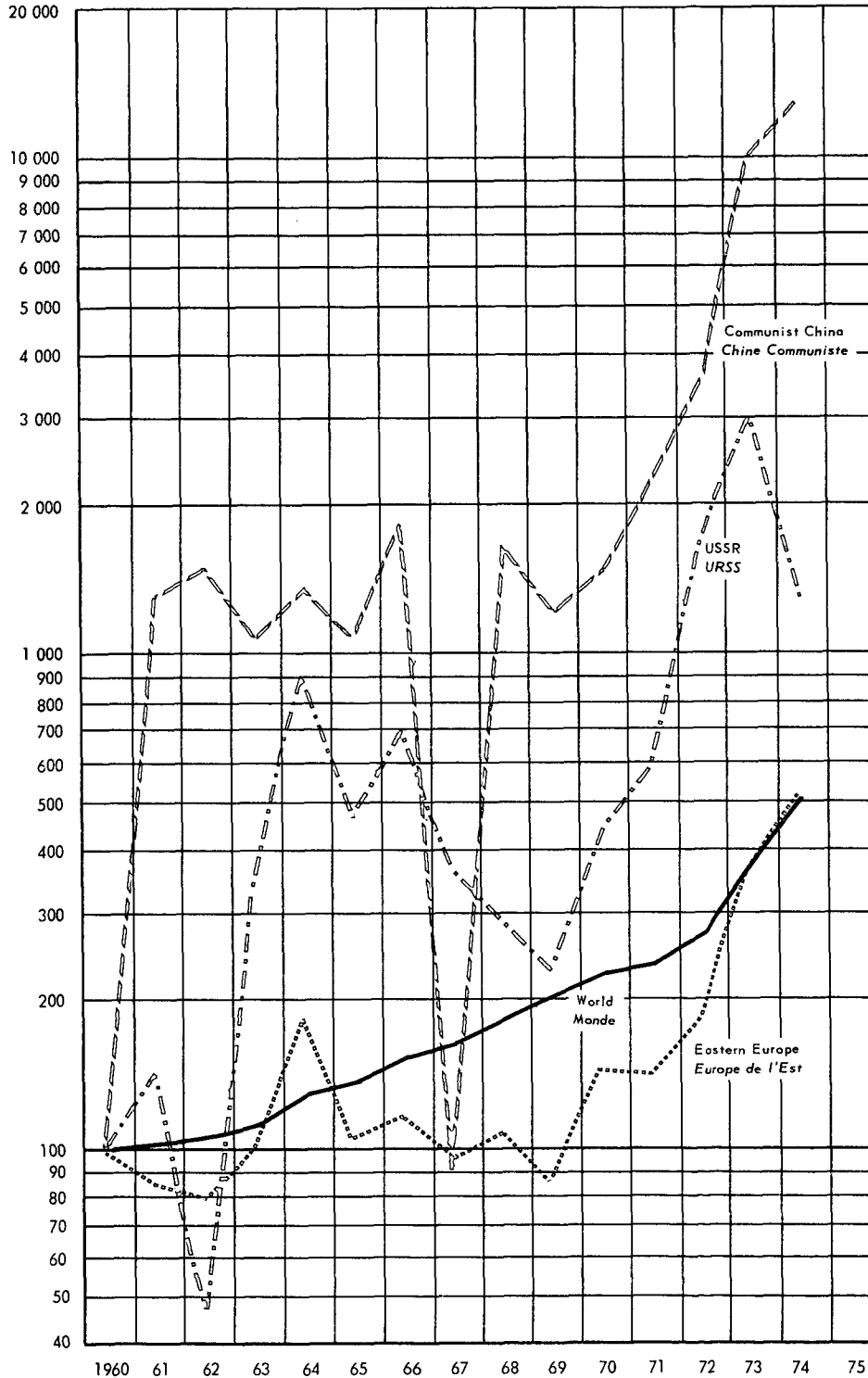
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GRAPH III - GRAPHIQUE III

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1960 - 1974

LE DEVELOPPEMENT DU COMMERCE DES PAYS DE L'OTAN
AVEC LE MONDE ET LES PAYS COMMUNISTES 1960 - 1974

NATO NORTH AMERICA EXPORTS 1960 = 100 (*)
EXPORTATIONS OTAN AMERIQUE DU NORD 1960 = 100 (*)



(*) The absolute values (million US \$) for 1974 would read as follows :
USSR = 639; Eastern Europe = 953; Communist China = 1.253; World = 131.286 (see Annex, page 35)
Les valeurs absolues (en millions de \$EU) des exportations pour 1974 s'établissent comme suit :
URSS = 639; Europe de l'Est = 953; Chine Communiste = 1.253; Monde = 131.286 (voir Annexe, page 35)

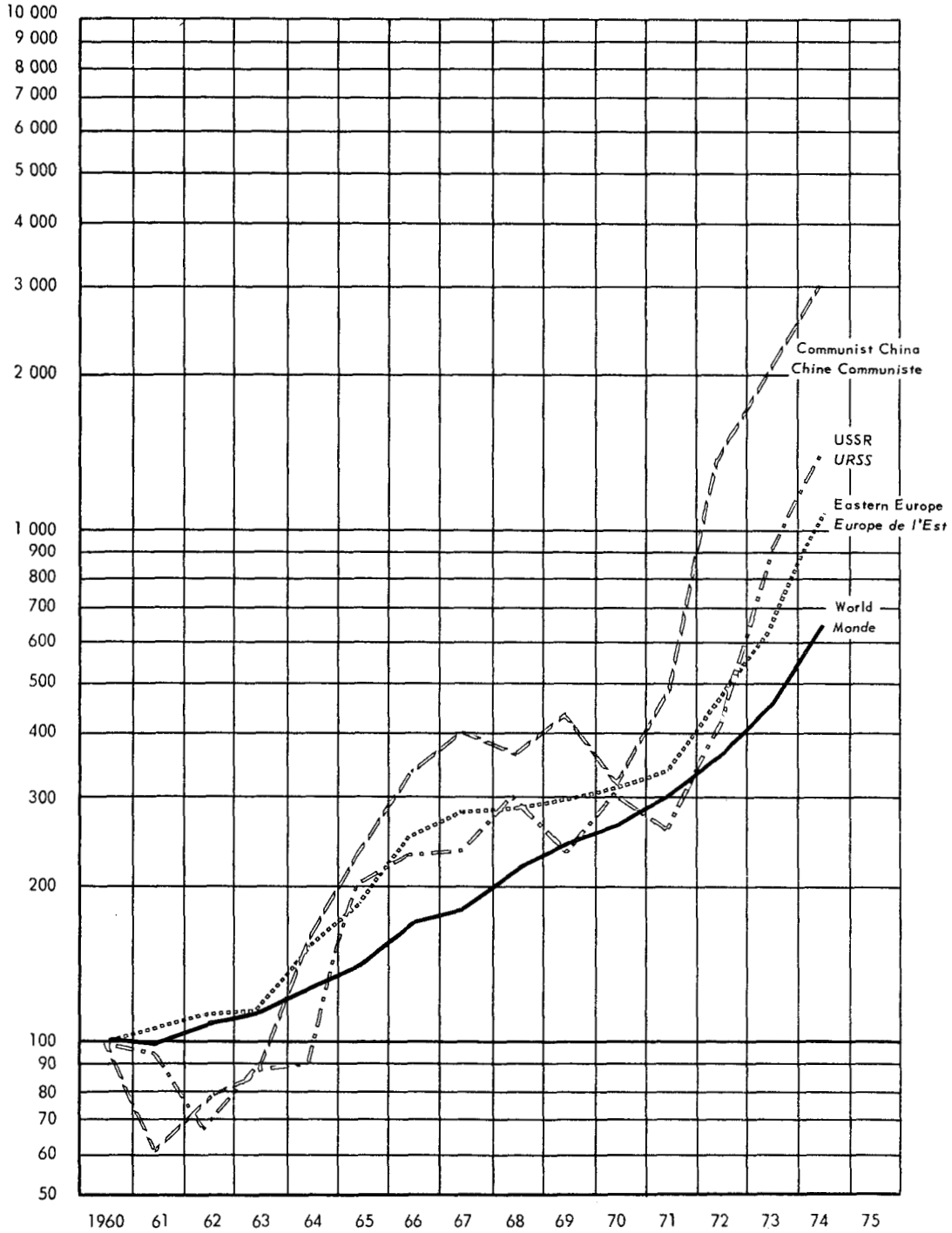
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GRAPH IV - GRAPHIQUE IV

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1960 - 1974

LE DEVELOPPEMENT DU COMMERCE DES PAYS DE L'OTAN
AVEC LE MONDE ET LES PAYS COMMUNISTES 1960 - 1974

NATO NORTH AMERICA IMPORTS 1960 100 (*)
IMPORTATIONS OTAN AMERIQUE DU NORD 1960 100 (*)



(*) The absolute values (million US \$) for 1974 would read as follows :
USSR = 374; Eastern Europe = 702; Communist China = 177; World = 133.265 (see Annex, page 36)

Les valeurs absolues (en millions de \$ EU) des importations pour 1974 s'établissent comme suit :
URSS 374; Europe de l'Est - 702; Chine Communiste 177; Monde = 133.265 (voir Annexe, page 36)

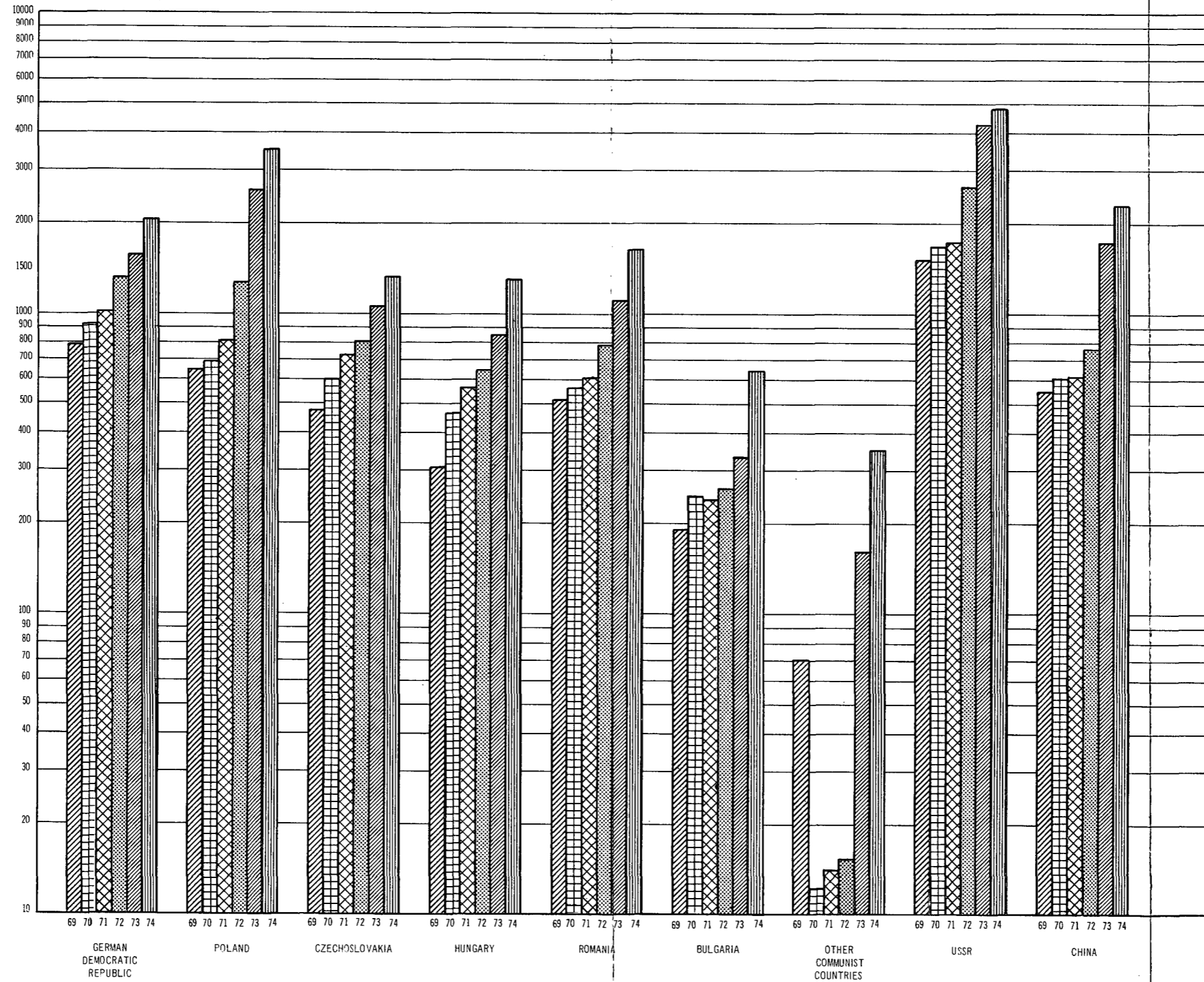
GRAPH V - GRAPHIQUE V

III - C1 - NATO COUNTRIES' TRADE WITH EACH OF THE INDIVIDUAL COMMUNIST COUNTRIES 1969 - 1974

III - C1 - COMMERCE DES PAYS DE L'OTAN AVEC CHACUN DES PAYS COMMUNISTES 1969 - 1974

1. EXPORTS - EXPORTATIONS
(IN VALUE TERMS - EN VALEUR REELLE)

MILLION US DOLLARS
MILLIONS DE DOLLARS EU
(Annual Totals - Totaux annuels)



NOTE : For Figures, see pages 6-8 - En ce qui concerne les chiffres, voir pages 6-8

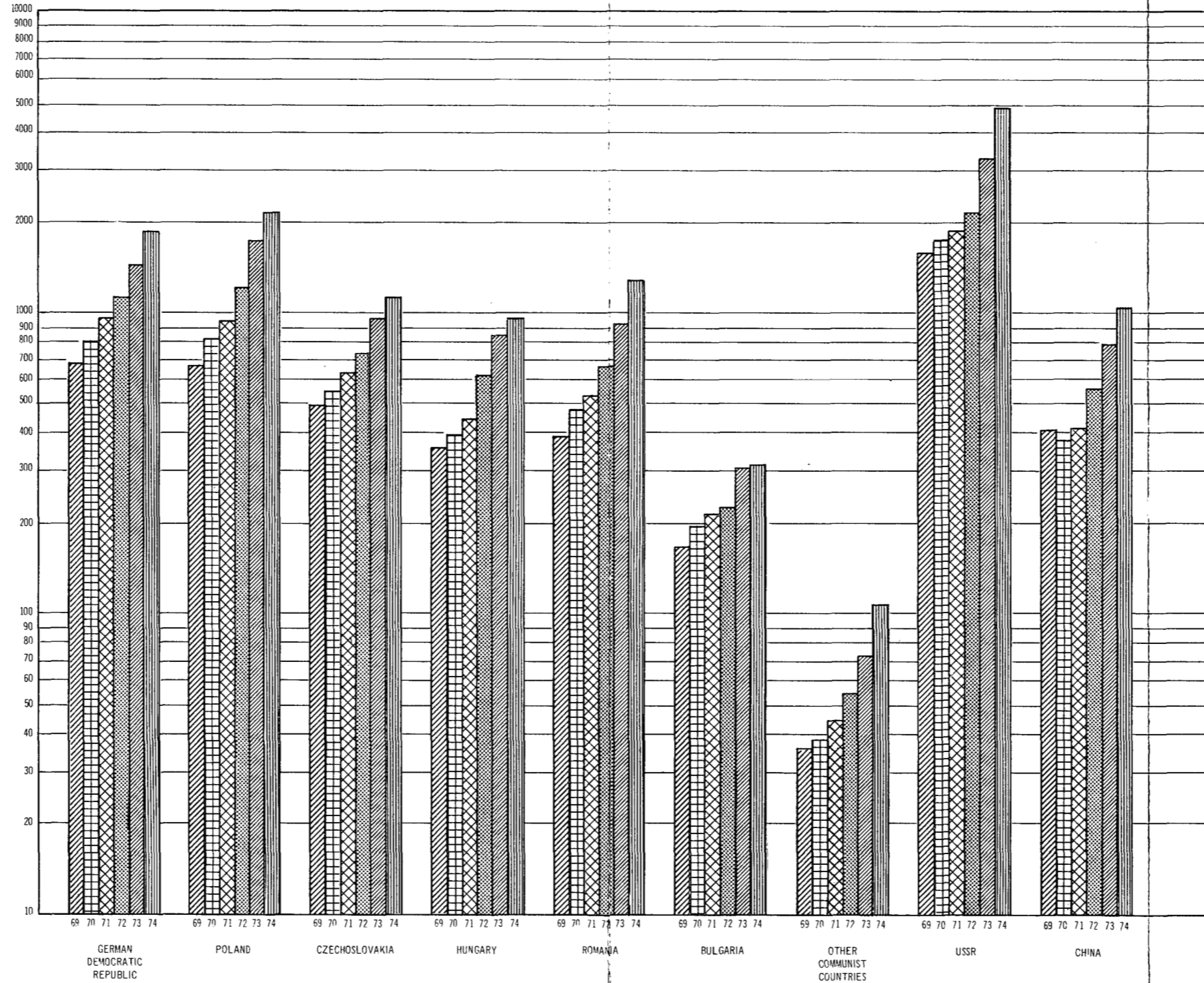
GRAPH VI - GRAPHIQUE VI

III - C2 - NATO COUNTRIES' TRADE WITH EACH OF THE INDIVIDUAL COMMUNIST COUNTRIES 1969 - 1974

III - C2 - COMMERCE DES PAYS DE L'OTAN AVEC CHACUN DES PAYS COMMUNISTES 1969 - 1974

2. IMPORTS - IMPORTATIONS
(IN VALUE TERMS - EN VALEUR REELLE)

MILLION US DOLLARS
MILLIONS DE DOLLARS EU
(Annual Totals - Totaux annuels)



NOTE : For Figures, see pages 6-8 - En ce qui concerne les chiffres, voir pages 6-8