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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY
TRADE BETWEEN COMMUNIST COUNTRIES WITHIN
THE COMECON AREA

Note by the French Delegation

General Remarks

1. A study of the trade pattern of the communist countries within the COMECON area is interesting for two reasons:

- in the first place, it makes it possible to size up COMECON at a given period, to ascertain the relations between its member countries, to assess what proportion of the total volume of foreign trade is accounted for by intra-COMECON foreign trade and, lastly, to appraise the relative position of each member country within the group;
- in the second place, the commodity breakdown of the foreign trade transactions, as it is known to be at different times, makes it possible to assess the changes in domestic production patterns and consequently the trend of "the international division of socialist labour". Its study is the best means of measuring the reality and progress of specialisation within the group.

2. The present note mainly explores the first field of enquiry in order to highlight the strength of the trade links uniting the COMECON member countries, and the respective status of each member country within the group. In other words, emphasis has been laid on the essential basis of economic co-operation within COMECON.

3. An analysis of the commodity breakdown and of the information it can yield on the domestic production patterns has yet to be made. Only a few figures have been given here (Table VI), for such data are extremely difficult to compile, particularly because the national yearbooks say very little on the subject. While it is relatively easy to determine the

(1) The original version of this Working Paper was circulated as "FRENCH ONLY" on the 7th July, 1964.

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quantitative growth of the trade of the member countries (particularly intra-COMECON trade) and its areas of concentration (see Annex I), the same cannot be said of the trend in the commodity breakdown of their foreign trade transactions.

4. To the lack of data must be added a weakness in the machinery for analysing the foreign trade patterns of planned economy countries. However, two levels of economic specialisation may in theory be distinguished:

- there is what may be termed inter-sector international specialisation when countries exchange the commodities of one (or several) production sectors against the commodities of one (or several) other production sectors (e.g. the exchange of tropical products against capital goods in the relations between a developed and an underdeveloped country);
- on the other hand, there is what may be termed intra-sector international specialisation when two countries exchange different types of manufactured goods and capital or consumer goods from the same production sectors (e.g. the exchange of different types of capital goods between two developed countries).

The first specialisation therefore occurs in trade between countries at different levels of development. The second specialisation occurs in trade between countries at comparable levels of development.

5. Table VI would seem to show, in view of the high percentages of a single type of commodity imported or exported by each country, that the COMECON countries can be placed, broadly speaking, in the first category of specialisation (at least this was the case in 1958).

6. This being established, the next steps should be:
- to trace recent developments (1963);
 - to pick out the pattern of trade within COMECON;
 - to define the domestic production pattern in each country.

There is no other way of arriving at an adequate interpretation of the specialisation decisions taken by COMECON.

7. However, given the distinction drawn above, there is reason to believe that, broadly speaking, the combined specialisation measures taken or planned are conducive to the advance of member states from the first type of specialisation to the second; this may be a fairly long transitional process involving difficult stages.

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8. It should be noted at the outset, that the economic entity formed by the member countries of COMECON is distinguished by a marked difference in economic "weight" and "size" between the USSR and the six European communist countries and by great variations in the level of development of the member states (see Annex II). These differences are directly reflected in the level and commodity breakdown of the foreign trade of each member country.

9. In addition, attention has already been drawn to the heavy concentration of the foreign trade of each member country on the economic "area" formed by COMECON. This is tantamount to saying that "dependence" can be measured in terms of the foreign trade of each country with this area. It is therefore of interest to examine, in the first place, the distribution of intra-COMECON trade, the "weight" of each country in this distribution and the share of these intra-regional trade transactions in the total external trade of each country (see tables at Annex III).

Part played by the foreign trade of the Soviet Union in the total trade of the COMECON countries

10. The share of trade with the Soviet Union in the total volume of trade of the European communist countries which are members of COMECON has been assessed and expressed as a percentage for the period 1955-1962. During this period, the share steadily increased for all countries, with the following exceptions:

- Rumania, where the recent high figure (40%) is nevertheless lower than during the years 1958-1959, when trade with the Soviet Union accounted for approximately 50% of Rumania's total foreign trade;
- Poland, where the percentages fluctuate irregularly and in 1962 were the same (32%) as in 1955, after falling to 27% in 1958.

11. The percentages for the past few years have been high, ranging from 53.3% for Bulgaria, to 32.5% for Poland, the average for the COMECON countries as a whole being just over 40% (see Annex III - Tables I and II). The satellite countries may be classified in relation to this average as follows:

- the group of countries which are very dependent on trade with the USSR (national percentages above the average) comprising the Soviet-occupied zone of Germany, Bulgaria and Rumania;
- the group of countries which are relatively less dependent on trade with the USSR (national percentages below the average) comprising Czechoslovakia, Hungary and Poland.

Part played by Soviet exports and imports in intra-COMECON trade
(Annex III - Tables III and IV)

12. Intra-COMECON trade can be assessed by adding together the exports of each COMECON member country to other member countries, or by adding together the imports of each member country from the COMECON area. The share of Soviet exports to the COMECON area in the total volume of intra-COMECON exports between 1960 and 1962 was 38% to 40%, while Soviet imports accounted for 36% to 38% of total intra-COMECON imports.

13. Apart from the size of these figures which again shows how the dependence of the satellites on the USSR can be measured in terms of foreign trade, a further point to note is that there is a difference of degree between the shipments of the USSR to the other COMECON countries (40% of intra-COMECON exports in 1962) and the shipments of the COMECON countries to the USSR (38% of intra-COMECON imports in 1962). In other words, it may be deduced from these figures that the satellites are relatively more dependent on the USSR for their imports than for their exports.

Distribution of intra-COMECON trade in 1962
(see Annex III - Table V)

14. This double-entry table shows the value of the exports of each member country to each of its partners. The lines give the total exports of each member country to the area (including or excluding the USSR) and the columns the total imports of each member country from the area (including or excluding the USSR)(1).

15. On the basis of this table, it is possible, in the first place, to estimate the concentration of member country trade in the COMECON area (Tables III and IV). Intra-COMECON trade accounts for the largest share of the total foreign trade of the member countries.

16. The recent trend (1960-1962) has been for this share to grow steadily for all member countries including the USSR (except in the case of Rumania in 1962 when there was a very slight drop in exports and a relatively sharp increase in imports). Generally speaking, this share is never less than 55% (for Poland or the USSR) and rises to 75 or 80% (for the Soviet-occupied zone of Germany and Rumania).

17. These data confirm the fact, already noted, that the Soviet Union exports more than it imports in its trade with the other COMECON countries. In 1962, however, its imports from COMECON rose considerably, their share in the total volume of Soviet imports showing a 12.5% increase from 1961 to 1962.

(1) Calculated in this way, the import figures are slightly higher than those given by the national yearbooks.

18. In the second place, it will be seen that there was relatively little intra-satellite trade in 1962:

- taking the area as a whole, total intra-satellite exports account for 40% of total intra-COMECON exports (exports to the USSR account for 60% of the latter);
- taking the countries individually, intra-satellite trade never exceeds 50% of intra-COMECON trade, the highest figure being the import coefficient for Poland: 49.4%.

19. With this exception, only Hungary and Czechoslovakia have relatively extensive and relatively well-balanced trade relations with the other satellites - 48% and 45.7% respectively for exports and 46.5% and 45% for imports. The table draws attention to the extreme case of the Soviet-occupied Zone of Germany which sends 40.1% of its exports to the other satellites but only buys 29.4% of its imports from the COMECON area.

20. These preliminary remarks may be confirmed and clarified by a closer analysis of the table which shows intra-COMECON trade in monetary terms (millions of roubles) and enables the trade balances of each of the member countries to be studied.

Trade balances of COMECON member countries

21. The justifications for using Table V as a basis for calculating the trade balances of each member nation in its relations with the other COMECON countries as a whole (including or excluding the USSR) are, on the one hand, that this analysis reveals the relative status of each country in the group from the standpoint of trade and, in particular, that the existence of a multilateral system operated by the COMECON Bank for clearing debit and credit balances resulting from these transactions gives a financial significance to the relative positions thus revealed, whereas no such picture could be obtained under the system of bilateral agreements. With this in mind, a calculation has been made of the 1962 trade balance of each country with COMECON as a whole (satellites plus the USSR), with the satellites only and with the USSR. The following results have been obtained:

22. Poland has an overall deficit of 197.2 million roubles made up of 174.2 million roubles owed to the other satellites and 23 million roubles owed to the USSR. This is explained by the fact that Poland buys about as much from the satellites as from the USSR (521.8 and 534.7 million roubles respectively), while there is a considerable gap between its exports to the satellites (347.6 million roubles) and its exports to the USSR (511.7 million roubles). Poland's principal suppliers, apart from the USSR, are the Soviet-occupied Zone of Germany and Czechoslovakia, trade with Rumania and Bulgaria being on an extremely small scale (about 30 million roubles).

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23. The Soviet-occupied Zone of Germany has an overall deficit of 135.6 million roubles which is the gap between a surplus of 134.5 million roubles in its intra-satellite transactions and a large deficit of 270.1 million roubles with the USSR. This situation merely confirms the close dependence of the Soviet-occupied Zone of Germany on the Soviet Union and reveals the important part played by the former as a supplier of the other satellites, the surplus shown by these transactions being far from sufficient, however, to offset the deficit with the USSR. Its principal customers are Czechoslovakia, Poland and Hungary.

24. Rumania has an overall deficit of 75.6 million roubles, 47.2 million being owed to the other satellites and 28.4 million to the Soviet Union. The notable disparity between the deficits must not be allowed to disguise the fact that the volume of trade with the satellites (imports to the value of 222.7 million roubles and exports to the value of 175.5 million roubles) is much smaller than the volume of trade with the Soviet Union (imports to the value of 337.3 million roubles and exports to the value of 308.9 million roubles) which is a sufficiently clear indication of how the "Rumanian case" differs from the "Polish case".

25. Bulgaria has a deficit of 28 million roubles with the COMECON area as a whole, the surplus of 25.6 million roubles with the satellites being insufficient to offset the large deficit (when compared with the value of its trade) with the Soviet Union.

26. Hungary has a small deficit of 18.8 million roubles which is accounted for by a very slight surplus with the satellites (trade is almost exactly balanced) and a deficit of 20 million roubles with the USSR. It will be noted that the value of its trade with the satellites is practically the same as that of its trade with the Soviet Union (about 350 million roubles). Its main suppliers are Czechoslovakia and the Soviet-occupied Zone of Germany (100 to 120 million roubles' worth of imports) and, to a lesser extent, Poland (57 million roubles' worth of imports). These three countries are also its main customers.

27. Lastly, Czechoslovakia, is the only European communist country to have a surplus in its trade balance with the COMECON area as a whole: 111.6 million roubles, made up of 59.7 million roubles with the other satellites and 51.9 million roubles with the Soviet Union. As in the case of Hungary, the value of its trade with the satellites is practically the same as with the USSR. Czechoslovakia's main customers are the Soviet-occupied Zone of Germany, Poland, Hungary and, to a lesser extent, Rumania, where it ranks second to the USSR as a supplier; its own main suppliers are the above-mentioned countries in that order, with the exception of Rumania.

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28. It is thus apparent that Czechoslovakia is the only European satellite which is a creditor of the group as a whole, and the second of the two COMECON creditor countries, the USSR having a surplus of 343.8 million roubles with the group.

CONCLUSIONS

29. Generally speaking, the first point to note is the continuing presence of a feature already apparent in previous years, namely, the importance of the triangular relationship of the Soviet-occupied Zone of Germany, Czechoslovakia and Poland, while Hungary has considerably expanded its relations with the first two.

30. The second point is that, if the information obtained from the foregoing analysis is collated from a different angle, it is possible to distinguish between three groups of countries with different characteristics:

- The countries of the first group, Czechoslovakia and Hungary, are notable, first, for the fact that their overall trade is relatively well-balanced ("overbalance" for Czechoslovakia and slight deficit for Hungary), and for a relatively even distribution of their foreign trade between the other satellites and the USSR. In other words, although they are at different levels of development and although the value of their foreign trade is not the same, these two countries are in a relatively favourable position from the point of view of their trade balance and the multilateral nature of their foreign trade.
- The characteristics of the second group, comprising the Soviet-occupied Zone of Germany and Poland, are a marked imbalance of foreign trade at COMECON level and the fact that their intra-COMECON trade is fairly strongly concentrated first, on the USSR, secondly, on Czechoslovakia, and on each other. A distinction must, however, be made between the case of the Soviet-occupied Zone of Germany, which has a surplus with the other satellites and a large deficit with the USSR, and that of Poland, which has a large deficit with the other satellites and a small deficit with the Soviet Union. In the first case, therefore, there is very close dependence on a single country, the Soviet Union; in the second case, there is twofold independence, on which it may be possible to "speculate", provided that Poland can expand its exports to the other satellites.

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- The third and less typical group comprises Rumania and Bulgaria, both of which have a deficit with COMECON. Bulgaria, however, has a slight surplus with the other satellites, whereas Rumania has a deficit. It will be noted that, after the USSR, Bulgaria's main supplier is the Soviet-occupied Zone of Germany, whereas in the case of Rumania, it is Czechoslovakia which plays this rôle.

31. Any study on trade balances should be supplemented by an analysis of other items of the overall balance of payments, but there is a total absence of such statistics. It should at least be possible to compare Soviet credits to the satellites with the deficit in the trade balance of the latter, but the latest statistics (1961-1962) are not available in this field either. A comparison of this kind, however, would be of the greatest value in assessing the rôle of the COMECON Bank in this sphere (particularly as regards Czechoslovakia, a creditor country, and Poland, which has a considerable deficit with the other satellites but not with the USSR).

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TREND OF THE FOREIGN TRADE OF THE USSR AND THE
PEOPLE'S DEMOCRACIES SINCE 1950

Table I shows the overall foreign trade figures for the COMECON countries since 1950. Although expressed in current prices, the figures give a rough picture of the expansion of the foreign trade of all these countries since 1956-1957 (apart from the special case of Hungary, whose economic growth was arrested by the events of 1956, but where the value of trade has increased rapidly since 1958). Insofar as the Soviet share in the total foreign trade of the COMECON countries ranges from 33% to 53%, the growth of trade with the USSR is an important factor in overall growth.

TABLE I

TREND OF THE FOREIGN TRADE OF THE PEOPLE'S DEMOCRACIES AND THE
USSR SINCE 1950 - In millions of dollars
(at current prices)

	1950	1955	1956	1957	1958	1959	1960	1961	1962
Bulgaria	265	425	553	702	740	1,050	1,212	1,327	1,558
Hungary	645	1,155	968	1,171	1,310	1,556	1,826	2,053	2,235
Poland	1,302	1,842	2,006	2,225	2,286	2,565	2,820	3,191	3,531.5
Soviet-occupied Zone of Germany	876	2,451	2,741	3,427	3,570	4,136	4,360	4,478	4,725
Czechoslovakia	1,418	2,229	2,573	2,745	2,924	3,387	3,745	4,070	4,220
Rumania	452(1)	775	747	805	845(1)	936(1)	1,365	1,608	1,687
<u>USSR</u>	3,250	6,500	7,200	8,300	8,600	10,500	11,192	11,831	13,484

(1) Estimates - Sources - National yearbooks.

POSITION OCCUPIED BY THE USSR IN COMECON

The economic group formed by the COMECON countries has two salient features:

1. The enormous quantitative difference between the USSR and each of the six European communist countries in question, or between the USSR and the six countries taken as a whole. The following figures will serve to illustrate this difference:

	<u>Area</u> <u>sq.km.</u>	<u>Population</u> <u>in 1957</u>	<u>Power resources in</u> <u>1962 (installed kWh)</u>
USSR	22,400,000	223,100,000	396,000,000,000
European COMECON countries	990,000	97,100,000	134,670,000,000

2. The marked differences between the levels of development of the various member countries. A comparison of per capita industrial production in 1961, in which the index figure 100 is assigned to Poland, produces the following results:

Czechoslovakia	191
Soviet-occupied Zone of Germany	185
Hungary	83
Rumania	67
Bulgaria	52

It is typical that the Soviet publications which make the comparison give no Soviet index figure. It may be assumed, however, that the figure for the Soviet Union lies between those for the Soviet-occupied Zone of Germany and Poland (about 150). Likewise, a calculation of per capita fuel consumption in terms of coal produces the following figures (for 1960):

	<u>kg. per inhabitant</u>
Czechoslovakia	4,724
Soviet-occupied Zone of Germany	4,641
Poland	3,097
USSR	2,847
Hungary	2,312
Rumania	1,391
Bulgaria	1,380

INTRA-COMECON TRADE

The following tables have been calculated on the basis of national or United Nations yearbooks. Some of the figures are merely estimates. Generally speaking, on account of the vagueness of certain data, the differences between the presentation and calculation of the figures of each yearbook, and the rates of exchange used to obtain comparable data, the figures in the tables should be taken as approximate:

TABLE I

SOVIET SHARE IN THE TOTAL TRADE OF THE COMECON COUNTRIES
 (Percentages of total Exports + Imports)

COUNTRY	1955	1956	1957	1958	1959	1960	1961	1962
Soviet-occupied Zone of Germany	38.3	41.1	45.1	43.2	45.2	43	44.2	47
Czechoslovakia	34.5	31.8	34	32.8	35.6	34.4	33.6	37.7
Poland	32.1	30.6	30.6	27.2	29.8	30.3	30.6	32.5
Hungary	21.9	23.6	29.2	26.8	29.4	29.7	30.2	35.6
Bulgaria	49	43.6	53.4	53	52	53.1	52.1	53.3
Rumania	-	-	-	51.4	47.3	40.1	40.5	40.6

TABLE II

SHARE OF EXPORTS FROM THE SOVIET UNION
IN TOTAL INTRA-COMECON EXPORTS

	1960	1961	1962
Exports from the USSR	38%	38.7%	40%

SHARE OF IMPORTS INTO THE SOVIET UNION
IN TOTAL INTRA-COMECON IMPORTS

	1960	1961	1962
Imports into the USSR	36.2%	36%	38.2%

TABLE III

PERCENTAGE OF INTRA-COMECON TRADE IN TOTAL FOREIGN
TRADE OF MEMBER COUNTRIES

	1960		1961		1962	
	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.
Soviet-occupied Zone of Germany	69	70	69.5	71	76.4	76.3
Czechoslovakia	63.4	63.3	65.4	63.2	70	68.8
Poland	54.5	58	56	56.2	60	61.4
Hungary	61.5	63.4	65.6	64.5	68.2	68
Bulgaria	78.5	79	78.8	81	77.5	80
Rumania	65.5	66.6	65.5	62.5	64.2	64.5
USSR	56.7	52	58.2	53.5	58.2	66

TABLE IV

SHARE OF INTRA-SATELLITE TRADE IN INTRA-COMECON TRADE

(Percentages in 1962)

	Exports	Imports
Soviet occupied Zone of Germany	40.1	29.4
Czechoslovakia	45.7	45
Poland	40.2	49.4
Hungary	48	46.5
Bulgaria	37	30.6
Rumania	36	39.5

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TABLE V

DISTRIBUTION OF INTRA-COMECON TRADE IN 1962

(Millions of roubles)

Exports from	Exports to								Total intra-COMECON exports
	Soviet-occupied Zone of Germany	Czechoslovakia	Poland	Hungary	Bulgaria	Rumania	Total exports to satellites	USSR	
Soviet-occupied Zone of Germany		206.8	211.4	104.5	77.0	50.0	<u>649.7</u>	965.4	<u>1615.1</u>
Czechoslovakia	201.8		180.8	112.5	55.7	79.2	<u>630.0</u>	745.5	<u>1375.5</u>
Poland	105.8	131.2		57.2	21.8	31.6	<u>347.6</u>	511.7	<u>859.3</u>
Hungary	93.5	122.2	63.1		13.4	32.5	<u>324.7</u>	349.6	<u>674.3</u>
Bulgaria	72.2	57.6	30.4	14.4		29.4	<u>204.0</u>	349.2	<u>553.2</u>
Rumania	41.9	52.5	36.1	34.5	10.5		<u>175.5</u>	308.9	<u>484.4</u>
Total imports from satellites	<u>515.2</u>	<u>570.3</u>	<u>521.8</u>	<u>323.1</u>	<u>178.4</u>	<u>222.7</u>	2331.5	<u>3230.3</u>	<u>5561.8</u>
USSR	1235.5	693.6	534.7	370.0	403.0	337.3	<u>3574.1</u>		
Total intra-COMECON imports	<u>1750.7</u>	<u>1263.9</u>	<u>1056.5</u>	<u>693.1</u>	<u>581.4</u>	<u>560.0</u>			

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TABLE VI

COMMODITY BREAKDOWN OF TOTAL EXPORTS AND IMPORTS
OF COMECON MEMBER COUNTRIES
(Percentages for 1950 and 1958)

	Exports		Imports	
	1950	1958	1950	1958
<u>BULGARIA</u>				
Machinery and equipment	0	9.2	37	38.9
Fuel and raw materials)	45.4	55	54.4
Food products, processed and unprocessed) 98) 45.4	1) 6.7
Manufactured consumer goods	2)	7)
<u>CZECHOSLOVAKIA</u>				
Machinery and equipment	26.5	43.4	11.2	18.7
Fuel and raw materials	35.5	31.1	61.0	54.7
Food products, processed and unprocessed	12.7	7.1	25.2	23.2
Manufactured consumer goods	25.3	18.4	2.6	3.4
<u>SOVIET-OCCUPIED ZONE OF GERMANY</u>				
Mechanical engineering products	31.8	52	8.1	12
Other manufactured goods	13.8	12	10.8	15
Raw and semi-finished materials	47.5	32	49.6	45
Food products	6.9	4	31.5	28
<u>HUNGARY</u>				
Machinery and equipment	22.5	36.0	20.8	11.6
Fuel and raw materials	18.4	30.0	72.1	74.8
Food products, processed and unprocessed	39.3	16.1	3.6	9.3
Manufactured consumer goods	19.8	17.9	3.5	4.3
<u>POLAND</u>				
Machinery and equipment	11.6	26.9	32.0	26.1
Fuel and raw materials	-	50.8	-	53.9
Food products, processed and unprocessed	24.1	16.8	11.2	11.4
Manufactured consumer goods	-	5.5	-	8.3

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	Exports		Imports	
	1950	1958	1950	1958
<u>RUMANIA</u>				
Machinery and equipment	4.3	12.5	37.1	15.0
Miscellaneous	95.7	87.5	62.9	85.0
<u>USSR</u>				
Machinery and equipment	11.8	14.9	21.6	23.9
Fuel and raw materials	-	51.9	-	45.8
Food products, processed and unprocessed	-	18.0	-	14.1
Manufactured consumer goods	-	3.2	-	11.3
Miscellaneous	-	12.0	-	4.9

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