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REFORM AND ECONOMIC EVOLUTION IN
EASTERN EUROPE AND EAST-WEST TRADE

Report by

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ENGLISH EDITION

1. The purpose of this paper (1) is to serve as a basis and framework for a discussion on a topic which increasingly tends to become a matter of economic and political interest both for capitalist and for socialist countries. In presenting his views the writer did not wish to engage in a discussion on terminology in order to determine the extent to which the term East-West trade represents a synonym for trade between capitalist and socialist countries; it is understood that the first group includes the western European countries, USA, Canada, Japan, Australia, New Zealand, while the second group includes all the socialist countries.
2. The problem of determining to what group a given country belongs is of some importance as far as socialist countries are concerned. In some of the theses presented the term East designs all socialist countries while in some other cases it refers to the basic segment of East-West trade, which is going on on the European continent. Finally, in some cases Yugoslavia is considered as belonging to the East, while in other cases she is considered as a country "sui generis".
3. At the present juncture the evolution of eastern European economies is characterized by the endeavours to change over from a rigid system of centralized planning in all the sectors of the economy, including external trade, to a more flexible system of management and planning.
4. In all the countries concerned the programmes of new measures intended to improve the system of management and planning are termed as "economic reform" and this term may have a somewhat different meaning in each country, as far as nuances are concerned, but, in the essence it has the same significance insofar as it serves to designate the same tendency, which consists in allocating major decision power to enterprises engaged in production, at different levels, thus strengthening the decentralization process.
5. The causes of changes introduced in the wake of the economic reform may be either internal or external.

Since the mid-forties, with a few exceptions, /USSR, Czechoslovakia/, socialist countries went through important structural changes, from an agrarian to an industrial economy, and some of these countries - the GDR and Czechoslovakia - have attained a high level of economic development.
6. During this period of time, shift in the economic structure were of a quite substantial character, so that some countries have achieved a major technological advance, without losing their character of important suppliers of agricultural

products and raw materials. So far, structural changes in socialist economies have not been adequately reflected in the pattern of East-West trade, both for political and for economic reasons /ranging from embargo provisions and insufficient knowledge of conditions prevailing on various markets, to autarchic conceptions which have influenced the socialist countries in shaping their attitude towards economic cooperation with foreign countries/.

7. Along with the strengthening of the industrial structure in eastern European countries, there are signs of a growing knowledge in these countries that higher prosperity requires a superior degree of economic cooperation not only with the developing and the socialist countries, but also with the developed industrial countries of Western Europe. From the viewpoint of technological advance and possibilities to secure outlets, there is no reason to believe that in East-West relations one should not expect the confirmation of the general tendency in world trade, namely that the developed countries increasingly tend to constitute the market of each other, and that the complementarity of their economies is not so much determined by natural and geographical factors, but rather by the advantages resulting from the use of large scale production methods.
8. The speed and intensity with which trade between Eastern and Western countries is likely to grow is determined, in a very large measure, by the role played by external factors in the formation of the gross national product in individual countries. If we view the things from this standpoint, it is legitimate to anticipate that Czechoslovakia, Hungary, Eastern Germany and Poland are likely to favour policies intended to open their economy towards the world economy, although in each case economic parameters are modified by considerations of a political character. In any case, countries whose further economic growth is likely to depend on their capability to find outlets for their products on western markets /Yugoslavia and Czechoslovakia/ - although it is possible to advance particular arguments in each case - will be the protagonists of new methods of cooperation.
9. Tendencies towards furthering import liberalisation in eastern European countries will largely be determined by the possibilities of the latter to find outlets in western countries, not only for their traditional exports but also for exports of their new industrial products.
10. Up to now, the integration of eastern European COMECON countries into the international pattern of division of labour was rather slow. Since 1962 the share of COMECON countries in world trade is stagnating, although there was a remarkable upswing of world exports during this period. The same development

has been observed in the evolution of the COMECON countries' imports.

11. Changes in the economic system of socialist countries are inevitably reflected in the domain of their economic relations with abroad. This can be observed in two fields:
 - a/ In COMECON countries' mutual relations
 - b/ In their relations with the outside world, and, first of all, with developed industrial countries, usually called East-West trade.
12. At an earlier stage the intensive growth of socialist economies /high growth rates, speedy changes in the economic structure/ has been rendered possible by the system of centralized planning in the economy and other domains of social life. During the last years growth has achieved proportions where it enters into conflict with the existing economic system.
13. Under such conditions measures were enacted, called economic reform, which in actual fact involve the introduction of a market economy in socialist countries, and permit a much more free interplay of economic laws.
14. The forms of this "freeing of the economy" differ among them and their intensity depends on the kind of relationship which has been established between planning and the free action of market laws. Differences range between two extreme limits as regards the functioning of market laws, the lower limit being the P.R. of China, and the upper limit being Yugoslavia.
15. The impact of the economic reform on economic relations with foreign countries, is reflected in the degree of pressure to which the state monopoly of foreign trade is subjected in socialist countries. As a consequence of this State monopoly has weakened in all these countries, except the USSR, although in most socialist countries it still remains predominant.
16. Although State monopoly of foreign trade has played a positive role at the epoch of intensive industrialization of these countries, today, when some of them already possess a developed industrial structure, and the productive forces in their economy have gained some strength, it tends to become a kind of brake, at that moment it has to be the integral part of an already complex economic structure, and rather performs the function of an insulator sheltering the economy of individual socialist countries from the impact of external economic forces. Foreign trade monopoly has performed this function both in relations with capitalist and socialist countries.

17. In order to eliminate these adverse effects of State monopoly, the socialist countries have imagined to make a supra-national organization of COMECON, planning within the limits of a super plan and acting as an economic coordinator of national economic plans. Due to differences in the level of economic development and labour productivity, in the development of infrastructure, to the existing disproportions between individual socialist economies, and between them and the USSR, and to a series of extra-economic factors, it has been impossible to assign the role of a direct organizer and coordinator to the COMECON. The principle of specialization and cooperation the planning mechanism had to apply in assigning a special role to each national economy has been abandoned, while coordination continues to play an important role in the basic sectors of the economy and in the infrastructure, at the level of the entire region /power generation, raw materials, transportation/.
18. It has been found that within the framework of COMECON the main difficulties stem from bilateralism, absence of convertibility and of uniform criteria concerning labour productivity and costs. The efforts to find out what should be the proper level of own prices have been fruitless, and so far it has not been possible to find a proper solution enabling to secure equal gains to all partners in mutual trade through an appropriate system of prices.
19. In this way, all the open or hidden imperfections of the world market, have come to the fore within the framework of COMECON, albeit in a modified and somewhat mitigated form, but, at the same time, certain criteria of the world market have been lost. In other words, the application of economic criteria, valid for the world market, to the mutual trade of COMECON countries has become a condition sine qua non for the further development of their economies. The discarding of fictitious exchange rates, import quotas of the system of clearing in mutual payments has become indispensable, if we desire to promote the further development of trade between the socialist countries themselves.
20. We must bear in mind all these facts in speaking of the impact of economic reforms that are being carried out in socialist countries on the evolution of East-West trade. Namely, prior to the introduction of economic reforms in socialist countries, the entire complex of external trade was a matter of third class importance in establishing economic priorities, but today, this sector tends to have a higher specific weight in the elaboration of policies intended to promote the introduction of market mechanism and the free interplay of economic forces. Within this framework, the external trade sector of the socialist economies, which also includes East-West trade, increasingly tends to become more important, and is no more considered as a necessary evil and as a simple means of procuring resources for the service of

debts contracted abroad for the payment of goods or other payments. Just to the contrary, external trade as a whole, and more particularly East-West trade, may serve as an important economic corrective in the further evolution of each socialist country, and of their external economic relations, both inside and outside COMECON.

21. After several decades, the rational core of the comparative costs theory begins to find application in practical economic policy measures, rather than in the economic theory of socialist countries.

A similar evolution has been rendered possible through major changes which have taken place in the process of intensive economic development in socialist countries.

22. A most characteristic fact is that the analysis of foreign trade data pertinently shows that despite all the changes in socialist countries' production pattern, the commodity pattern of their foreign trade has remained almost the same as it used to be before World War II. The commodity composition of East-West trade has not developed according to a pattern usual among industrially developed countries, but has remained the same as in relations between developed and underdeveloped countries, the socialist countries having remained suppliers of mineral and other primary products. Some time will be needed to bring about the necessary adjustment between the production and the trade structure (2).

23. Even in the absence of major changes in the composition of trade, the six eastern European countries /Bulgaria, Czechoslovakia, Hungary, Poland, the German Democratic Republic and Rumania/ have succeeded to double the value of their trade with western countries between 1958 and 1967, up to the annual amount of 6 billion.

The countries show a manifest willingness to increase the value of their trade with western European countries, and in their efforts to achieve this end they enjoy the support of business circles in Western Germany, Great Britain, France, Italy, and lately also in Japan.

The overall trade of eastern European countries with the USA has attained the value of 285 millions in 1966, which is a mere 0.5 percent of the global value of US trade. This percentage is below the prewar share of these countries in US trade, and below the value of Swedish trade with these countries.

The business circles in USA are increasingly becoming aware of the fact that the USA loses much in not being present on eastern European markets. President Johnson has made some instances in this direction, in endeavouring to abolish some res-

trictions in US trade with eastern European countries. The potentially most important step in this direction is the Draft Law on East-West trade. According to this Draft the USSR and the eastern European countries were to be placed on an equal footing in their trade with the USA as other trade partners of the USA, but the entire action found a premature end because the legislative work of the 86 Congress was terminated, and legislative action was not resumed afterwards.

24. Another question of some importance for East-West trade is the question of credits, western countries should extend to Eastern European countries. In this respect there are some important differences between western European countries and the USA. While the first group of countries extend export credits for periods longer than five years, the USA does not go beyond that term. If we bear in mind the enormous absorptive capacity of eastern European markets, very serious arguments can be advanced in favour of the thesis that the USA and western European countries should go much farther in extending export credits. These credits can be considered as safe, and the need for servicing these debts will induce the socialist countries to make additional efforts in order to earn convertible currency. To illustrate this state of affairs we may draw a comparison between Yugoslavia and other eastern European countries as trade partners of western European countries. Yugoslavia purchases much more from western countries than all other eastern European countries taken together.

In any case some time will be needed to achieve some conspicuous progress in this field. Even some policy changes more particularly on the part of the USA, and the willingness of eastern European countries to open their economies would not automatically bring about an increase in trade.

25. If the most essential feature of economic reforms is the development of socialist market economies - and this is the road Yugoslavia took in the early fifties - it is difficult to explain the lack of support and of understanding in the west for policies aiming to increase competition in the East, coupled with the introduction of a free system of prices and a free market, as well as the development of autonomous decision making instances in the economy of eastern European countries, first of all at the level of enterprises.
26. The very reason which compels these countries to take an orientation towards market economy can be sought in the intensive development of their economy, and in the increasing need to expand their foreign trade both in finding outlets for the goods they produce and in increasing their capability to make purchases abroad.

Foreign trade is indispensable to these countries also as a parameter of internal criteria of economic activity.

Such an orientation of foreign trade which is based on intra-trade among socialist countries (60 percent of their global trade, 40 percent thereof with the USSR) does not permit a clear insight into real price relationships, as measured by world standards, and necessarily imposes regional criteria, valid for a region with lower productivity levels.

27. The creation of a "world socialist market" had some positive consequences, up to a certain limit, because this is a market, and also contributed to show the advantages and imperfections of trade. On this basis there is an increasing need to broaden the market concept, so that it may also include countries which do not possess the same socio-economic system.

28. A proof for the vitality of trade flows in the world is furnished by the example of East-West trade which, inspite of all barriers and obstacles of an extra-economic character, constantly expanded (although it was hindered by embargo provisions on the one hand, and the system of centralised planning, distinguished by autarchy conceptions, on the other).

Despite the pursuance of embargo policies by western countries, under the auspices of USA, and of various other restrictions, these policies have not done so much harm to the economies of socialist countries as was generally believed. In the wake of very intensive industrialization policies in the early years after the Second World War, the traditional export surpluses of eastern European countries have rapidly vanished, and they had no new surpluses available for exports, or, if there were some new surpluses they were hardly accepted by the market.

Besides the existence of a State monopoly of foreign trade in eastern European countries and the Soviet Union, foreign trade enterprises were acting as organs of ministries. As a consequence of this trade transactions were concluded on a bilateral basis, with some features reminding of barter. In the absence of convertible currents, bilateralism, commodity lists with the indication of goods to be traded, and the fixing of quantities and prices, all these practices have contributed to reveal the advantages of multilateralism.

29. In view of the tremendous role played by the State, and the multiplicity of forms of intervention, trade with socialist countries has some positive sides for the west. One of these is the sanctity of contractual obligations; there are no difficulties to recover the amounts credited to socialist enterprises and there is no example that one of them has gone bankrupt, and that a delivery has not been paid.

Owing to the lack of hard currencies there is a fre-

quent recourse to "parallel trade" (Hungary and Poland have often recourse to that form of trade). The partners from capitalist countries are paid in deliveries of goods which can be sold for hard currencies. Agents engaged by the firm who help to sell these goods receive 2 percent, and are obliged to sell with a rebate, so that the selling costs amount to 5 percent, in the case of equipment and to 25 percent in the case of consumer goods. Regardless of the way these losses are divided among the original partners of the deal, from East and West, this model shows to what extent lack of hard currency may render trade more expensive, or to what extent parallel trade is an expensive substitute for convertible currency.

A second way of trading, are the so-called "switch operations", which can even be more expensive, because three or more countries participate in them. This is shown by the following example: Great Britain wants to deal with Hungary in selling machines, but Hungary has neither hard currency nor adequate goods for the British market. Instead of that she has a surplus in trade with a third country. In that case the agent sells the products of the third country on the British market for sterling and pays the British supplier of machines. In similar cases of switch operations the goods of the third country are sold at an even greater loss.

30. Now let us consider the impact of economic reforms in eastern European countries on their foreign trade. It is possible to formulate a thesis according to which the development of foreign trade is directly proportionate to the tempo of economic reform, or if we put the things otherwise, the development of foreign trade is a function of the success of economic reform.

The introduction of a higher measure of economic efficiency in the economic system of socialist countries produces determined consequences in the sector of economic relations with abroad.

Once profit earning has become a recognized principle of the socio-economic system, it influences all the sectors of the economy, and also the sector of economic relations with foreign countries. In other words, one of the main criteria influencing the evolution of trade - competitiveness on the world market, begins to shape the entire economy of a socialist country.

The link which existed before between the producing enterprises and foreign trade enterprises has been artificially interrupted, so that the producing enterprise used to sell its goods to the foreign trade enterprises at the internal wholesale price. The foreign trade enterprise sold these goods at prices quoted at the world market. As a consequence of this economic criteria were distorted, inflicting harm to both partners, or it was impossible to find out proper criteria.

The implementation of economic reform in socialist countries is characterized by the endeavours to establish the best possible relationships between producing and foreign trade enterprises.

31. In this respect much can be expected from the economic reform in Czechoslovakia, given the fact that in this case we have to deal with a very developed country, distinguished by a high degree of specialization in production.

One of the innovations brought by the economic reform in Czechoslovakia is the granting of adequate prices to the producer, while the trading enterprise charges only a commission. A steadily increasing number of producing enterprises maintains direct contacts with foreign customers. One of the objectives of economic reform is the specialization of enterprises, which is rendered necessary through the fact that the Czechoslovak machine building industry manufactures such a great assortment of products that it cannot prevail itself of the advantages of an economy of scale. The introduction of a retention quota, and the corresponding diminution of the role played by the central exchange fund, also entails a gradual freeing of the economy from direct State controls.

Similar tendencies have been recorded in Poland where so large enterprises maintain direct contacts with foreign customers, as well as in the German Democratic Republic. In Hungary all enterprises will be permitted to treat themselves their foreign trade transactions. The slowest tempo in the emancipation of enterprises is registered in Bulgaria.

32. Compared with these tendencies in eastern European countries the evolution in the USSR offers a contrasting picture. This is probably determined by the historical evolution of the Soviet economic system, as well as by certain objective factors, such as the dimensions of the Soviet market, the huge production capacities, and the fact that the Soviet Union is virtually a self-sufficient country. Under similar conditions foreign trade, although an integral part of the economy, is a merely complement, both from the quantitative and the qualitative viewpoint, and not an important stimulator contributing to assure the normal functioning of the national economy.

If the implementation of the economic reform entails an increasing independence of enterprises, and the adoption of market criteria, one is entitled to expect a higher liberalisation of economic relations with abroad, first of all in the domain of trade. In view of the fact that the eastern European socialist countries are much more dependent on the foreign market than the Soviet economy, this component of the economic reform will gain more importance in Eastern European countries than in the Soviet Union.

There is much ground for expectations that the socialist countries will be more interested for the membership in international organizations, of which only some of them are members, namely GATT, IMF and IBRD. In the case number of these countries accede to membership, the structure of these organizations will experience some qualitative changes, and, despite the limited importance of these new members, their influence on the shaping of policies of these organizations will be felt (regardless of the fact that in some of these organizations the respective share in the social capital confers some influence).

33. A practical consequence of these developments will be a decreased volume of trade between the eastern European countries themselves, and particularly between them and the Soviet Union, accompanied by a corresponding increase of their trade with western European countries.

From this viewpoint the process of economic integration in Western Europe, and the degree in which their economies are still open towards the outside world, viz. the intensity of their protectionist policies, can play an important role in stimulating or destimulating the effects of economic reform on the foreign trade of Eastern European countries.

In view of the fact that the major part of East-West trade is in Europe, tendencies toward a fuller regional integration will undoubtedly exert an adverse influence on this trade. In view of the general policies tending to stimulate intra-regional trade, trade within the EEC, EFTA and COMECON area is likely to grow, while trade with outside countries will decrease.

34. In judging the importance of these developments, Yugoslavia's own experience can serve as an interesting parameter, which must be taken into account either overtly or tacitly. In view of the fact that, thanks to the well known developments (tradition, economic blockade on the part of socialist countries during the 1948-1953) Yugoslavia had some better possibilities to develop her relations with the capitalist countries, than any other socialist country, the utilization of this parameter seems indicated. Both in bilateral and multilateral relations Yugoslavia had better opportunities to acquire the knowledge of the economy of developed industrial countries. Hence, the difficulties encountered by Yugoslav exports, first of all of farm products, into the EEC area, despite the fact that Yugoslavia has been the main supplier of certain important items (beef) and, despite the fact that, in order to assure a normal functioning of the debt service, she is bound to further her exports into the EEC area, gives this country the character of a pioneer in promoting relations between socialist and western European countries, viz. other developed countries. Considered from this angle, any difficulties created by discriminatory measures affecting Yugoslav exports to western markets, is likely to provide

an argument against a further opening of eastern European markets vis-à-vis the West and against a further expansion of their cooperation with the western world. In other words, this is likely to strengthen the position of people advocating autarchy, and willing to promote cooperation on an intraregional bloc oriented basis.

35. Certain difficulties stemming from the fact that the problem of prices has not been solved in a way that would satisfy all the members of COMECON (in view of the visible resistance of the USSR to serve as a raw material and food supplier to eastern European countries, who, on their part, would remain the main suppliers of manufactures to the Soviet Union), will undoubtedly exert a certain influence on the orientation of eastern European countries who will be induced to procure major quantities of synthetic material in western countries, and natural raw materials in underdeveloped countries. The arguments advanced by the Soviet Union concerning increased marginal costs of their primary production, accompanied by an invitation addressed to the main buyers of Soviet raw materials to invest their resources into facilities for the expansion of the raw materials production in the Soviet Union (petroleum and minerals), regardless of certain arrangements which are under way, are likely to stimulate calculations in eastern European countries showing the advantages of procuring these goods on other markets, without engaging in long-term investments.

36. A specific form of economic cooperation which in the future may stimulate trade are joint ventures formed by independent enterprises in a socialist country and firms from capitalist countries. In Yugoslavia this form of cooperation is still in an embryonic stage. It constitutes an important innovation in relation to already practised methods of cooperation, such as license contracts, erection of assembly plants for foreign made equipment, etc.

The purpose of this form is cooperation on the basis of agreements on industrial-technical cooperation is to stimulate the joining of capital equipment and know-how on the one hand, and of relatively cheap manpower in eastern European countries, on the other hand (3). The USA are heading the list of capitalist countries (4).

Joint venture contracts offer substantial advantages to both partners: the eastern European partner obtains long-term capital, know how, a feeling for the western markets and an access to them. The western partner obtains the possibility to earn higher profits than he could obtain in other ventures, royalties, a knowledge of the east-European technology and contacts with these markets.

37. Today it is still difficult to assess in an objective

and realistic way the capabilities of the economies, both in east and in west to engage in cooperation ventures. First of all we must consider the absorptive capacities of socialist countries for equipment originating from western European countries, the USA and Japan. But, one may find in the West realistic estimates of the possibilities for the East to become a substantial supplier not only of raw materials and manpower, but also of manufactures.

For the time being, the tempo in which trade is going to expand is less important, than the adoption policies oriented to promote a similar expansion, and measures which would stimulate an evolution in this direction. Both the comparative costs theory and the theory on reciprocal trade, which increasingly tend to become more relevant in the case of trade between countries possessing a similar production structure, show the necessity of trade flows between East and West and the usefulness of these flows. If we consider that East-West trade tends more and more to become trade between industrialized countries, there is no reason why certain basic principles of the foreign trade theory (advantages of specialization, comparative costs theory, reciprocal trade principle) should not be applied in this trade and should not give adequate results.

N O T E S

- 1) - In preparing this paper, the writer made the necessary efforts to become acquainted with all the literature on the subject treated, published either in East or in West, and has consulted numerous economists in the USSR, Hungary, Czechoslovakia and Yugoslavia. Of particular importance are the consultations he had on this subject with some officials of the Economic Commission for Europe, in Geneva; namely with Mr. Rados Stamenkovic, Chief of the Section for Planned Economies, with Mr. Rune Hellberg, Chief of the Section for External Trade, as well as with Dr. Radovan Jaukovic, economic affairs officer. Without their assistance the paper would have more shortcomings. It goes without saying that the writer assumes full responsibility for the imprecisions or for contentions which can hardly bear any criticism.

In view of the volume of the paper, the time the writer had at his disposal, and the character of this consultation, the statistical documentation relating to the matter is not included in text, but has been presented in the Annex.

- 2) - Thus, for example, in the composition of Yugoslav exports to the USA, the traditional items such as plum brandy/ slivovitz/ have remained for a long time the exclusive exports items, the entire value of export trade amounting to 29 million dollars in 1958. Since then, in the mid-sixties, the value of Yugoslav export to the United States has trebled and the assortment of goods considerably broadened so as to include numerous manufactures, such as footwear, ready made clothes, ski shoes, leather fancy goods, furniture, pharmaceutical products, aluminium, copper in bars, etc.
- 3) - The most typical case is the arrangement between the "GRUNDIG" firm from Western Germany and the Polish "UNIVERSAL" firm. The latter manufactures tape recorders for "GRUNDIG" which are being sold on western markets. Poland is the country which has concluded the largest number of similar agreements, a fact which can be attributed to the abundance of manpower in this country. On the western side, the Federal Republic of Germany is the leading country in these arrangements, and the leading firm is Krupp which pursues aggressive policies as a competitor on foreign markets and as a provider of credits.
- 4) - One of the most known ventures with American participation is that concluded between the Simmons Machine Tool Corporation of Albany, New York, and the SKODA enterprise of Czechoslovakia.

ANNEX OF SELECTED STATISTICS

ANNESI STATISTICI

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L. ADAMOVIC

(in English)

(IAI - 2152/5)

Six eastern Euro-
pean countries
and the Soviet
Union

Exports	21,139	8.1	7.0	6.2
Imports	20,547	7.5	5.5	4.8

SOURCES: National statistics, plans and various press reports.

a) 1965

b) First quarter

According to: Economic Bulletin for Europe, Vol. 19, No 1, p. 25,
United Nations

Table 1 -- Foreign trade (f.o.b.) of the socialist countries 1955, 1960, 1965

Year or Period Destination or Origin	Million US dollars			Shares in %			Growth in percent	
	1955	1960	1965	1955	1960	1965	1955/ 1960	1960/ 1965
Exports to:								
Socialist countries	6,950	10,820	13,760	74	72	63	56	27
Developed market economy countries	1,680	2,620	4,200	18	17	19	56	60
Developing countries ^a	650	1,430	3,390	7	10	16	120	137
	9,430	15,020	21,710	100	100	100	59	45
Imports from:								
Socialist countries	6,950	10,820	13,760	78	72	65	56	27
Developed market economy countries	1,295	2,778	4,534	15	19	22	115	63
Developing countries ^a	610	1,402	2,796	7	9	13	130	99
	8,860	15,000	21,110	100	100	100	69	41

SOURCE: UNCTAD, General, TD/18, United Nations Monthly Bulletin of Statistics,
March 1961, 1966 and 1967. IMF Direction of Trade.

a Including Yugoslavia

Table 2 - Main flows in trade between socialist and developed market economy countries in 1966
(Millions of dollars f.o.b.)^a

Market economy countries	Socialist countries	All socialist countries	Socialist countries of Eastern Europe ^b			Socialist countries of Asia ^c	World
	Total		of which:				
			USSR	Other			
All developed market economy countries	1 ^d	5,292	4,202	1,526	2,676	1,090	140,157
	2 ^d	4,952	4,244	1,853	2,390	708	137,304
Western Europe	1	3,782	3,282	926	2,356	500	85,137
	2	4,082	3,723	1,553	2,170	363	89,634
North America	1	740	565	337	228	170	39,560
	2	253	231	62	169	21	33,670
Australia, New Zealand	1	185	90	48	42	93	4,180
	2	41	16	1	15	25	3,780
Japan	1	600	275	215	60	325	9,780
	2	580	280	240	40	300	7,970
World	1	22,050	19,700	7,640	12,060	2,350	203,200
	2	23,060	20,900	8,840	12,060	2,160	

Source: United Nations, Monthly Bulletin of Statistics, June 1967; OECD, Series A, April 1967.

a Not including trade between the Federal Republic of Germany and Eastern Germany; in 1966, deliveries from the Federal Republic of Germany were \$ 405 million, deliveries from Eastern Germany \$ 336 million.

b Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, Romania and the USSR.

c China (mainland), Mongolia, North Korea and North Viet-Nam.

d 1 = exports from areas in the left-hand column to areas in the upper row;

2 = exports from areas in the upper row to areas in the left-hand column.

According to: UNCTAD, TD/18, p. 27

Table 3 - Long-term trade agreements concluded since 1965 between selected developed market economy countries and socialist countries

	Bulgaria	Czechoslovakia	Eastern Germany	Hungary	Poland	Romania	USSR
Austria		1967-71		1968-72	1968-72	1966-70	1966-70
Benelux	1965-67			1967-69	1967-69		
Denmark	1966-70	1966-71			1966-70	1966-70	1965-69
Fed. Republic of Germany		1967-69			1966-69	1966-69	
Finland		1965-67	1966-68		1967-70	1967-70	1966-70
France	1966-69	1965-69		1966-69	1966-69	1965-69	1965-69
Italy	1966-69	1966-69	1966-69 ^a	1966-69	1965-69	1966-69	1966-69
Norway	1966-68			1967-69	1965-67		1965-67
Sweden	1967-71	1967-71		1966-70	1965-67	1967-71	1965-70
United Kingdom	1965-70						1965-69
Australia				1968-71		1967-71	
Canada	1967-70						1966-69
Japan	1967-71						1966-70

SOURCE: Press Reports.

a Chamber of Commerce Sgreement

According to: UNCTAD, TD/18, p. 39.

Table 4 - Trade of OECD Europe in manufactures (SITC 5 to 8)

	Percentages			
	Imports 1957-59 1964-66		Exports 1957-59 1964-66	
Shares in trade in manufactures held by:				
OECD Europe	73.2	74.7	44.8	59.2
Eastern Europe	2.5	2.2	3.0	3.3
North America	14.4	13.2	11.4	10.3
Rest of the world	9.9	9.9	40.8	27.2
Share of manufactures in total trade with:				
OECD Europe	63.5	71.3	65.1	72.5
Eastern Europe	30.4	32.8	72.2	74.8
North America	39.9	51.5	80.7	82.7
Rest of the world	11.3	19.6	84.3	85.2
World	40.5	53.3	73.8	76.6

SOURCE: Pre-Publication Text of the Economic Survey of Europe in 1967, pp. 132-133.

Table 5 -- Western Europe's trade in manufactures with eastern Europe

Area of destination for imports and origin for exports	Imports			Exports		
	1957-1959 (\$ million)	1964-1966 (\$ million)	% increase	1957-1959 (\$ million)	1964-1966 (\$ million)	% increase
Industrialized countries	455	964	112	1067	2206	107
Non-industrialized countries	194	444	129	78	312	300
Total western Europe	649	1408	117	1145	2518	120

Source: Pre-Publication Text of the Economic Survey of Europe in 1967, p. 134.

Table 6 - Growth of foreign trade and national income in the eastern European countries and the Soviet Union in the 1961-1966 period and the 1967 Plans

Values in millions of current dollars and percentage increase
in value from previous year

Country	in 1966	Percentage increase			1967 First half
		Average 1961-66	1965	1966	1967 Plan
Albania					
Exports	63 ^a		5	5	..
Imports	108 ^a		9.8	9 ^x	..
National income			-	9	10
Bulgaria					
Exports	1,315	14.7	20.0	11.8	13 ^b
Imports	1,473	17.2	10.9	25.1	5 ^b
National income			7.1	11.0	
Czechoslovakia					
Exports	2,745	6.1	4.4	2.1	4 ^x
Imports	2,736	6.2	10.0	2.4	-2 ^x
National income			3.7	7.0	
Eastern Germany					
Exports	3,187	7.1	3.9	4.9	7
Imports	3,155	7.2	5.6	14.3	6.4
National income			4.6	4.5	5
Hungary					
Exports	1,593	9.1	11.7	5.6	3-4 ^x
Imports	1,566	8.8	1.7	3.0	7-8 ^x
National income			1.1	8.4	3.5-4.0
Poland					
Exports	2,272	8.6	6.3	2.0	12.4
Imports	2,494	8.1	12.9	6.6	4.3
National income			7.0	6.0	3.4
Rumania					
Exports	1,186	8.4	10.1	7.7	20.0
Imports	1,213	8.3	-7.8	12.6	
National income	..		9.6	7.9	
Eastern European countries other than Albania					
Exports	12,298	8.2	7.4	4.7	..
Imports	12,637	8.4	6.6	9.4	..
Soviet Union					
Export	8,841	8.1	6.4	8.2	6
Imports	7,910	6.3	4.2	-1.9	
National income		6.7	7.2	7.5	6.6

Table 7 - The trade of five eastern European countries and the Soviet Union combined, by commodity groups, 1961 to 1966

Value in millions of current dollars, percentage increases from previous year and percentage shares

Group of countries	Exports f.o.b.							Imports f.o.b.						
	Value in 1966	Percentage increase				Percentage distribution		Value in 1966	Percentage increase				Percentage distribution	
		Average 1961-66	1964	1965	1966	1961	1966		Average 1961-66	1964	1965	1966	1961	1966
Five eastern European countries ^a and the Soviet Union														
I. Machinery and equipment	5,041	11.6	11.8	6.6	7.4	24.2	28.1	5,961	10.6	7.6	5.6	6.1	29.9	34.3
II. Fuels, raw materials and semi-finished products	8,818	7.7	12.5	6.4	4.4	50.6	49.2	7,03	5.0	8.1	8.3	1.3	45.6	40.4
III. Foodstuffs	2,417	4.8	-8.4	11.9	9.3	15.9	13.4	2,541	9.6	39.8	-0.1	-3.4	13.3	14.6
IV. Manufactured consumers' goods	1,676	8.4	4.5	10.9	10.6	9.3	9.3	1,857	6.8	-6.1	3.3	12.5	11.2	10.7
T o t a l	17,952	8.3	8.5	7.5	6.4	100.0	100.0	17,392	7.6	10.4	5.5	3.3	100.0	100.0
Five eastern European countries ^a														
I. Machinery and equipment	3,203	10.5	11.4	9.6	7.0	32.3	35.1	3,398	12.7	7.3	10.2	16.0	30.1	35.8
II. Fuels, raw materials and semi-finished products	2,841	6.7	12.9	5.7	1.5	34.0	31.2	4,544	7.0	15.4	6.7	4.3	51.9	47.8
III. Foodstuffs	1,604	8.0	13.5	10.2	5.2	18.0	17.6	991	4.6	10.7	-7.6	-1.2	12.7	10.5
IV. Manufactured consumers' goods	1,464	9.1	5.7	11.6	10.9	15.7	16.1	560	11.3	-1.0	25.1	10.2	5.3	5.9
T o t a l	9,111	8.6	11.4	8.8	4.7	100.0	100.0	9,482	8.8	11.1	6.9	7.9	100.0	100.0

Sources: National statistics.

According to: UN Economic Bulletin for Europe, Vol. 19, No 1, p. 28

a Bulgaria, Czechoslovakia, Hungary, Poland and Rumania.

Table 8 - The trade of eastern European countries and the Soviet Union combined, by main regions, 1961 to 1966
Value in millions of current dollars, percentage increases from previous years and percentage distribution

Groups of countries	Exports f.o.b.						Imports f.o.b.					
	Value in 1966	Percentage increase			Percentage distribution		Value in 1966	Percentage increase			Percentage distribution	
		Average 1961-66	1965	1966	1961	1966		Average 1961-66	1965	1966	1961	1966
Soviet Union and eastern European countries												
Soviet Union	4,595	8.0	4.2	-2.2	21.9	21.7	4,686	7.7	2.8	5.5	22.6	22.7
Other Eastern Europe	7,978	6.6	6.3	0.8	40.5	37.7	7,769	7.5	6.9	-1.4	37.9	37.7
Asian planned economies	727	-1.8	2.5	34.4	5.6	3.4	510	-10.8	-21.3	0.6	6.3	2.5
Western Europe	4,631	10.6	10.6	15.2	19.2	21.9	4,549	9.9	15.4	15.3	19.9	22.1
of which:												
EEC	2,007	9.8	12.4	11.9	8.8	6.4	2,034	8.5	10.7	19.0	9.5	9.9
Rest of the world	3,234	12.0	10.2	16.6	12.8	15.3	3,101	10.3	1.3	7.4	13.3	15.0
of which:												
Overseas developed countries	533	16.9	21.2	27.5	1.7	2.5	1,011	16.7	-28.0	13.8	3.2	4.9
Developing regions	2,701	11.1	8.5	14.7	11.1	12.8	2,090	7.8	23.6	4.5	10.1	10.1
T o t a l	21,165	8.1	7.1	6.1	100.0	100.0	20,615	7.6	5.6	4.9	100.0	100.0
Six eastern European countries												
Soviet Union	4,595	8.0	4.2	-2.2	37.6	37.3	4,686	7.7	2.8	5.5	38.1	36.9
Other eastern Europe	3,286	6.4	10.0	1.4	29.0	26.7	3,307	7.0	7.7	5.3	27.9	26.0
Asian planned economies	240	2.1	51.6	29.7	2.6	1.9	187	-0.5	3.8	14.7	2.3	1.5
Western Europe	2,936	10.8	10.6	12.1	21.1	23.8	3,251	11.7	16.5	18.9	22.0	25.6
of which: EEC	1,389	10.3	11.5	8.5	10.2	11.3	1,563	11.8	10.5	20.2	10.5	12.3
Rest of the world	1,267	9.4	3.9	21.7	9.7	10.3	1,274	9.1	0.3	13.1	9.7	10.0
of which: Overseas												
developed countries	232	18.1	21.0	26.1	1.2	1.9	323	4.0	-31.7	13.7	3.1	2.5
Developing regions	1,035	7.9	0.8	20.8	8.5	8.4	951	11.2	19.1	12.9	6.6	7.5
T o t a l ^a	12,324	8.1	7.4	4.4	100.0	100.0	12,705	8.4	6.6	9.4	100.0	100.0

Sources: National statistics.

According to: UN Economic Bulletin for Europe, Vol. 19, No. 1, p. 29.

a The total for eastern Germany includes commodities and services.

Table 9 - Trade balances of the eastern European countries and the Soviet Union with CMEA economies (A), western Europe (B), other developed countries^a (C) and developing countries (D)

Millions of current dollars

Country	1 9 6 2				1 9 6 3				1 9 6 4				1 9 6 5				1 9 6 6			
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D
Bulgaria	-26	5	-	9	84	-27	-	13	-29	-28	-24	-2	62	-57	-11	3	5	-115	-6	-43
Czechoslovakia	114	-19	-5	52	235	42	-13	58	78	48	-62	95	46	-5	-44	9	-8	-33	-14	63
Eastern Germany ^b	-25	-5	6	2	337	58	9	-8	282	8	-9	17	265	-8	-13	11	38	-90	-24	47
Hungary	-25	-33	-	5	-50	-23	-7	-5	-41	-38	-10	25	-28	-28	-25	13	61	-5	-15	-20
Poland	-197	37	-85	14	-196	49	-69	20	32	101	-118	20	-125	54	3	-37	-232	1	-2	-3
Rumania	-66	-70	-3	20	-62	-48	-2	5	-110	-66	-13	23	82	-71	-10	16	24	-73	-30	41
Six countries, Total	-225	-85	-87	102	180	51	-82	83	212	22	-264	143	355	-115	100	15	-112	-315	-91	85
Soviet Union	381	-67	-75	537	16	120	-272	497	49	192	-624	410	-59	188	-370	340	230	397	-387	527
Total	156	-152	-162	639	196	117	-354	580	261	214	-888	553	296	73	-470	355	118	82	-478	612

Sources: National Statistics

a Canada, United States, Japan and Australia

b Commodities and services

According to: UN Economic Bulletin for Europe, Vol. 19, No. 1, p. 30.

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