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DOCUMENT
AC/127-D/191(Revised)

COMMITTEE OF ECONOMIC ADVISERS

NATO COUNTRIES' TRADE WITH COMMUNIST COUNTRIES

Draft Report to the Council

The Committee has considered that it might be useful to bring up to date its earlier report(1) to the Council on NATO countries' trade with Communist countries. The present report covers the period 1960-64 and also highlights the most likely prospects for such trade.

2. For the five-year period 1960-64 the main features(2) of the development of trade between NATO countries and Communist countries seem to be as follows:

- (i) for NATO countries as a whole, East/West trade remains of limited importance: in 1964 it represented 3.3% of their total exports (the same percentage as in 1960) and only 3% of their imports (against 3.3% in 1960);
- (ii) some NATO countries(3) - Iceland, Greece and Turkey - depend to a significantly higher degree on East/West trade and this is also the case of certain industries in other member countries;
- (iii) the large sales of wheat to Communist countries by Canada (since 1961) and by the United States (in 1964) have greatly affected East/West trade; the share of North American countries in NATO countries' exports to Communist countries has significantly increased but the same trend has not occurred for imports and, as a result, there has been a large trade surplus in East/West trade in favour of North America. Exports of

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- (1) C-M(64)52
 - (2) A summary of the development of trade with Eastern Europe, the USSR and Communist China respectively is annexed. This development is also shown in the attached graphs and tables. [These tables can be found in document AC/127-D/191; they will be attached to the report submitted to the Council; for the sake of simplicity, it appeared unnecessary to reproduce them in the present document.]
 - (3) See Tables I and II.

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wheat by the latter have certainly contributed to keeping down European exports;

- (iv) the rate of growth of NATO countries' exports varies significantly between different Communist countries: for Communist China it has been less rapid than that of NATO countries' exports to the world as a whole, but, owing to the wheat sales, it has been more rapid in the case of Eastern Europe and the USSR.

3. For the future no spectacular expansion of trade with Communist countries is likely although the prospects may vary between one Communist country and another:

- (i) as a whole Eastern European countries(1), which are already the largest market for NATO countries within the framework of East/West trade, are also likely to offer the best possibility of expansion. The development of trade with these countries depends largely on the political will of their governments and partly on that of the West; it depends also on the possibility for Eastern Europe to produce and sell the kind of goods which are of interest to the West;
- (ii) in the case of the USSR it would seem that purchases of wheat in the West will continue though on a more moderate scale. It remains to be seen whether the reduction of such imports may permit European exports of manufactured goods to increase again;
- (iii) the fact that Communist China has now completed the repayment of her debts to the USSR should permit her to increase her imports; though to what extent such an increase will affect imports from the USSR, from the industrialised West or from third countries will be mainly determined by political considerations, by China's wheat requirements and by the possibilities of finding outlets for her exports. In any case expansion of trade with China is likely to remain modest compared to the world trade of NATO countries.

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- (1) For the purpose of the present paper, Eastern Europe comprises Poland, the Soviet-occupied Zone of Germany, Czechoslovakia, Hungary, Rumania, Albania and Bulgaria.

THE DEVELOPMENT OF NATO COUNTRIES' TRADE WITH
EASTERN EUROPE, THE USSR AND COMMUNIST CHINA

I. Eastern European countries

1. In 1964, the Eastern European countries accounted for about 58% of NATO countries' trade with the Communist countries as a whole. This share has risen only slightly since 1960. However, if NATO Europe alone is considered, there has been an increase; for exports, the percentage has risen from less than 53% in 1960 to more than 66% in 1964.

2. NATO Europe's exports to Eastern Europe, over the period 1960-64, as a whole, grew at about the same rate as their total exports. However, in 1964, there has been a tendency for the rise to be faster owing essentially to an expansion of exports from the Federal Republic of Germany and Italy. For most other NATO European countries, sales to Eastern Europe increased, on the contrary, at a rather lower rate than their total exports to the world. As regards NATO Europe's imports from Eastern Europe, their growth was slower than that of their total imports from the world.

3. As far as North America is concerned, the trade pattern with Eastern Europe has changed only as a result of the wheat sales of these countries. North American exports increased by 88% from 1960 to 1964. Most of the rise occurred in 1964 for which year these total North American exports to Eastern Europe reached a level 86% higher than in 1963. North American imports from this area expanded at a much slower pace with the result that there was a substantial trade surplus in favour of the United States and Canada.

II. The USSR

4. In 1964, the USSR accounted for about one-third of NATO countries' trade with Communist countries as a whole; during the period 1960-64 this share increased slightly for NATO countries' exports but this development is, in fact, the result of a sharp increase in the share of North America which has more than offset a decline in that of NATO Europe. For NATO countries' imports, the share of the USSR in the total for Communist countries declined slightly during the period 1960-64. This was true of imports by both NATO Europe and North America, although the drop was sharper in the case of the latter.

5. Between 1960 and 1964 NATO Europe's exports to the USSR diminished; in fact, there was a significant increase from 1960 to 1962, followed by a rather sharp decline - about 20% - between 1962 and 1964. NATO Europe's imports from the USSR expanded steadily from 1960 to 1963, but fell by about 4% in 1964; during this latter year they exceeded exports by \$300 million.

6. North America's exports to the USSR increased substantially in 1963 (mainly as a result of Canadian wheat sales) and in 1964 again (as a result of wheat sales by both Canada and the United States). The level in 1964 was more than nine times that in 1960 and more than two and a half times that of 1963. On the contrary, North America's imports from the USSR remained quite constant at their rather low level during the whole period 1960-64. Consequently, North America obtained, for the single year 1964, a trade surplus with the USSR of \$415 million.

III. Communist China

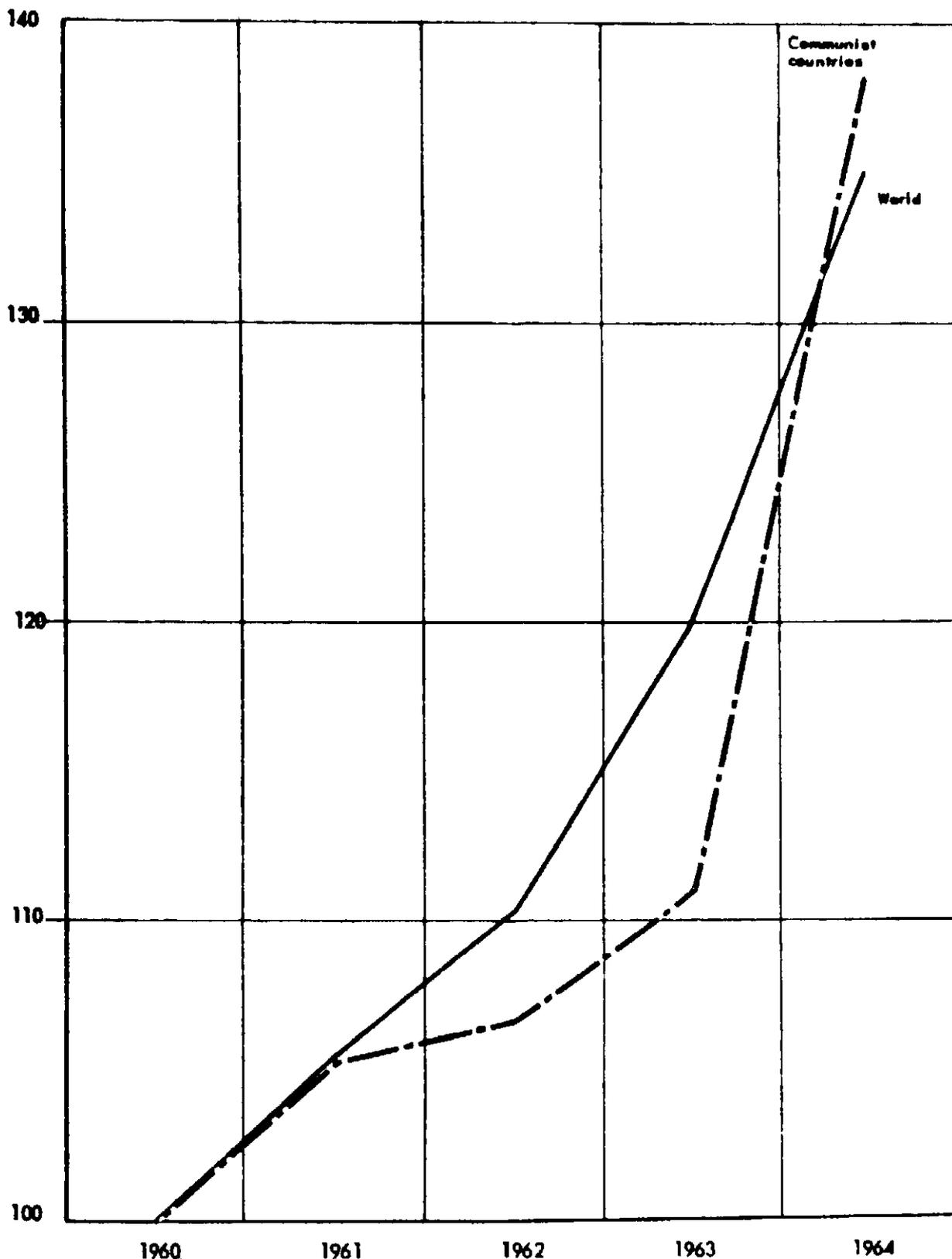
7. NATO countries' exports to Communist China, in 1960, represented 15% of their exports to Communist countries as a whole, but this figure fell to 9% in 1964. North America's exports to Communist China consist only of Canadian sales, as the United States has placed an embargo on trade with this country: they were hardly significant in 1960, but increased in 1961 owing to wheat sales and since then they have remained at about the same level. On the other hand, Canada's imports from Communist China have remained at a very low level. In the case of NATO Europe, there was a sharp drop of exports to Communist China in 1961 and, in spite of some recovery since then, the level of such exports in 1964 was still less than half that of 1960. NATO Europe's imports from Communist China did not fluctuate so widely; there was a decline from 1960 to 1962 which was followed by a rise in 1963 and even more so in 1964; however, during this latter year, the level of 1960 had not yet been regained. While North America had in 1964 a considerable trade surplus with Communist China, NATO Europe had a small trade deficit.

OTAN/NATO,
Paris, XVIe.

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THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1960-1964

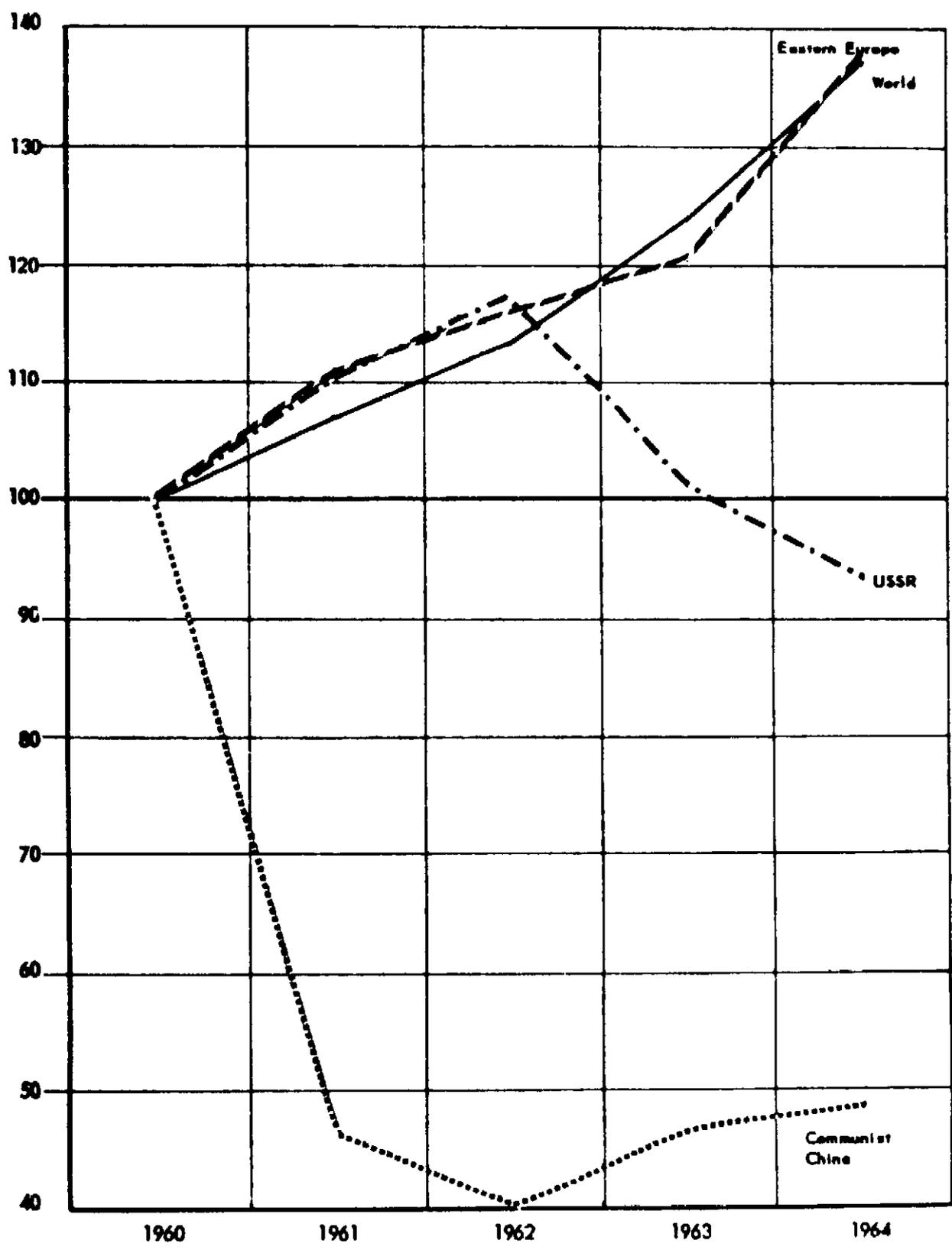
TOTAL NATO COUNTRIES' EXPORT 1960 = 100 (*)



*• The absolute values (million US \$) for 1964 would read as follows :
Communist Countries = 3,126 ; World = 93,712

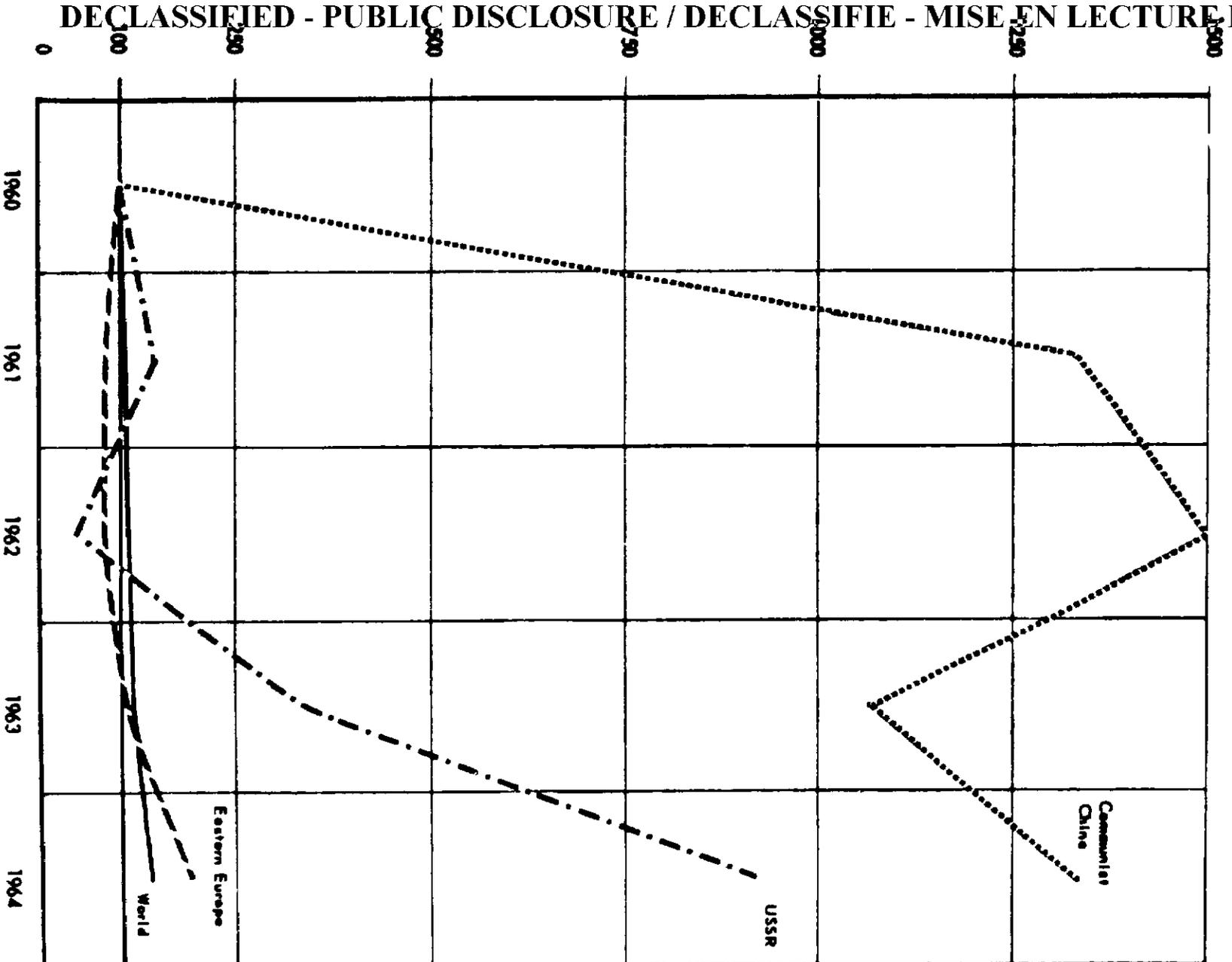
THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1960-1964

NATO EUROPE EXPORTS 1960 = 100 (*)



(*) The absolute values (million US \$) for 1964 would read as follows :
USSR = 584; Eastern Europe = 1,470; Communist China = 164; World = 59,927.

**THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1960-1964**
NATO NORTH AMERICA EXPORTS 1960 = 100 (*)

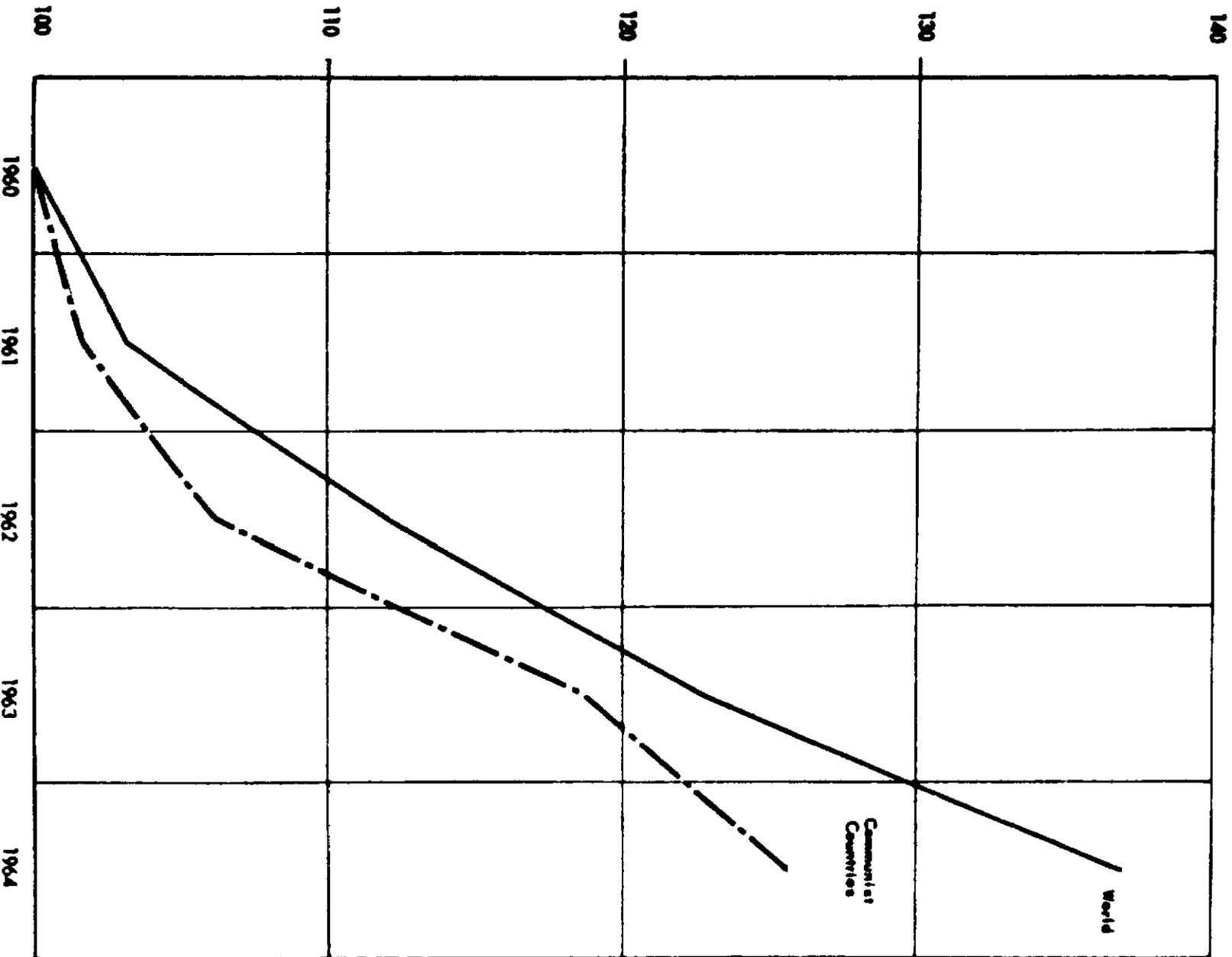


(*) The absolute values (million US \$) for 1964 would read as follows :
USSR = 439 ; Eastern Europe = 342 ; Communist China 126 ; World = 33,785.

B (1)

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THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1960-1964
TOTAL NATO COUNTRIES' IMPORTS 1960 = 100 (*)



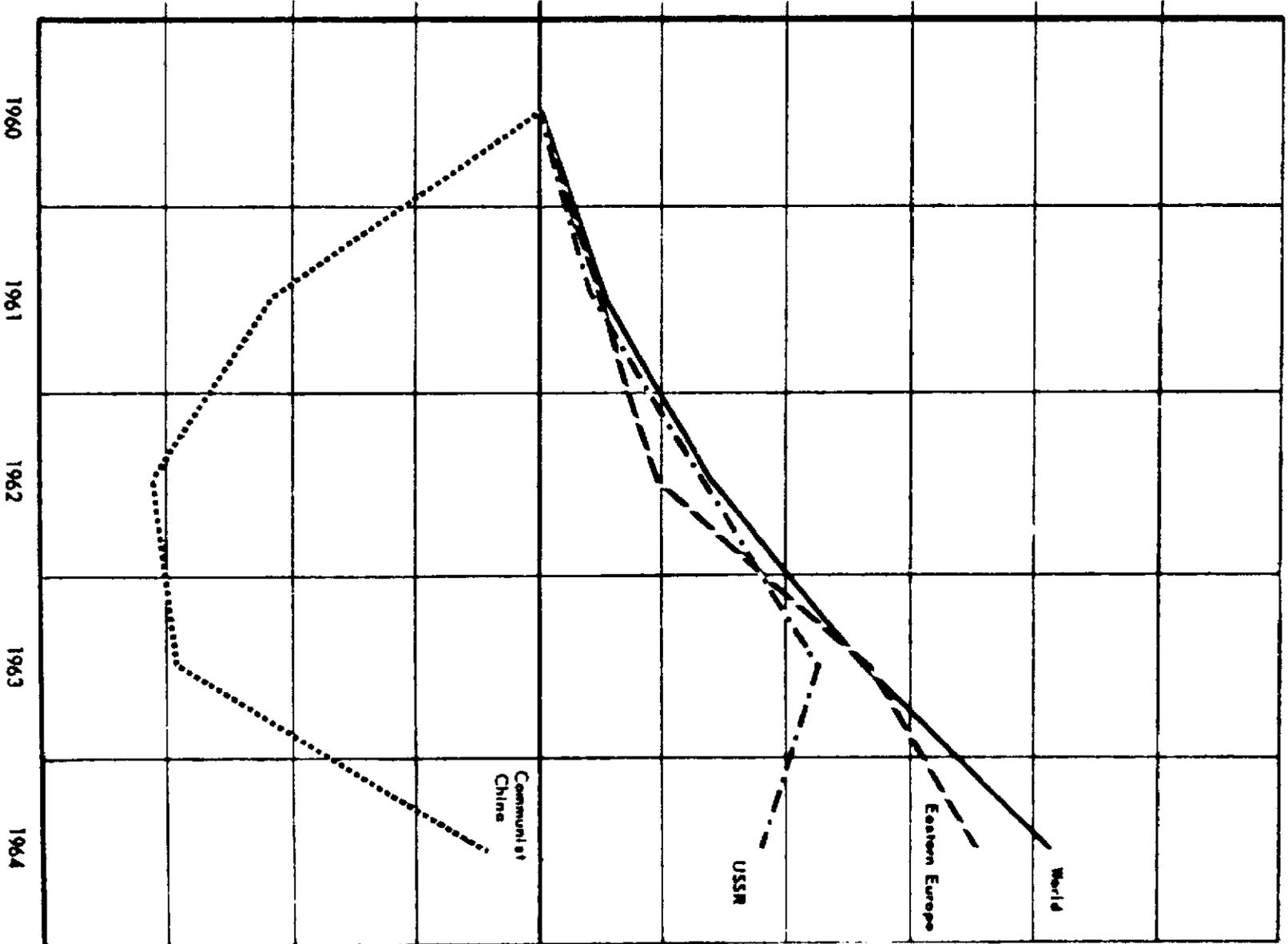
(*) The absolute values (million US \$) for 1964 would read as follows :
Communist Countries = 2,804; World = 93,156.

B (2)

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THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1960 = 1964

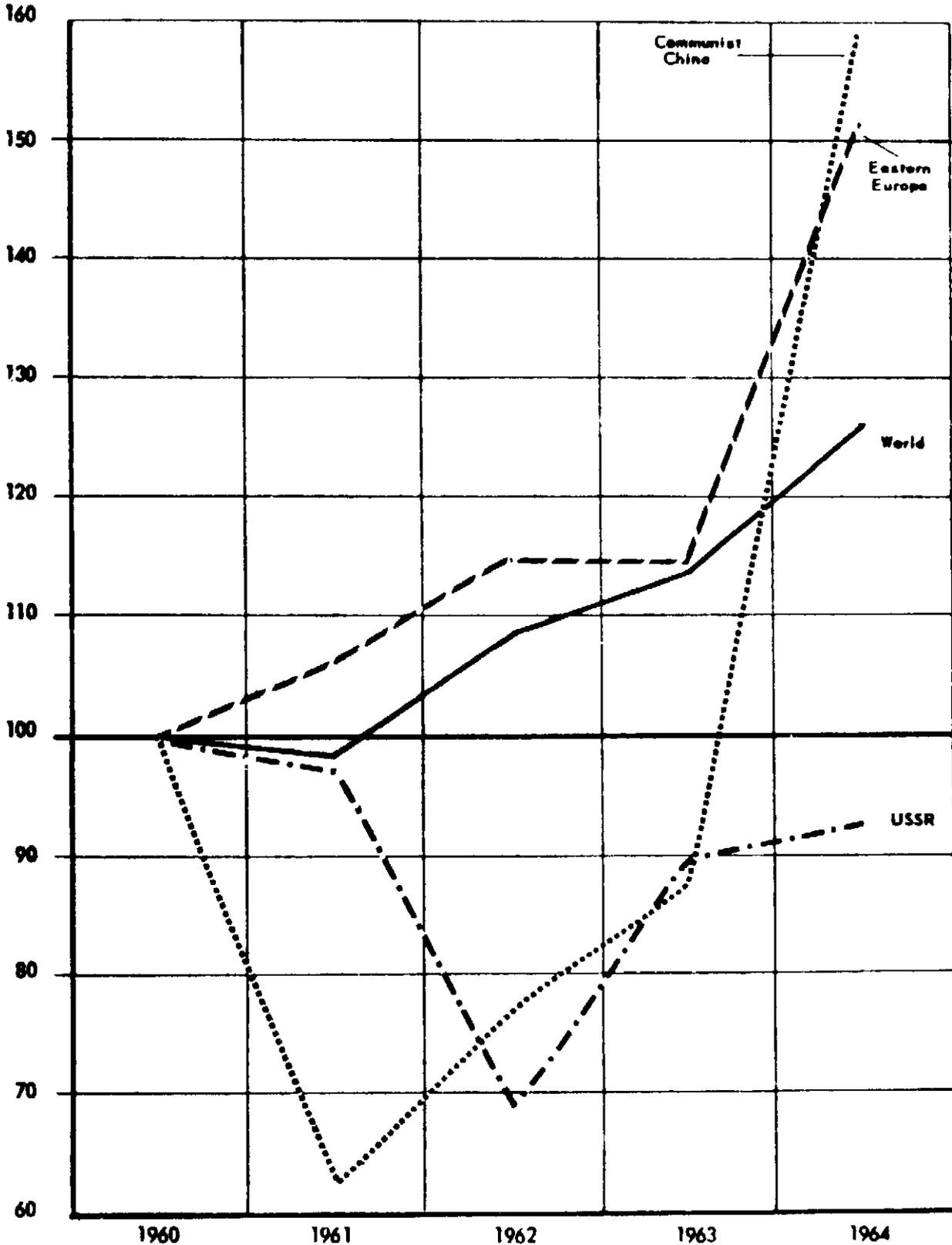
NATO EUROPE IMPORTS 1960 = 100 (%)



(*) The absolute values (million US \$) for 1964 would read as follows :
USSR = 895 ; Eastern Europe = 1,554 ; Communist China = 220 ; World = 2,670.

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1960-1964

NATO NORTH AMERICA IMPORTS 1960 = 100 (*)



(*) The absolute values (million US \$) for 1964 would read as follows
USSR = 24; Eastern Europe = 101; Communist China = 9; World = 25,652

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