

CONSEIL DE L'ATLANTIQUE NORD  
NORTH ATLANTIC COUNCIL

N A T O U N C L A S S I F I E D

ORIGINAL: ENGLISH  
1st April, 1975

CORRIGENDUM 2 to  
WORKING PAPER  
AC/127-WP/420

ECONOMIC COMMITTEE

Corrigendum 2 to Working Paper AC/127-WP/420  
dated 27th January, 1975

Note by the Secretary

The attached corrigenda (Summary and Prospects AC/127-WP/420, and Tables), are submitted for the approval of the Committee. It is proposed to send the amended version of this document, together with the original tables on NATO countries' trade with Communist countries in 1973 plus the two new tables for 1974 (estimates), to the Council...

Please note that the amended version will not, however, include any Annexes.

(Signed) M. van den BULCKE

NATO,  
1110 Brussels

N A T O U N C L A S S I F I E D

N A T O U N C L A S S I F I E D

ORIGINAL: ENGLISH  
1st April, 1975

CORRIGENDUM 2 to  
WORKING PAPER  
AC/127-WP/420

ECONOMIC COMMITTEE

Corrigendum 2 to Working Paper AC/127-WP/420  
dated 27th January, 1975

In accordance with the proposal made by the Chairman at the meeting of 13th March, the first part of Working Paper AC/127-WP/420 is revised in order to take account of developments in the 1974 trade of Alliance members with Communist countries. The most recent OECD statistics published in February 1975 give annual figures for some NATO countries' trade with Communist countries; for others data up to 10 or 11 months are given. The Secretariat, therefore, extrapolated an annual figure for some countries by using the average of available figures. The figures given here for 1974 may, thus, differ somewhat from the annual data which will be published later in the year.

Page 1 Alter heading to read "TRADE BETWEEN NATO MEMBER COUNTRIES IN 1973 AND 1974"

Line 3 of text: change to read: "a summary of the main features of NATO countries' trade with the Communist countries(2) in 1973 and an indication of likely developments in 1974 and prospects for 1975."

Page 2 Sub-heading (a): add words "of 1973 Trade" after "Main Features"

Paragraph 2, line 4: delete "share" and insert "part of total worldwide trade"

Page 3 Paragraph 5, line 3: after "exports" add "to Communist countries"

Paragraph 8, line 3: after "goods" insert word "which"

N A T O U N C L A S S I F I E D

CORRIGENDUM 2 to  
AC/127-WP/420

--2--

Page 4 Paragraphs 9 to 21: delete and replace by:

"Summary

9. In 1974 NATO countries' trade with Communist countries recorded a surplus of \$3.8 billion - a comparable surplus to that registered in 1973 (\$3.4 billion). However, the Alliance members' trade balance with the Soviet Union showed an insignificant deficit amounting to approximately \$85 million compared to the \$1,030 million surplus registered in 1973(1). On the other hand, the exports surplus with East European countries recorded a two-fold increase reaching roughly \$2.6 billion(2). The trade surplus with China rose 30% to \$1.3 billion(3).

10. The Alliance countries' exports to the Soviet Union, East European countries and China amounted approximately to \$4.7 billion, \$10.3 billion and \$2.3 billion respectively. There was a substantial variation in the growth rates of exports to different Communist markets; exports to East European countries grew most rapidly (+37%); exports to China increased by 29% while sales to the Soviet Union registered a 9% growth. Exports of the European NATO countries to the USSR however grew much faster - +44% - thus outpacing the 34% growth recorded in the industrialised areas worldwide exports(4). The volume growth in exports, however, may have been considerably less because of price increases throughout the year and modifications in the exchange rates of various currencies (i.e. Deutschmark)(5).

- 
- (1) Estimates for all of the OECD countries' trade balance with the USSR in 1974, however, shows a much larger deficit, amounting to \$1.3 billion. This is due to large deficits incurred by Finland, Japan and Sweden totalling about \$500 million, \$400 million and \$200 million respectively
  - (2) The trade balance of all OECD countries with East European States might show a slightly larger export surplus (about \$2.9 billion) than that of NATO countries. Among non-NATO members of the OECD Japan and Austria should benefit from a trade surplus of approximately \$300 million and \$200 million, while Sweden and Switzerland might incur a sizeable trade deficit of the order of \$400 million and \$250 million respectively
  - (3) OECD countries' trade balance with China, however, might show a considerably larger surplus (approximately \$2.2 billion) than that of NATO countries. The bulk of the surplus accruing to non-NATO members of the OECD should benefit Japan (about \$600 million) and Australia (about \$200 million)
  - (4) GATT/1159, 13th March, 1975
  - (5) The world trade is estimated to have increased by 5% in 1974 in volume while in value terms its growth is estimated at 44% (GATT/1159)

11. The Alliance countries' imports from the Soviet Union, Eastern European countries and China totalled \$4.7 billion, \$7.6 billion and \$1 billion respectively. Imports from the Soviet Union expanded much more quickly (+46%) than from China (+27%) or from East European countries (+23%). Growth in the imports of the Alliance members from the USSR thus kept pace with the increase of 45% recorded in the industrialised areas' imports from the world but the growth in NATO countries' imports from China and from East European countries was less.

TRADE WITH THE SOVIET UNION

12. Trade balances of NATO countries with the Soviet Union varied considerably. West Germany and the United States recorded export surpluses. Compared to the previous year West Germany's trade surplus increased by some 10% to about \$500 million while that of the United States registered a sharp decline, from \$976 million in 1973 to \$259 in 1974. The United Kingdom continued to have a sizeable trade deficit with the Soviet Union. It registered \$569 million in 1973 and rose to \$671 million in 1974. Italy's trade deficit in 1974 was twice as large as in 1973 amounting to almost \$200 million. European NATO countries' trade balance with the Soviet Union therefore showed a rising deficit of about \$350 million compared to \$214 million in 1973.

13. NATO countries' exports to the Soviet Union of approximately \$4.6 billion in 1974 registered an increase of only 9% over the 1973 level; this was due to a large extent to a drop exceeding \$800 million (presumably mostly grain) in United States and Canadian exports. European NATO countries' sales to the USSR on the other hand recorded a rapid growth of 44%. West Germany, which is the chief trading partner of the Soviet Union among European NATO countries, expanded its exports by roughly 50% to over \$1.7 billion; Italy by some 70% - almost twice as fast as in 1973 - to about \$600 million. Exports of France, totalling over \$650 million however, registered an increase of about 16% in 1974 compared to 71% in 1973.

14. Outlays for Soviet goods rose 46% in 1974 compared to 52% in 1973. With the exception of Turkey and Canada all NATO countries contributed to this upturn in 1974. West Germany remained the major customer raising its imports by 70% to \$1.2 billion. Increases exceeding 100%, 75% and 64% respectively were registered by the Netherlands, Italy and the United States.

TRADE WITH EAST EUROPEAN COUNTRIES

15. In 1974 Eastern European countries extended their lead considerably as the most important Communist markets for NATO countries, which earned a trade surplus there of about \$2.6 billion. Three-quarters of the total NATO country surplus and over four-fifths of the surplus of the European members accrued to West Germany which remained by far the most important trading partner of East European States, focussing especially on Poland and East Germany. West Germany's exports totalling roughly \$4.9 billion to the area grew faster - 35% - than its total imports which rose by 15% to about \$2.9 billion.

16. Among East European countries Poland and East Germany remained the principal markets - over one-half of the total NATO countries' exports to Eastern Europe - about \$5.5 billion out of approximately \$10.3 billion - were directed to those countries. Poland and the GDR were also the principal suppliers of the Alliance members, accounting for one-half of the total East European countries' exports - about \$7.6 billion - to the members. Moreover one-half of the total trade surplus earned by NATO countries in Eastern Europe was recorded in trade with Poland.

17. In contrast to the previous year when exports of the Alliance members to Poland marked a record-breaking increase of 98%, in 1974 exports to Bulgaria, Hungary and Romania registered the most rapid growth - about 65%, 50% and 45% respectively. The rapid rise in exports of the members, however, was not matched by as fast a growth in their imports. Imports from Bulgaria rose roughly by 4%, from Hungary 13% and from Romania 37%.

18. NATO countries' export surpluses with those three countries therefore increased considerably: the surplus with Hungary rose from \$8.8 million in 1973 to about \$340 million in 1974; the favourable trade balance with Bulgaria moved up from \$67 million in 1973 to approximately \$300 million in 1974, and that with Romania rose 80% to over \$300 million.

19. The slowest rate of growth in the Alliance members' exports was registered in trade with Czechoslovakia. Exports rose some 20% to about \$1.3 billion while imports increased by about 15% to over \$1 billion.

TRADE WITH CHINA

19. NATO countries' export surplus of \$988 in 1973 rose to about \$1.3 billion in 1974. The bulk of the trade surplus again accrued to the United States (\$693 million) and to Canada (roughly \$400 million).

20. NATO countries' exports to China rose some 30% - down from 130% in 1973 - to about \$2.3 billion, while their imports increased by 27% - half as fast as in the previous year - and amounted to approximately \$1.0 billion. The United States and Canada together accounted for over one-half of NATO countries' exports to China. The share of these two countries in the total NATO countries' imports from China, however, was much smaller - about 17%.

TRADE PROSPECTS FOR 1975

21. Eastern European countries: in 1975 as in the previous two years, NATO countries will most probably continue to have a sizeable surplus in their trade balance with Communist countries and in particular with Eastern European countries, although in 1974 the members' exports to the area expanded more slowly, about 37% compared to 47% in 1973. This trend may well continue over 1975 and might even deteriorate. The slowdown in the Alliance members' imports from Eastern European countries in 1975 on the other hand may be much more pronounced than in 1974 because of the present slowing of the economic activity in the West and a possible further slackening of demand for the type of goods which East European countries are exporting. Moreover, East European countries may be forced to divert some of their exportable goods from Western markets to the Soviet Union in order to pay for their purchases in the USSR of energy products and certain raw materials, the prices of which have increased considerably not only in the world markets but also within the COMECON area.

22. The bulk of the NATO countries' trade surplus with Eastern Europe will probably again accrue to West Germany. The Federal Republic of Germany is likely to remain the chief trading partner of the GDR with or without any governmental or other agreement on economic or industrial co-operation.

23. Poland and the GDR should remain the principal markets for NATO country exports, in particular machinery and equipment. Estimated Polish orders for machinery placed in NATO countries in 1974, part of which will be delivered in 1975, amounted to about \$1.1 billion, compared to \$254 million in 1973 and \$370 million in 1972. Poland will also probably continue to incur a sizeable trade deficit with NATO countries.

24. The relatively rapid expansion registered in NATO countries' exports to Romania in 1974 may possibly decline in 1975. Romania, which accounted for over 50% of total machinery orders placed in NATO countries by Eastern European countries in 1973, reduced sharply its orders in 1974. The financial position of Romania is quite weak: the burden of debt on Romania's export earnings from NATO countries amounted to as much as 50% in 1973 which might constitute a serious constraint in 1975 on that country's trade relations with the Alliance members.

25. USSR: In 1975 NATO countries' trade with the Soviet Union may possibly be reconverted from a small deficit into a surplus. Leaving aside the special trade in diamonds and furs, NATO countries' trade with the USSR might show a surplus for a number of reasons: as regards imports from the USSR, demand for Soviet oil and gas will no doubt remain strong. However, the price and/or volume of Soviet sales of raw materials could register a decline as a result of general slackening of economic activity in the West and the slowdown in demand in world markets for certain basic products. Furthermore, exportable surpluses in the USSR might also be reduced by growth of domestic demand or failures in meeting the objectives of the Plan.

26. In contrast, NATO countries' exports to the USSR in 1975 will probably grow faster than in 1974. The Soviet economy, not being affected unfavourably by the oil crisis and a general climate of recession as are NATO countries' economies, will maintain a relatively rapid rate of growth of demand for imports, particularly of Western machinery and technology. The improved financial situation which the USSR enjoys at present, due to the importance of its gold reserves and the high price of this metal on world markets, along with the export credit facilities available in NATO countries, also strengthens the capacity of that country to increase its purchases in NATO countries. Western equipment is increasingly needed by Soviet industries for exploitation of Soviet natural resources such as oil, coal, timber and metals for which there is a demand in world markets. The growing demand in the Soviet Union for Western machinery is already reflected in the volume of machinery orders placed in 1974 by the Soviet Union in NATO countries: \$4.5 billion(1) in 1974 compared to \$2.2 billion in 1973. Assuming that orders placed in 1974 are carried out over a period of five years, machinery and pipe exports from NATO countries to the USSR in 1975 may at least amount to \$1.5 billion, compared to roughly \$900 million in 1972.

27. But the size of the trade surplus in favour of NATO countries will greatly depend on whether or not the Soviet Union decides to buy grain from NATO countries, in particular from the United States and/or Canada, to the same extent as it did in 1972 and 1973.

28. The future development of trade between the United States and the Soviet Union still hinges on a number of political considerations and on the volume of credits which the Export-Import Bank is willing or able to grant to that country. Although the potential for a trade expansion exists, the rejection by the Soviet Union of the 1972 Trade Agreement with Washington makes it doubtful that US/USSR commerce will expand substantially in 1975. But if private American banks show more

---

(1) This figure does not include the Soviet Union's machinery orders totalling \$2.4 billion placed in Italy, which are based on barter arrangements

willingness to take risks by extending to the Soviet Union substantial credits without government guarantee(1), exports from the United States to the USSR may well rise considerably. Nevertheless there is a fair probability that the development of Soviet imports will still benefit some specific highly industrialised European countries like the FRG.

29. China: ~~NATO countries~~ should continue to have a sizeable trade surplus with China in 1975. This, however, would depend on the level of China's purchases of agricultural produce which probably accounted for almost one-half of its imports from NATO countries in 1974. If China continues to import as much foodstuffs in 1975 as in the period 1973-1974, its import surplus with NATO countries may well exceed \$1 billion. In such a case the bulk of the trade surplus accruing to NATO countries should benefit mostly North American NATO members whose trade surplus with China in 1973 and 1974 accounted for over four-fifths of total NATO countries' surpluses. On the other hand a sharp reduction of China's imports of foodstuffs in 1975 - although rather improbable - would considerably reduce the size of NATO countries' surplus with China. In that case the surplus may well amount to \$500 million compared to about \$1.3 billion in 1974 and may be distributed more or less evenly between European NATO countries and North American NATO members. In 1974 exports of the NATO European members rose by about 27% - down from 77% in 1973 - to approximately \$1 billion, while imports from China, growing by almost 25%, amounted to roughly \$840 million. This gave rise to a trade surplus totalling \$190 million in favour of European NATO countries. It is reasonable to assume that in the present economic world situation trade relations between European NATO countries and China will not differ very much from that registered in 1974. In this case exports of the European members of the Alliance to China should rise by some 30% to \$1.3 billion while imports, growing approximately 20%, would probably reach \$1,000 million.

30. China may continue to rely on Western credits to cover its trade deficit; with European members of the Alliance this deficit may well total \$300 million in 1975 and with North American NATO countries some \$300 million. Indeed, China now seems to accept supplier credit as a normal complement to machinery and complete plant purchases. China can, therefore, be expected to increase its use of Western credit to overcome its short-term foreign exchange problem. Thus, China would avoid an immediate drain on its reserves (estimated at about \$3000 million) while continuing or increasing its purchases of

---

(1) The Financial Times reported that some American banks agreed to extend credits to the USSR of the order of \$500 million

CORRIGENDUM 2 to  
AC/127-WP/420

-8-

badly needed Western technology. China's growing interest in Western machinery and equipment is reflected in the growing size of its orders placed in the West in recent years (nearly \$1.4 billion in 1973 and \$760 million in the first eight months of 1974). Outside NATO countries China's trade will probably grow most rapidly with Japan which has recently become an important customer of China's fast-growing oil industry. Indeed, China's oil exports to Japan are expected to rise to 8 to 10 million tons in 1975.

## N A T O U N C L A S S I F I E D

CORRIGENDUM 2 to  
AG/127-WF/420

## NATO COUNTRIES TRADE IN 1974\*

(In \$ US million)

	POLAND			GDR			CCSR			HUNGARY			ROMANIA			BULGARIA		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
BELGIUM	210.3	119.3	+ 91.0	58	64.4	- 6.4	58.6	52.9	+ 5.7	38.0	21.8	+ 16.2	59.0	25.5	+ 33.5	33.7	8.8	+ 24.9
DENMARK	121.2	147.6	- 26.4	29.3	58.3	- 29.0	26.8	38.8	- 12.0	35.2	24.9	+ 10.3	15.2	22.9	- 7.7	8.9	6.5	+ 2.4
FRANCE	375.5	262.4	+ 113.1	94.8	125.8	- 31.0	105.2	87.4	+ 17.8	116.2	75.8	+ 40.4	183.2	159.4	+ 23.8	75.6	28.4	+ 47.2
FRG	1,379.8	537.4	+ 842.4	1,375.4	1,231.3	+ 144.0	659.8	392.0	+ 267.8	596.0	344.2	+ 251.8	687.8	374.2	+ 313.6	267.5	92.7	+ 174.8
GREECE	28.3	29.9	- 1.6	24.2	24.4	- 0.2	28.0	29.3	- 1.3	19.0	10.6	+ 8.4	28.9	25.9	+ 3.0	15.4	15.3	+ 0.1
ICELAND	11.7	13.8	- 2.1	3.5	1.2	+ 2.3	1.7	5.1	- 3.4	0.4	0.1	+ 0.3	0.1	0.1	0.0	0.1	0.1	0.0
ITALY	318.6	280.2	+ 38.4	82.3	97.4	- 15.1	116.2	136.7	- 20.5	200.0	227.0	- 27.0	178.8	240.5	- 61.7	85.8	95.1	- 9.3
NETHERLANDS	156.2	97.0	+ 59.2	148.1	80.8	+ 67.3	79.1	78.9	+ 0.2	88.4	68.1	+ 20.3	65.3	78.3	- 13.0	32.0	7.1	+ 24.9
NORWAY	52.7	50.7	+ 2.0	61.6	40.5	+ 21.1	17.1	32.2	- 15.1	12.0	16.1	- 4.1	11.3	11.7	- 0.4	5.4	2.4	+ 3.0
PORTUGAL	6.3	2.7	+ 3.6	1.1	0.6	+ 0.5	2.5	2.8	- 0.3	1.2	0.5	+ 0.7	3.9	15.6	- 11.7	0.8	2.9	- 2.1
TURKEY (1)	9.9	29.5	- 19.6	8.4	8.8	- 0.4	16.8	16.2	+ 0.6	19.2	14.8	+ 4.4	5.9	77.9	- 72.0	7.6	15.1	- 7.5
UNITED-KINGDOM	325.2	258.0	+ 67.2	91.7	104.6	- 12.9	105.0	129.9	- 24.9	103.7	58.4	+ 45.3	78.8	80.3	- 1.5	42.4	31.7	+ 10.7
<u>TOTAL OF EUROPEAN NATO COUNTRIES (2)</u>	2,995.7	1,828.5	+1,167.2	1,978.4	1,838.1	+ 140.3	1,216.8	1,002.2	+ 214.6	1,229.3	862.3	+ 367.0	1,318.2	1,112.3	+ 205.9	575.2	306.1	+ 269.1
CANADA (FOB)	92.1	46.0	+ 46	1.8	7.0	- 5.2	23.2	63.2	- 40.0	7.7	15.6	- 7.9	4.7	27.1	- 22.4	5.9	3.9	+ 2.0
USA (FOB)	395.6	265.9	+ 129.7	20.9	14.2	+ 6.7	48.8	45.6	+ 3.2	56.4	75.4	- 19.0	277.8	130.6	+ 147.2	22.3	8.4	+ 13.9
<u>TOTAL OF NATO COUNTRIES</u>	3,483.4	2,140.4	+1,343.0	2,001.1	1,859.3	+ 141.8	1,288.8	1,111.0	+ 177.8	1,293.4	953.3	+ 340.1	1,600.7	1,270.0	+ 330.7	603.4	318.4	+ 285.0

(1) Data supplied by the Turkish Delegation

(2) Exports FOB, Imports CIF

Sources : Statistics of Foreign Trade OECD/OCDE, February 1975, Wirtschaft und Statistik 1/75  
Statistisches Bundesamt, Wiesbaden Verlag W. Kohlhammer

\* Where full data for 1974 are not given estimates have been made on the basis of figures available for 10 or 11 months as the case may be

N A T O U N C L A S S I F I E D

## NATO UNCLASSIFIED

CORRIGENDUM 2 to  
AC/127-WP/420

## NATO COUNTRIES TRADE WITH THE SOVIET UNION, EASTERN EUROPE AND CHINA IN 1974\*

(In \$ US million)

	U S S R			EASTERN EUROPEAN COUNTRIES			CHINA		
	Exports	Imports	Trade balance	Exports	Imports	Trade balance	Exports	Imports	Trade balance
BELGIUM	354.9	256.7	+ 98.2	457.6	292.7	+ 164.9	33.3	46.7	- 13.4
DENMARK	42.6	125.2	- 82.6	236.6	299.0	- 62.4	14.2	29.4	- 15.2
FRANCE	660.2	587.6	+ 72.6	950.5	739.2	+ 211.3	160.4	183.7	- 23.3
FRG	1,743.9	1,215.2	+ 528.7	4,966.3	2,971.9	+ 1,994.4	408.7	190.0	+ 218.7
GREECE	71.7	55.9	+ 15.8	143.8	135.4	+ 8.4	2.1	1.9	+ 0.2
ICELAND	23.7	49.1	- 25.4	17.5	20.4	- 2.9	0.2	0.5	- 0.3
ITALY	595.8	775.4	- 179.6	981.7	1,076.9	- 95.2	103.4	116.4	- 13.0
NETHERLANDS	169.9	228.1	- 58.2	569.1	410.2	+ 158.9	48.0	97.6	- 49.6
NORWAY	36.0	68.7	- 32.7	160.1	153.6	+ 6.5	72.0	9.9	+ 62.1
PORTUGAL	1.2	1.4	- 0.2	15.8	25.1	- 9.3	0.6	0.7	- 0.1
TURKEY (1)	77.5	95.0	- 17.5	67.9	162.5	- 94.6	16.7	4.7	+ 12.0
UNITED KINGDOM	257.3	928.6	- 671.3	746.8	662.9	+ 83.9	167.4	156.2	+ 11.2
<u>TOTAL OF EUROPEAN (2)</u> <u>NATO COUNTRIES</u>	4,034.7	4,386.9	- 352.2	9,313.7	6,949.8	+ 2,363.9	1,027.0	837.7	+ 190.2
CANADA (FOB)	30.0	21.7	+ 8.3	135.4	162.8	- 27.4	474.8	63.7	+ 411.1
UNITED STATES (FOB)	609.2	350.3	+ 258.9	821.8	540.1	+ 281.7	807.5	114.7	+ 692.8
<u>TOTAL OF NATO COUNTRIES</u>	4,673.9	4,758.9	- 85.0	10,270.9	7,652.7	+ 2,618.2	2,309.3	1,016.1	+ 1,293.2
<u>TOTAL OF OECD COUNTRIES</u> (3)	7,002.9 (3)	8,307.9	- 1,305.0	11,448.0	8,562.8	+ 2,885.2	4,693.6	2,542.8	+ 2,150.8

(1) Data supplied by the Turkish Delegation

(2) Exports FOB, Imports CIF

(3) Figures for total OECD countries' trade may diverge from the individual members' aggregate trade figures, because the annual figure for total OECD countries' trade is extrapolated by using the eleven months average quoted in the OECD statistics, published in February 1975, whereas in the case of each member country annual figures are given where available, or extrapolation is made on the basis of the average for ten or eleven months depending on current data availability.

Sources : Statistics of Foreign Trade OECD/OCDE, February 1975, Wirtschaft und Statistik 1/75

Statistisches Bundesamt, Wiesbaden Verlag W. Kohlhammer

\* : Where full data for 1974 are not given estimates have been made on the basis of figures available for 10 or 11 months as the case may be.