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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

RECENT ECONOMIC DEVELOPMENTS IN THE EUROPEAN
SATELLITE COUNTRIES AND PROSPECTS FOR THE FUTURE

Note by the Chairman

At its meeting of 10th April, 1964, the Sub-Committee agreed to submit document AC/89-WP/121, as modified in the course of discussion, to the Committee of Economic Advisers(1). Since then, however, it has appeared necessary to review substantial parts of the original report, mainly on the basis of the pre-publication text of the "Economic Survey of Europe in 1963" of the ECE, Geneva. Therefore the revised document is submitted again to the Sub-Committee for final approval, before sending it to the Committee.

2. It will be noted that the revised report pays more attention to foreign trade, though it does not cover in detail the commodity structure and direction of the satellites' foreign trade, as it is hoped that this important subject will be thoroughly studied in connection with the forthcoming expert meeting on NATO countries' trade policies towards the satellite countries scheduled for 25th/26th May, 1964(2). As far as general economic developments are concerned, the present report might serve as background material for this meeting.

(Signed) A. VINCENT

OTAN/NATO,
Paris, XVIe.

(1) AC/89-R/53. Item III
(2) See AC/127-D/150(Revised) and AC/127-R/132, Item III

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THE FUTURE

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RECENT ECONOMIC DEVELOPMENTS IN THE EUROPEAN
SATELLITE COUNTRIES AND PROSPECTS FOR THE FUTURE

PART A: GENERAL SURVEY

General performance

1. According to the official plan fulfilment reports, the slackening of the pace of economic expansion in the Eastern European satellites of the Soviet Union continued in 1963(1). High rates of increase in net material product of 6% to 7% were claimed only by the agrarian countries, Bulgaria and Rumania(2); the agricultural-industrial countries, Hungary and Poland, seem to have settled down at increase rates around 5%, whereas the highly-industrialised Soviet Zone of Occupation of Germany, with an expansion of less than 3%, compares rather unfavourably with most of the industrialised Western countries. Czechoslovakia was the only country of the region with a declining growth rate in 1963, after a rise of only 1% in 1962. It is generally considered that bad economic performance was the principal reason for a reshuffling of the Czechoslovak Government in Autumn 1963.

Industrial production

2. Whereas until 1962 rates of growth of gross industrial output were usually above those planned in nearly all countries of the region, in 1963 this tendency was continued only in Rumania and Poland as far as the original plans were concerned. The other countries had taken the precaution of revising their initial targets downwards after the harsh winter, so that they could later boast of having fulfilled them at a little over 100%. In Czechoslovakia's industry, where production actually decreased in 1963, bad management, power shortages and a lack of labour discipline were blamed. Increase rates for industrial production in all countries under review have steadily fallen during recent years, but most markedly in 1963, as can be seen from Table II (see Annex).

Productivity and labour

3. Increases in labour productivity were considerably lower in 1963 than in previous years in all countries except Rumania, and the targets were nowhere attained. Industrial employment rose faster than planned everywhere except in the Soviet Zone. Better "material incentives" are expected to improve the situation. Labour shortages, however, continue in the Soviet Zone and, to a lesser degree, in Czechoslovakia, whereas Poland and Hungary seem determined to release "non-productive" labour, even at the cost of causing unemployment.

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- (1) See Annex, Table I.
(2) Albania, which is no longer a satellite of the Soviet Union, will only be mentioned in the tables.

Investment

4. The developments in the investment sector seem to have been rather unsteady in most parts of the region; significant growth rates were obtained by Bulgaria, Hungary and Rumania. Increases in Poland and the Soviet Zone seem to have been moderate, whereas in Czechoslovakia investments declined sharply. Investment plans for 1964 provide for a rather sharp decrease in Bulgaria, moderate growth rates in Poland and the Soviet Zone and significant increases in Czechoslovakia, Rumania and Hungary.

Agriculture

5. The year 1963 was less disappointing for Eastern European agricultural planners than 1962, when gross output had fallen considerably in three countries and stagnated in two. Crop production increased, but the output of the livestock sector continued to be depressed by the effects on food supplies of the bad 1962 harvest. In Bulgaria, the rise in global output appears to have been negligible. The same seems to be valid for the Soviet Zone of Occupation of Germany which has not yet recovered from the sharp fall in 1961 following forced collectivisation. Hungary reported increased agricultural output figures for the first time in years, and seems to have regained its 1959 level. Rumania also appears to have nearly recovered from the 1962 losses and, with a fairly good harvest, was able to return a "loan" of 400,000 tons of wheat to the Soviet Union. Rumania is the only country which has not been obliged, as a consequence of the Soviet Union's failure to meet its export obligations, to negotiate grain imports from the West. Czechoslovakia nearly reached its high targets for 1963 and has made good most of its losses of 1962. Bulgaria and Rumania are the only countries where increase figures for the years since 1958 show rates of expansion markedly exceeding the population growth. The original agricultural targets for 1965 will not be attained in any country of the region, in spite of considerable investments in this sector.

Foreign trade and tourism

6. In foreign trade and tourism there were interesting developments in 1963, especially in the direction of contacts with the West. Hungary, the Soviet Occupied Zone of Germany and even Bulgaria seem to be eager to develop their trade relations with "non-Socialist countries", in the case of the Soviet Zone mainly, it seems, for political reasons. Total foreign trade turnover of the satellites increased by 8% as in 1962. Czechoslovakia has started a vigorous campaign to attract tourists. In the case of Hungary, tourist traffic seems to have developed both ways, with over half a million Hungarian visitors abroad. Rumania, Bulgaria and Poland also seem to have discovered tourism to be a valuable source of hard currency. Poland, Czechoslovakia and Hungary are said to be preparing a common publicity campaign to attract tourists from the West.

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Living standards

7. With the exception of Hungary (and possibly Rumania), real income rose little if at all in the countries under review. The consumer goods market presented the familiar picture of overall increases in supplies combined with relative scarcities of some products (meat and some dairy products) and surpluses of others (fruit, vegetables, sugar). Popular discontent seems to be growing in Czechoslovakia and other countries, and even the more rigid régimes in Bulgaria and Rumania now appear to be prepared to pay some attention to consumer needs.

Economic réforms

8. As a result of the unsatisfactory development of their economies, the more industrialised countries of the region embarked upon a reorganization of all branches of their economies and a radical rethinking of their economic theory. Hungary and the Soviet Zone of Occupation of Germany are the first countries of the region ready to incorporate some kind of market mechanism in their central planning systems, while the agrarian countries, Rumania and Bulgaria, remain the only satellites where more or less Stalinist methods of planning and management still seem to yield good results.

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PART B: COUNTRY ANALYSIS

I. SOVIET ZONE OF OCCUPATION OF GERMANY(1)

Population: 17.1 million
Area: 107,834 sq.km.

General performance

1. The most industrialised Communist country and predominant trading partner of the Soviet Union, the Soviet Occupied Zone of Germany reports an increase in 1963 net material product of 3%, the lowest achieved so far and well behind the original target of 5.5%. The economic plan for 1964 provides for a more realistic increase of only 3.8% over 1963, to reach a total sum of East Marks 82.7 billion(2).

Industry

2. According to the official plan fulfilment report, gross industrial production in 1963 reached EM. 83.3 billion(3), an increase of 4.9% against an original target of 6.4%. However, as this target was reduced considerably after the severe winter in 1962/63, the planners can now claim a 100% fulfilment.

3. The electrical and chemical industries expanded most rapidly, the latter by 6.8%. Within this branch, the production of plastics increased fastest. Nitrogen and phosphorous fertilisers did not reach their targets. The production of potassium products, for which the Soviet Zone is the world's largest exporter, reached 1.7 million tons (+4.6%). Other output figures not contained in Table VII of the Annex included: steel alloys 14,213 tons (+23%), diesel fuel 1.7 million tons (+12.8%) and lignite 254 million tons (+3%). The construction plan was only 97% fulfilled.

4. Although neither the rate nor the pattern of industrial expansion achieved is satisfactory, the planned concentration on priority branches within the metal-using and chemical industries has apparently made some progress, and the reorientation of production towards more promising export industries seems to be proceeding.

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- (1) The use of the word "country" in connection with the Soviet Zone of Occupation of Germany does not imply that it is being considered as an independent state like the other Eastern European countries under review.
- (2) 100 East Marks (EM) = official rate: \$45.0, tourist rate: \$23.8. When making comparisons with Western countries, it should be borne in mind that the currencies of the countries under review are heavily over-valued at the official rate of exchange.
- (3) That this figure is larger than that for net material product is explained by the fact that being a gross aggregate it contains a large element of double counting.

5. In 1964, industrial production is planned to increase by 5.7% to EM. 88.1 billion. Above-average growth rates have been planned for metallurgical products (8%), electrical equipment (7.8%), engineering (7.7%) and chemical products (7.5%). Oil-processing is to increase by 40.3% as a result of the putting into operation of the Schwedt chemical works, the terminal of the COMECON pipeline, the Polish part of which was completed in November 1963.

Productivity and employment

6. With a declining labour force such as that of the Soviet Zone, an increase in output can only be obtained by means of a more than proportional increase in productivity(1). The 1963 increase in productivity (6.5%) fell short of the planned 7.2%. The 1964 plan provides for another increase of 6.5%. The introduction of a forty-hour week which, according to the original Seven-year Plan, was to be gradually introduced by 1965, seems to have been abandoned, and increases in wages compensating for the reductions imposed after the erection of the Berlin wall do not seem to be envisaged for some time to come.

Investment

7. The amount of state capital investment in 1963 was given as EM. 16.4 billion, a claimed increase of 2.5% which was far below the original 9% target that had been adopted on Soviet insistence. The 1964 plan provides for a 3.7% increase over the revised targets for 1963 (5.4%), i.e. an increase over the actual 1963 results of 6.6% which the régime will have some difficulty in obtaining. Building is to receive EM. 7.1 billion, i.e. a share of close to 40%. With the little that is known about the 1964 investment programme, it would seem that its special feature is the transfer of funds from heavy industry to chemicals. Although the targets for the original Seven-year Plan 1959/65 have been abandoned, the investment plan for the chemical industry has only been reduced from EM. 12 billion to EM. 11 billion for the whole period. The investment pattern will change after the introduction of the planned self-financing of the new "Socialist trusts", or VVBs (see last paragraph).

Agriculture

8. Agricultural performance in 1963 seems to have remained at about the same low level as in 1962, judging from the little that has been announced so far: a "general increase" in livestock and the fulfilment of the (undisclosed) plan for grain, vegetables and potatoes, an increase in milk production of 6.3%, of fatstock by 6% and of eggs by 7.7%. Plan figures for 1964 are again not available. Mechanisation is to be pushed forward, with EM. 2.1 billion to be spent on investments and three-quarters of

(1) See paragraph 7, page 10, of AC/127-D/128(Revised).

the grain harvest to be collected by "combines". New prices will be introduced for all crops for the 1964 harvest, implying for some products increases of 30% over 1962. Another "material incentive" is a new system introduced on 1st January, 1964, according to which premia are being paid for all livestock products in excess of the 1963 level.

Foreign trade

9. In 1963, exports are said to have increased by 13.5%(1) as planned, to reach \$2.67 billion. The figure given for 1963 imports of \$2.29 billion shows a 3.6% decline, which has been partly attributed to difficulties of the Soviet Zone's Communist trade partners in fulfilling their agreements, but which resulted in a trade surplus of \$384 million. In 1964, exports are planned to increase by 8.8%, and imports by 7.7%.

10. Exports to the Soviet bloc countries rose somewhat faster than the total and the Soviet Union will continue to be the principal trading partner. Early in 1964, the two countries agreed on a very close co-ordination of their development programmes for the chemical industry - by 1970 the Soviet Zone will deliver to the USSR about 200 installations for chemical enterprises, and the Soviet Union in return will help in establishing an oil-refining industry. Repayments of Soviet credits at a rate of \$180 million a year are to start in 1964.

11. Some change in the regional distribution of foreign trade seems probable. A marked increase in East German trade with "non-Socialist" countries in Europe(2) can be expected for 1964. According to the agreements for 1964, trade with Denmark is to rise by 25%, with Italy by 22% and with Great Britain by 21%. Trade with Yugoslavia is to rise 30%. Trade exchanges with developing countries do not seem to be expanding to a great extent, with the exception of those with India and Cuba, where increases of 35% and 20% respectively are being envisaged.

The budget

12. The budget for 1964 provides for a revenue of EM. 56,881 million (4.5% over the 1963 results), expenditures of EM. 56,806 million and a surplus of EM. 75 million. The report

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- (1) Exports in interzonal trade increased 2.6% only.
(2) This polite expression was used in an official statement of 14th November, 1963, announcing the new policy. The government news agency ADN added on 20th February, 1964, that it should be followed by the establishment of official trade missions in London, Paris, Rome and other European capitals, and that Great Britain, France and Italy should set up trade missions in the "GDR capital".

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states that defence expenditures were left "unchanged" at EM. 2,764 million, i.e. about 5% of the total budget. But it is believed to consist mainly of expenditure on personnel, and thus to be especially misleading.

Living standards

13. Though living standards in the Soviet Occupied Zone of Germany will continue to rank among the highest in the Soviet orbit, prospects for an increase continue to be dim. A rise of personal consumption of about 1% was offset by a slight growth in the cost of living. Also in 1964 the real wage bill can hardly be expected to increase (see also paragraph 6 above).

Economic reforms

14. In July 1963, the introduction of a new system of economic planning and management was announced. It is said to be based on eighty newly-constituted "Socialist trusts" which will manage key branches of industry with a considerable degree of independence, on a widespread application of the "profit motive", and on "material incentives" to raise quality and productivity. A revaluation of fixed capital assets became effective on 1st January, 1964. On 1st April, 1964, it has been followed by an industrial price reform affecting coal, electricity and power, a wide range of metallurgical products and basic chemicals, accounting for one-quarter of total industrial output. More realistic depreciation rates and a new system of interest payments will be introduced later.

15. Economic necessities, a new generation of technocrats and, last but not least, the developments in the neighbouring Communist countries seem to have forced the rigid Ulbricht régime down on the side of economic pragmatism. It would appear as if these reforms are more in keeping with the magnitude of the problem than those undertaken elsewhere in the more advanced economies of Eastern Europe.

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II. CZECHOSLOVAKIA

Population: 14.0 million
Area: 127,900 sq.km.

General performance

1. The stagnation, or even regression, of all major branches of the Czech economy except agriculture in 1963 were not entirely unexpected. 1963 was to be a transitional year in which industry was to be reorientated. The situation deteriorated, however, to such an extent that the 1963 plan had to be "modified" at the end of May. The Seven-year Plan (1964/70) seems not to have been finalised in 1963, so that 1964 will be another "transitional" year. A government reshuffle in November and the substitution of a considerable number of dogmatic party representatives in key posts by economists and technicians was another consequence of this situation.

2. Accordingly, the official plan fulfilment report dwells at length on per capita consumption figures to console its readers for the fact that net material product "fell below the 1962 level". The ECE reports a decline of 4%; if checked against industrial and agricultural growth rates, this figure would only be valid if construction and transport declined by some 20%. The growth target for 1964 is 3.6%. This figure seems on the low side compared with the targets for industrial and agricultural production.

Industry

3. The revised plan for 1963 was claimed to have been 100.7% fulfilled, but industrial production actually declined 0.6%. This shows that the original modest 1% increase target must have been revised considerably during the course of the year. The different branches were reported to have had the following results: building materials -9.8%, metallurgy -2.9%, consumer goods -2.6%, power production +0.7%, chemical industry +3.4%, fuels + 3.7% and the food industry + 4.1%. Physical output figures other than those given in the Annex included: tractors 28,400 (1962: 31,400); lorries 31,000 (1962: 19,800); cars 56,000 (1962: 64,300); footwear 76 million pairs.

4. Numerous difficulties and shortcomings were cited as being responsible for the bad performance of industry: a too extensive range of production; a disproportionate demand for raw materials, investment and labour; falling productivity; delays in effecting technological improvements and in raising the quality of output resulting in marketing problems at home and abroad; poor management and planning; excessive administrative costs.

5. The 1964 industrial plan aims above all at putting an end to ineffective production and reducing the consumption of electricity and raw materials. The increased target for gross

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industrial production is 3.6% (in Slovakia 7.2%). The chemical industry is to grow by 10%, power generation by 7.9%, production of steel by 7.8%, of rolled goods by 5.8%, of pig-iron by 7.3% and of magnetite by 9.5%. Other raw materials have also been assigned higher than average targets. Building is to increase by 11%. 162 enterprises, employing 15,000 persons, will be closed and the staff transferred to establishments working at less than full capacity.

Productivity and employment

6. Productivity in industry was not planned to, and did not, increase in 1963. The total number of workers grew by less than 0.1% to 2.449 million. The 1964 plan provides for an increase of 2.8% in productivity(1) and of 1.3% in wages; the industrial labour force is to increase by 99,000 (4%), which seems inconsistent with the régime's efforts to return labour to farming.

Investment

7. Although the investment plan for 1963 provided for a decrease of 6% compared with 1962, this modest target could not be attained. State capital investment dropped by 9% and investments in the co-operative and private sectors by 23%, resulting in an overall decline of 12%.

8. In 1964, the volume of investments is to go up by 14.6%. Slovakia will have a much higher rate (20.8%), as a large share of the resources will be put into the new East Slovak centre for heavy industry, Kosice, which alone will receive Kcs. 1.8 billion(2) in 1964, an increase of 60% over 1963. A considerable sum will have to be allotted to the construction of a new wide-gauge railway line 90 km. in length which will supply Kosice with Soviet iron ore. The line is to be completed by May 1966.

Agriculture

9. In contrast to the bad industrial performance, agricultural production seems to have been unexpectedly successful, a rare exception in the whole Communist world in 1963. According to the plan fulfilment report, gross agricultural production grew 6-7%, thus nearly fulfilling the ambitious target and compensating for the poor results of 1962 (-6%). Total crop production increased 15%. The following increases were obtained by various crops: wheat 6.3%, maize 33.6%, potatoes 27.8%, sugar beet 33.1%. Vegetable production was about 15% higher than in 1962, while livestock breeding dropped 1-2% and the plan for milk purchases could not be fulfilled. Investments in agriculture fell by some 18%, instead of rising 50% as originally planned.

- (1) Other statements give the following figures: 4.3% in industry, 4.8% in building.
- (2) Rates of exchange for 100 Czech crowns: official \$13.9 tourist \$7.0.

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10. The 1964 plan provides for an increase in gross agricultural production of 6.5% (market production: +5.2%). Grain production is to increase 11%, meat 4.8%, milk 10.2%, sugar beet 7.4% and fodder crops 8.8%. A 20% increase in investment is called for. 22% more fertilisers, 7% more tractors and 12% more combine harvesters will be made available, and 40,000 hectares of idle land are to be brought under cultivation. More efforts will be made to attract young people to the villages, especially by granting better "material incentives", though the 1963 drive was not very successful, as only 37,000 young workers could be recruited for farming, instead of a planned 42,000. A premia system for milk deliveries for collective farms will be introduced, and social security provisions for co-operative farm families have been improved with the aim of giving farm workers a status similar to that of workers in industry.

Foreign trade

11. Czechoslovakia's foreign trade in 1963 was reported to have increased by 8.7%, with exports rising 12% and imports 4%, resulting in a trade surplus of \$303 million. A 12% growth in imports of foodstuffs was required in 1963, but other imports rose little, if at all. The plans called for particular economy in imports from Western Europe and a rise in exports to redress the balance of payments. In 1964, the overall volume of foreign trade is to increase by 3.7%.

12. Trade with other bloc countries grew quicker than that with Western countries (9% and 7% respectively). The Soviet Union will probably maintain or increase her large share in Czech foreign trade (38% in 1962). The oil pipeline to the Slovnaft works in Bratislava has carried 5.75 million tons since the opening two years ago (1962: 2.65 million tons, 1963: 3.1 million tons), and the construction of the wide-gauge railway line to Kosice (see above - Investments) for the transport of iron ore will further contribute towards an integration of the two economies. In a recent statement, the Czech Government thanked the USSR for its "outstanding help" in providing the raw material basis for the 1964 economic plan.

13. In 1964, trade with the "capitalist" countries is to increase faster (6.4%) than overall trade (3.7%). A recent agreement with the Netherlands provides for the payment of compensation for nationalised property. In a two-year trade agreement with France, an annual increase rate of 10% has been agreed on, with payments to be made in any convertible currency instead of in francs. Trade with Yugoslavia is to increase by 30% in 1964, and Yugoslav ports will be used to a greater extent.

14. Czechoslovakia's trade with the developing countries is continuing at a high rate because of the relatively large volume of outstanding credits to developing countries. New credit agreements have been concluded with India (\$25 million), Indonesia, Brazil, the Yemen, Algeria and Burma(1). Trade with India is to double by 1966.

(1) See AC/89-WP/115

Tourism

15. The potential of tourism as an earner of foreign currency seems to have been recognised by Czechoslovakia in Autumn 1963. Visas for Western visitors are being issued within 48 hours, and more than Kcs. 2 billion will be invested by 1965 for the building and repair of restaurants, hotels and camping sites.

The budget

16. The budget forecast for 1964 provides for a revenue of Kcs. 130,414 million - an increase of 3% over 1963 - and expenditures of Kcs. 130,318 million. Defence expenditures, taking a share of 8.4% in the budget, will be reduced from Kcs. 11,334 million in 1963 to Kcs. 10,950 million, a 3.4% decrease.

Living standards

17. With an admitted increase in consumption of only 1% in 1963 and a planned growth in retail trade and consumption of below 3% for 1964, no rapid increase in the comparatively high standard of living can be expected in the near future(1). House rents, which at present cover only 62% of maintenance costs, have gone up early in 1964 in a move to lessen the burden of housing on the budget, which was accompanied by an encouragement of private as well as co-operative house ownership. This and the constant demand for a "harmonisation" of production and excessive consumption make it not unlikely that the envisaged far-reaching structural transformation of the national economy can only be achieved at the cost of a temporary stagnation or reduction of the real income of the population. Popular dissatisfaction appears to be widespread.

Economic reforms

18. The economic measures taken in 1963 have generally tended to strengthen control by the central authorities, and particularly by the state planning commission. A lively discussion is, however, in progress on the changes necessary in the planning model, one school of thought advocating more effective central control, another a system relying more on effective incentives and a kind of market mechanism to be introduced at the enterprise level. Furthermore, instructions have been issued for the elaboration of the general principles of an elastic price policy which might lead to a reform of much wider scope than the changes already announced.

(1) The recently-announced "clearance sales" of some consumer goods at prices reduced by 20% to 40% aim above all at reducing unsaleable stocks.

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III. POLAND

Population: 30.9 million
Area: 312,500 sq.km.

General performance

1. The Polish economy seems to have lost most of its impetus and to have some difficulty in recovering from the extremely poor agricultural results of 1962. The "provisional" official estimate of a 5.5% increase in net material product in 1963 is certainly too optimistic if compared with the lower results announced for both industrial and agricultural production. A figure of about 4.5% would seem more realistic. A growth of about 3.6% is envisaged for 1964.

Industry

2. In 1963, the gross industrial production plan is claimed to have been 100.6% fulfilled - a 5.3% increase over 1962, and the lowest rate of growth in recent years. For producer goods the plan was overfulfilled (7% against 5.9% planned); but for consumer goods, it was not met (2% instead of 3.4%). This pattern of growth left unremedied many of the basic defects of the earlier development of Polish industry, and even accentuated some problems. The slackening growth rate was said to be due above all to a sharp decline in the supply of agricultural raw materials after the bad 1962 crops and a decrease in the import of raw materials resulting from balance of payments difficulties. As in previous years, the increase rates in the engineering, electro-technical, transport equipment and metal industries were much faster than in industry as a whole. Light industry increased its export production considerably. Electric power, iron and chemical industries did not fulfil their plans. Home building was said to have increased by 2.3%.

3. For 1964, industrial output is to rise by 6.3%. The production of textiles and leatherwear will grow more rapidly than overall production. Above average increases are also planned for the chemical industry (11.3%), engineering and the electro-technical industries (7.7%). Cement output will increase 14%, steel 5%, brown coal 21%, hard coal 1.3%(1).

Productivity and employment

4. Labour productivity increased by 2.7% but did not reach the modest target of 3.2% because of a higher than planned increase in industrial employment. The 1964 target has been set at 4.5%, and higher productivity is to account for 70% of additional

(1) For physical output figures, see Annex.

production. It seems that this target could only be reached if a large number of marginally productive workers were dismissed, which in turn would create an unemployment problem, and if the new system of wage fund control introduced in December 1963 would have the desired effect.

Investment

5. According to the 1963 plan fulfilment report, state capital investment amounted to Zloty 103.6 billion(1), an increase of only 3.5% over 1962, falling far short of the 8.3% target. The share of net investment in national income thus dropped from 19.2% to 18.2%, the lowest in any of the countries under review except for the Soviet Occupied Zone of Germany. Little has so far been said about 1964 investment. The target seems to be an increase of a mere 1.7%, and a 330 km. gas pipeline from the Soviet border to Silesia, which is to go into service in 1965, seems to be among the major projects.

Agriculture

6. Having fallen by 7.8% in 1962, agricultural output had been planned to rise by 6.3% in 1963. The actual increase, however, was only 3.8%. Crops are said to have increased by 11.6%. The government's policy of encouraging wheat production resulted in a 15% rise in output; potatoes and sugar beet - which represent about 30% of total output - had excellent yields; livestock production dropped by 6.1% as the result of the bad 1962 harvest; the July 1963 census indicated a 14.4% decline in pigs and a 2.6% increase in cattle. Meat production fell 7.6% and milk output 2%. Total investment in agriculture increased by about 15% against 22.5% planned. Credits to individual farmers rose 10%, but only 3% more fertiliser was applied in 1963, a fact severely criticised by the Party.

7. For 1964, an increase of 1.1% (i.e. insufficient to regain the 1961 level) is planned for gross agricultural output. The number of pigs is to rise by 5.6%. Investments in agriculture are to rise by 24%, 12% more fertilisers will be supplied.

Foreign trade

8. There was a marked slackening in the development of Polish foreign trade in 1963, owing mainly to a slower growth of imports caused by the Polish Authorities' desire to reduce their traditional trade deficit. Exports are reported to have increased by 7.5% to \$1.77 billion, imports by 5% to \$1.98 billion, resulting in a trade deficit of \$209 million against \$214 million in 1962. The balance with "capitalist" industrialised countries was not improved as had been hoped. The share of foodstuffs in Polish imports has risen from 13.3% in 1962 to 15.1%.

(1) 100 Zloty = official rate: \$25.0; tourist rate: \$4.3.

9. The 1964 foreign trade plan aims at a further improvement of the balance of payments situation; total exports are to increase by 12.1% (by 20% to "capitalist" countries), and imports by only 1.6%, thus reducing the deficit to about \$100 million. The export of machinery and installations, industrial consumer goods and food products is to rise sharply.

10. In 1963, Communist countries are said to have accounted for 65% of Poland's foreign trade turnover against 63% in 1962. Trade with the Soviet Union accounted for 33.8% (Soviet Zone 10%, Czechoslovakia 9%, Hungary 4.1%, Rumania 2%) and trade with developed "capitalist" countries for 28% (United Kingdom 5.8%, Federal Republic 4%, United States 3.4%). Poland will continue to import large quantities of agricultural products from the West, especially from Canada and the United States(1). It was recently agreed that Poland will import 400,000 to 600,000 tons of grain annually from France during the next three years. A trade agreement with Italy provides for an increase of approximately 18%. An associate member of GATT since 1959, Poland has now applied for provisional membership, to enable her to participate in the Kennedy round.

11. Poland seems to have stepped up its trade with the developing countries, which, in 1963, accounted for 7.1% of its trade exchanges, and to have emerged as an important creditor. Since the middle of 1962, credits of close to \$160 million have been extended by Poland, with Brazil and India getting the largest shares (\$70.0 million and \$32.5 million respectively)(2). Trade with India is to increase by over 30% in 1964, that with the UAR by 50%.

12. The Polish merchant fleet of 191 ships with a total of 1.2 million tons dead weight earned a foreign exchange surplus of over \$43 million in 1963, some 11% more than in 1962. Repairs of foreign ships netted 19 million foreign currency zlotys.

13. 120,000 tourists are reported to have visited Poland in 1962, of which 90,000 came from Western countries, spending \$3.2 million worth in foreign exchange. A new programme to attract Western tourists was announced in January 1964.

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- (1) According to a statement of the Polish news agency, PAP, of 4th February, 1964, agreements were signed in Washington the day before providing for the sale of (a) agricultural products worth \$30.7 million on interest-free and long-term credits (10 years' deferment, 30 years of reimbursement), the seventh agreement of this kind since 1957; (b) agricultural products worth \$30.2 million, interest-free, three years' reimbursement; and (c) agricultural products of \$30.0 million on cash and 18 monthly banking credits.
- (2) See AC/89-WP/115.

The budget

14. The 1964 budget revenue is estimated at Zloty 275.9 billion, the expenditure at Zloty 271.0 billion. Defence expenditures will increase by 2.1% (from Zloty 21.8 billion to Zloty 22.2 billion), although they will form a smaller proportion of the budget (8.2%).

Living standards

15. Despite a claimed increase in real wages in the Socialist sector of 2% and in personal consumption of 4%, 1963 does not seem to have been too favourable a year for the Polish population, as the income of the peasants, who still represent nearly 50% of Poland's working population, appears to have declined somewhat, above all as the result of a 50% increase in the price of coal and considerably higher prices for gas and electricity as of April 1963.

Economic reforms

16. The new economic reforms seem above all to be directed towards a reduction of excessive labour, and might result in a wave of unemployment so far unprecedented in centralised economies. The alternative - a consumer-oriented shift advocated by the realists - seems to be unacceptable to the dogmatists, or "partisan" group, which increased its influence on the régime. Thus, the Polish model of relative "liberty" seems to be much talked about, whilst little is being done about it. Many links, economic and other, have however developed with the West which would be difficult to sever.

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IV. HUNGARY

Population: 10.1 million
Area: 93,000 sq.km.

General performance

1. The Hungarian economy is developing more smoothly than those of most of the other countries under review. Though the bulk of the reorganization of industry, aiming at the creation of bigger productive and economic units and of more direct co-operation between enterprises, was carried out last year, industrial performance does not appear to have suffered from it.

2. According to official "preliminary calculations", net material product in 1963 surpassed the results of the preceding year by 5%. On the basis of the plan target published so far, it would seem as if a similar increase is being anticipated for 1964.

Industry

3. According to the plan fulfilment report, gross industrial production exceeded that of 1962 by 7% against an original target of 8% which, as in most other countries of the region, had been reduced after the harsh winter. The chemical industry grew fastest (11%), with fertilisers up 16% and pharmaceuticals 18%. The comparatively low increase in the engineering industry (+8%) is said to have been due, above all, to a lack of sufficient orders. The light and food industries increased by 6% and 8% respectively. Heavy industry reached only 7%, a considerable slackening if compared with previous achievements (1962: 10%). The 1963 industrial construction plan was not fulfilled, because of shortages of labour and building materials, and transport difficulties. The reported increase was 5.9%.

4. Physical output figures, not included in the Annex, were as follows: bauxite: 1.36 million tons (an 8% decrease), aluminium: 55,500 tons (+5%), tractors: 3,100 (+22%), buses: 2,375, shoes: 23.8 million pairs. The report complains that unnecessarily large stocks of certain products continued to accumulate as some enterprises produced articles which did not meet domestic and foreign market requirements.

5. The 1964 plan targets provide for another 7% increase in gross industrial production. Faster than average rates have been planned for building materials (15%), engineering (10-15%), electric power (10%), tinned food industry (10%) and the chemical industry (9%). The highest rates of expansion are being envisaged for internationally competitive industries, such as pharmaceuticals, which in 1963 already accounted for 25% of all chemical production.

Productivity and employment

6. Productivity fell short of the 5.5% increase target, reaching only 3.3%, the lowest rate for years. An unusually high proportion of the rate of increase in industrial production was therefore due to a growth of 3.7% in the labour force which totalled 3.2 million by the end of 1963. Lack of labour discipline was quoted as the main reason for low productivity: "if educational methods and the withdrawal of material advantages fail to produce results, people may have to be sacked", says the report.

Investment

7. Capital investment is said to have increased by 12-13% over 1962. The distribution was 40% to industry and 20% to agriculture, against previous shares of 44% and 17%. The investment plan for housing was not fulfilled. The 1964 plan provides for a 12% increase in capital investment, of which the chemical industry, housing and agriculture will receive a large share.

Agriculture

8. The 1963 plan fulfilment report gives a preliminary increase figure for gross agricultural production of 4-5% over 1962, against an utterly unrealistic 14% target. After three years of decreasing or stagnating output, this would bring Hungary back to its 1959 level. It appears, however, that the preliminary figure will have to be "revised". According to the report, production of bread grain totalled only 1,738 million tons, 454,000 tons less than in 1962 (-20%), and that of fodder grain was 288,000 tons less than in 1962 (-23%). However, the maize crop rose 8%, exceeding both the plan and the 1962 results. There was a record crop of sugar beet (+28%)(1) and vegetables (15-20%), the apple crop was outstanding and the vintage good. The pig population decreased by 10%, cattle by 4.7%, without, however, affecting the output of dairy products which remained at the 1962 level, because of better yields. Investment in agriculture was 31% higher than in 1962, the highest increase of all countries under review.

9. The plan target for the 1964 agricultural output of 4-5% is more realistic than previous targets. Capital investments in agriculture are to reach 10.5 billion Forints(2), a 13% increase over 1963. There will be 30% more chemical fertilisers for Hungarian agriculture.

(1) In another statement, the increase figure was only 13%.
(2) 100 forints: official rate 8.55, tourist 4.3.

Foreign trade(1)

10. Foreign trade is receiving special attention in the Hungarian plan fulfilment report for 1963. In the introduction it says that "the growth of production, consumption and capital investment went hand in hand with a large growth in foreign trade". Total trade turnover went up 11.7%, but much faster with respect to Western countries (+23%) than to Soviet bloc countries (+7.4%). Hungary's exports to Common Market countries grew 34%, to other industrialised countries 24% and to developing countries 22%, and the share of Western countries in Hungary's trade turnover increased from 28.4% in 1962 to a little over 31% in 1963. The trade deficit nearly doubled (from \$48 million in 1962 to \$100 million in 1963 - see Table VI). The main categories of exports were machinery and equipment 34%; industrial consumer goods 20%; foodstuffs 23%. Agricultural products and foodstuffs accounted for 49% of Hungary's exports to "capitalist" countries. Main imports included raw materials (50%), machinery and equipment (30%).

11. The Hungarian import plan for 1964 provides for a 5.5% increase, including 1 million tons of chemical fertilisers, (about 50% of internal consumption), large amounts of bread and fodder grains, and 10% of its electricity requirements via the COMECON power grid. Exports are to increase 6.5% in 1964, especially those "earning convertible currency". In the statement on trade prospects, it says furthermore that "the time has come to improve our relations with the United States". According to a recent five-year agreement, Hungarian trade with Denmark is to increase by 60% in 1964, by another 80% in 1965 and at an even faster rate in subsequent years. The trade with Austria is also to be expanded considerably. Trade with the developing countries increased by about 25% in 1963, especially that with the UAR, to which Hungary had extended a credit worth \$23 million late in 1962.

Tourism

12. During 1963, there was a rapid growth in tourism. No doubt the Hungarian Authorities are keen to develop the tourist trade as a source of hard currency. So far, however, the traffic appears to be developing in both directions. According to the plan fulfilment report, 572,000 Hungarian citizens travelled abroad - about 100,000 of them to Western countries - whereas 585,000 foreigners visited Hungary.

(1) According to the ECE report for 1963, Hungary's foreign trade turnover was equivalent to over 60% of net material product in 1962. This would correspond to a share of about 20% of trade (in one direction) to estimated GNP. On page 7, paragraph 9, of AC/127-D/128(Revised), this share was estimated at only 13%.

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The budget

13. Budget revenues in 1964 are to reach Forint 92.9 billion, an increase of 10% over 1963. Defence expenditures were reduced by Forint 0.45 billion (from Forint 6,609 million in 1963 to Forint 6,163 million), reducing the share in the budget from 8% to 6.6%. The Defence Minister, in announcing this cut, addressed himself especially to the NATO countries, stating that if they would "set out on a road of guaranteeing a lasting peace", Hungary would be among the first to make even more significant cuts in defence expenditures.

Prospects

14. Hungary seems to have been the only country of the region where the population could enjoy a sizeable improvement in its living standard in 1963. Real income was said to have been up 7% on 1962 for workers and employees, and slightly less for the peasants. Retail trade, which was 8% up on 1962, is to increase by 5.1% in 1964.

Economic reforms

15. Though faithful to Moscow, Hungary is likely to continue to go its own way in economic policy by paying more attention to the needs of consumers at home and abroad, improving quality and profitability. The reorganization of enterprises into large-scale units was completed in 1963. On 1st January, 1964, Hungarian enterprises began paying 5% interest on fixed assets and working capital. Experiments with incentives will continue, and there are rumours that Kadar is thinking of imitating the Yugoslav system of workers' councils. The large investment programme for agriculture should also eventually lead to a satisfactory performance of this least efficient sector of the Hungarian economy.

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V. RUMANIA

Population: 18.9 million
Area: 237,500 sq.km.

General performance

1. The rate of growth of the Rumanian economy which, in spite of its speedily developing industry, is still primarily based on agriculture, seems to have slowed down somewhat in 1963 in consequence of the bad agricultural performance of 1962. According to the 1963 plan fulfilment report, net material product increased by 7% over 1962.

Industry

2. The reported increase in industrial production of 12.5% was, as in the previous year, by far the highest of the region, slightly exceeding the 12% target. The performances of the first four years of the current six-year plan show, however, a considerable slackening of the rate of growth. The output of producer goods went up by 14.3%, that of consumer goods by 9.3%. More than average increase rates were achieved by the chemical industry (30%), building materials (20%), power generation (18%), timber (15%), clothing (14%), engineering (13%), glass and china (13%). The production of fertilisers went up 41%. A drive to reopen idle wells resulted in the overfulfilment of the oil extraction plan. Output of crude oil rose by 3% from 11.9 million tons to 12.2 million tons. Other physical output figures for 1963 are given in the Annex.

3. The 1964 targets include a growth of 13% for the production of capital and of 10% for industrial consumer goods. Both power generation and chemical output are to increase 23%, engineering 15%, food industry 11%, light industry 9%. The output of fertilisers is expected to be 1.1 million tons in 1964 (+22%) and close to 2 million tons in 1965 (a further increase of 80%).

Productivity and employment

4. Labour productivity was reported to have increased by 8% in 1963, the best achievement of all countries under review, but less than planned. The increase in the labour force was larger than planned (5% against a 2.5% target). The plan figures for productivity in 1964 are 9.3% for industry and 7.2% for building.

Investment

5. State capital investment continued to account for a comparatively high proportion of national income. The total volume in 1963 is said to have amounted to Lei 34.3 billion(1),

(1) 100 Lei = official rate \$16.66, tourist rate \$8.33

an increase of 9% over 1962, against growth rates of 14% to 32% in recent years. In 1964 state capital investment will total Lei 38.8 billion, an increase of 13% over 1963. As in most other countries of the region, Rumania intends to hasten the completion of works already started. Investments will continue to be mainly concentrated on the Galati iron and steel combine(1).

Agriculture

6. The ECE estimates an increase in global agricultural output in 1963 of 3-5%. The official fulfilment report only states that, despite the not very favourable weather, mechanisation and agro-technical measures made it possible to obtain a grain output 700,000 tons in excess of the 1962 harvest. With a 1962 grain output of 9.8 million tons, the 1963 increase in grain output would be 7% over the extremely poor 1962 results. The decline of bread grain by 6% was compensated by a 22% increase in the maize crop. Sugar beet output increased 11%. The application of fertilisers registered a record increase of 82%, though the current rate is still the lowest in the region, and similar to that of the Soviet Union (18-19 kg. per hectare).

7. From the little that is known about the targets for 1964, it can be guessed that an increase of 12% is being envisaged. The only official increase figure available so far is that for the supply of fertilisers (+20%).

Foreign trade

8. Though the sensational increases in Rumanian foreign trade (33% in 1960, 18% in 1961) seem to be a thing of the past, the reported increase in 1963 of 10.3% is still one of the highest of the region. A growth of another 10% is planned for 1964, by when the volume of Rumanian foreign trade is expected to have doubled since 1959(2). There will be a further substantial increase in the exports of chemicals, engineering, timber and food products, and "producer goods" will continue to rank first on the list of imports.

9. The signature of an agreement with Yugoslavia in November 1963 on the joint construction of the Iron Gate hydro-electric power and navigation system after more than three years of negotiations, the linking of the power systems of the two countries, the granting of credit facilities and the setting up of a joint committee for economic co-operation inaugurated a new and important development which will contribute towards making Rumania more independent of COMECON economic co-operation(3). According to the new trade agreement, Rumania's trade with the Federal Republic of Germany is to increase 30% in 1964.

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- (1) For details, see page 25, paragraph 11 of AC/127-D/128(Revised).
(2) 1959 turnover: \$1,024 billion, according to Polish statistics.
(3) A more detailed study of Rumania's rôle in COMECON is contained in AC/89-WP/107/3.

The budget

10. The 1964 budget forecast provides for a revenue of Lei 92,132 billion, an increase of 12% over the 1963 results, and a surplus of Lei 0.8 billion (against a surplus of 3.6 billion in 1963). Defence expenditures in 1963 amounted to Lei 4.19 billion, or 5.1% of the budget. They will decrease in 1964 to Lei 4.11 billion, thus representing only 4.5% of the budget.

Living standards

11. With a claimed rise in real wages in 1963 of 4.6%, it would seem as if the régime had decided to do something about a higher living standard in Rumania, which is at present about the lowest of the region. The significance of this figure should, however, not be overestimated, as it does not include the income of the peasants who represent 66% of the working population (the highest share in the region).

Economic reforms

12. There are also signs of some new thinking in the régime's approach to economic problems, but the comparative backwardness and the rather satisfactory performance of the country's economy appear not to require as yet any economic reform of the kind envisaged or introduced in the more industrialised countries of the region.

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VI. BULGARIA

Population: 8.0 million
Area: 110,900 sq. km.

General performance

1. A growth rate of 6% is being claimed for Bulgarian net material product in 1963, a figure which seems to require some downgrading if checked against the increase figure claimed for agricultural production. The 1964 plan provides for a further increase of 6.5%.

Industry

2. According to the plan fulfilment report, 1963 gross industrial production rose by 10.4% over 1962 to a value of 6 billion Leva(1), thus fulfilling the original plan and over-fulfilling the revised targets. Engineering is said to have increased by 20.3%, fuel production 19.9%, ferrous metallurgy 19.4%, cellulose and paper 17.1%, chemicals 16.8%, glass and china 15.9% and electric power 13%.

3. In 1964, industrial production is to reach Leva 6,655 million, an increase of 8.8%. The output of heavy industry will continue to top the list by an estimated increase of over 26%, with a nearly-doubled pig-iron production and a growth rate for ferrous metallurgy of 44.5%. The target for the chemical industry is 25.1% and the output of mineral fertilisers is to be doubled. Other sectors with above-average targets include building materials (23.3%), cellulose and paper (20.7%) and electric power production, which is to reach 8.95 billion kWh, an increase of 19%.

Productivity and employment

4. The claimed increase in productivity of 4.6% was criticised as having been "considerably below" the growth rates of previous years. Lack of labour discipline, an excessive labour turnover, frequent absenteeism and the wasting of electricity were stated as the main reasons for this "unsatisfactory" situation. A decree of November 1963 provides for heavy penalties for managers who overstaff their enterprises, set excessively low norms, hire workers who left their previous employment without authorisation, etc. The 1964 plan sets increase targets of 4.5% for productivity in industry and 5.3% for productivity in building.

(1) 100 Leva = official rate \$85.1, tourist rate \$50.0.

Investment

5. The largest growth of capital investment of all countries under review seems to have been achieved in Bulgaria, where an increase of 17.6% over 1962 has been reported. Investment continued to be heavily concentrated on four major projects: the Kremikovtsi steel works, the Stara-Zagora chemical combine, the Marica-Iztok thermo-electric power station and the Burgas oil refinery, which are being equipped and financed to a large extent by the Soviet Union.

6. According to the 1964 plan, investments are to decrease by 7.5%. The report says that in 1964 accumulation will reach 23.4% of net material product, as against 25-28% in the past. Priority will be given to the development of engineering, the light and food industries, and the production of electric power. The plan furthermore provides for the construction of a power transmission line to link Bulgaria with the COMECON electric power grid.

7. After the completion of the first construction stage of the Kremikovtsi iron and steel combine, probably at the end of 1964, annual production figures will be as follows (in million tons; in brackets total Bulgarian production in 1962): pig-iron 1.12 (0.5), steel 1.25 (0.4), rolled steel 1.0 (0.3). After the second construction stage, the output will be tripled.

Agriculture

8. The severe winter and drought were again made responsible for the non-fulfilment of the ambitious 17% increase target for agricultural production in 1963. The official estimate is an increase of 0.4% over 1962, a very unsatisfactory result for a primarily agrarian country which has faithfully imitated all organizational measures of the Soviet Union without the expected results. The wheat production was reduced by 10%, but, thanks to a 15% increase in the maize crop, total grain production remained at about the 1962 level; the beet crop was reported to have been 13.3% up on 1962. Cattle herds seem to have declined further, but the number of pigs and sheep continued to grow.

9. The target for 1964 is 8.6% and grain output is expected to increase by 420,000 tons over an unrevealed output in 1963 (production in 1962 was 4.45 million tons). 218 thousand tons, or 38% more fertilisers will be given to agriculture (expected own production in 1964: 190 thousand tons) and investments in agriculture will amount to Leva 380.5 million. Higher prices will be introduced for tobacco and potatoes, together with new incentive measures to promote production on individual plots.

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Foreign Trade

10. As in 1962, Bulgarian foreign trade turnover had the highest growth rate of the region (+13%), though exports increased only half as quickly as imports (8.5% and 16.7% respectively - see Table VI). The visible trade deficit rose from \$12 million in 1962 to \$77 million in 1963. In 1964, exports are to increase by 7.1% - the export of machinery and equipment alone by 40% - and imports by 3.7%.

11. In 1963, 82.9% of Bulgaria's foreign trade was exchanged with Communist countries, and the Soviet Union continues to be Bulgaria's most important trading partner. In a long-term agreement signed in January 1964, the Soviet Union has granted Bulgaria a loan of 300 million roubles in the form of equipment and technical support for the completion of the projects mentioned in paragraph 5 above(1).

12. The most interesting development in trade policy seems to be Bulgaria's new attitude vis-à-vis Western countries. The setting up of a special foreign bank in Sofia and recent trade agreements show that the necessity to import technology and foodstuffs from the West have convinced the régime of the advantages of expanding trade relations outside the Communist area. Trade exchanges with Italy will be nearly tripled; a three-year trade agreement with the Federal Republic of Germany, Bulgaria's principal Western trade partner for years, provides for a doubling of future exchanges; trade with Turkey is expected to increase by 50%; a restitution agreement was signed with the United States; negotiations with Greece started in April 1964 after protracted preparations.

13. Trade relations with developing countries are also improving. Credits have been extended to Algeria (\$6.5 million) and Tunisia; trade with India is to increase by 40% in 1964 and by another 65% in 1965.

14. Tourism is being stepped up and might prove to be an important source of convertible currencies. According to a Western estimate, 20,000-30,000 Western tourists paid about \$5 million in 1962, a figure which is believed to have been considerably surpassed in 1963. A tourist rate of exchange was recently introduced, reducing the value of the Leva by 70%, and the government seems to be willing to grant five-year credits of up to \$500 to citizens who want to let rooms to tourists.

(1) According to Radio Sofia of 18th February, 1964, Bulgaria has received from 1947 to 1963 Soviet long-term loans totalling Roubles 1,200 million, or about one-third of all state capital investment.

The budget

15. The revenue of the Bulgarian state budget is to decrease by about 10% from Leva 3,257 million in 1963 to Leva 2,938 million in 1964. The official explanation for the decrease is that as from 1st January, 1964, the budget would only account for "the differences between income and expenditure" of foreign trade enterprises, and apparently no longer for their total turnover. Defence expenditures are to be reduced by 12.5% - from Leva 297 million in 1963 to Leva 260 million (about 9% of the budget). It has been reported that a reduction in the size of the army was under consideration for economic reasons.

Prospects

15. Bulgarian leaders admitted that living standards of the population did not increase much, if at all, in 1963. They showed, however, great eagerness in announcing increases of 5% in real wages and 7.5% in consumption for 1964. The discontent of the population seems to be increasing, and the régime can apparently no longer disregard their requirements to the same extent as in the past.

Economic reforms

16. As in Rumania, and more or less for the same reasons, major economic reforms do not seem to be contemplated in Bulgaria for the time being. The incentives for farmers described in paragraph 9 above indicate, however, a somewhat less rigid attitude. Though the régime will also in the future depend heavily on Soviet assistance for its economic development, the new trade policy towards Western countries (see paragraph 11 above) might eventually result in an attenuation of this dependency.

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TABLE INET MATERIAL PRODUCT(1)

Rate of increase in % of previous year

	1960	1961	1962	1963		1964 plan
				actual	plan	
Soviet-Occupied Zone of Germany	4.6	3.7	4.2	3.0	5.5	3.8
Czechoslovakia	8.0	7.0	1.0	4.0(2)	0	3.6(4)
Poland	4.5	7.2	2.0	5.5(3)	5.2	3.6
Rumania	8.0	10.0	4.5	7.0	13.0	12.0(5)
Hungary	10.0	6.1	4.7	5.0	7.5	6.5
Bulgaria	6.8	2.8	6.2	6.0	14.0	6.5
Albania	3.0	5.8	8.0	8.0	11.0	10.0(5)
Total Eastern Europe	6.0	6.0	3.0	3.0		

- (1) Sources for all tables (if not otherwise mentioned): plan fulfilment reports for 1963 and plans for 1964; Economic Survey of Europe, 1962 and pre-publication text for 1963, ECE, Geneva. The figures for 1960, 1962 and plan 1963 vary insignificantly from those given in Table I of the Annex to AC/127-D/128(Revised).
- (2) ECE - estimate.
- (3) The official "provisional" figure of 5.5% does not seem to correspond to the results announced for industrial and agricultural production.
- (4) Another figure announced is 1.4% (see comment to 3).
- (5) Economic Directorate's estimate.

TABLE II
GROSS INDUSTRIAL PRODUCTION

Rate of increase in % of previous year

	1960	1961	1962	1963		1964 plan
				actual	plan	
Soviet Zone of Occupation of Germany	8.2	5.9	6.2	4.9	6.4	5.7
Czechoslovakia	11.7	8.9	6.2	-0.6	1.0	3.6
Poland	11.1	10.4	8.4	5.3	5.0	6.3(1)
Rumania	16.4	15.3	14.8	12.5	12.0	12.0(2)
Hungary	12.8	11.0	9.0	7.0	8.0	7.0
Bulgaria	13.3	11.7	11.0	10.4	10.0	8.8
Albania	11.2	7.2	6.4	6.7	5.3	6.5
Total Eastern Europe	11.0	9.3	8.0	5.0	5.8	6.4

- (1) Increases of 7.8 and 6.7 have also been mentioned.
(2) 13.0 for producer, 10.0 for consumer goods.

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TABLE III
PRODUCTIVITY

Rate of increase in % of previous year

	1960	1961	1962	1963		1964 plan
				actual	plan	
Soviet Zone of Occupation of Germany	7.4	5.3	6.6	6.5	7.2	6.5
Czechoslovakia	7.0	5.1	3.1	-1.0	0.7	2.8
Poland	10.7	6.7	3.2	2.7	3.2	4.5
Rumania	11.1	6.5	4.4	7.2	9.3	9.3
Hungary	5.9	7.0	5.5	3.2	5.5	3.6
Bulgaria	2.3	9.2	7.8	4.6	6.1	4.5
Albania	9.7	5.0	2-14.5	n.a.	n.a.	n.a.
Total Eastern Europe	7.7	5.8	4.4	3.2	4.5	

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TABLE IV
INVESTMENT(1)

Rate of increase as % of previous year

	1960	1961	1962	1963		1964 plan
				actual	plan	
Soviet Zone of Occupation of Germany	10.5	3.0	1.3	2.5	5.4	6.6
Czechoslovakia	12.5	7.0	-5.0	-12.0(2)	-6.0	14.6
Poland	6.5	7.5	11.0	3.5(3)	8.3	1.7(5)
Rumania	32.0	21.0	14.0	9.0	12.0	13.0
Hungary	13.0	-10.0	16.0	12.5(4)	9.0	12.0
Bulgaria	16.0	6.0	4.0	17.6	5.0	-7.5
Albania	-6.5	6.7	7.0	7.8	6.0	12.0

- (1) In the case of the Soviet Zone, Czechoslovakia and Poland: total investments; for Hungary, Bulgaria and Albania: total investments in the Socialist sector; for Rumania: total state investments. The figures for Hungary exclude private house building, those for Rumania exclude co-operative farm investment.
- (2) In Czechoslovakia, state capital investment declined 9%, investments in the co-operative and private sectors 23% (see ECE Report 1963, Table 16).
- (3) Investments in agriculture: 15%.
- (4) Investments in agriculture: 31%.
- (5) Other sources given targets of 3.7% or 7.8%.

TABLE V

GROSS AGRICULTURAL PRODUCTION

Rate of increase as % of previous year

	1960	1961	1962	1963		1964 plan
				actual	plan	
Soviet Zone of Occupation of Germany	10.6	-11.2	1.0	1.0(1)	n.a.	1.3(1)
Czechoslovakia	7.0	1.0	-7.6	6-7	9.5	6.5
Poland	5.4	10.4	-8.5	3.8	5.8	1.1
Rumania	1.6	8.0	-8.9	3-5	17.0	12.0(1)
Hungary	-5.0	0.7	1.6	4.5	13.0	4.5
Bulgaria	3.3	-3.5	4.2	0.4	17.1	8.6
Albania	-7.0	11.7	10.0	8.0	22.0	13.4

(1) Estimate by the Economics Directorate.

TABLE VI
FOREIGN TRADE

- (a) Percentage increases over previous year
- (b) Values (in current prices) of total exports and imports
- (c) Visible trade balance

		(a) Percentage increase					(b) Value(1)		(c) Visible trade balance(1)		
		1960	1961	1962	1963		1962	1963	1962	1963	
					actual	plan					1964 plan
Soviet Zone of Occupation of Germany	exp.	6.0	3.2	4.1	13.5	15.4	8.8	2,375	2,671)	+4	+384
	imp.		2.1	7.0	3.6	-	17.7	2,371	2,287)		
Czechoslovakia	exp.	12.4	6.1	7.2	12.0)	-	3.7	2,187	2,456)	+116	+303
	imp.		11.5	2.3	4.0)			2,071	2,153)		
Poland	exp.	10.0	13.4	9.1	7.5	6.0	12.6	1,647	1,770)	-214	-209
	imp.		12.8	12.1	5.0	3.2	1.6	1,861	1,979)		
Hungary	exp.	17.0	17.7	6.9	9.7	9.0	6.5	1,100	1,206)	-48	-100
	imp.		5.1	11.9	13.7	11.0	5.5	1,148	1,306)		
Rumania	exp.	33.0	10.5	3.2	10.3	5.3	10.0	818)	1,935	-123	-120(2)
	imp.		25.8	15.9				941)			
Bulgaria	exp.	16.0	15.9	16.6	8.5	10.6	7.1	770	839)	-12	-77
	imp.		5.3	17.8	16.7	10.8	3.7	782	916)		
Albania	exp.	8.7	-10.9	n.a.	17.0	26.4	13.0				
	imp.				9.5	-	-				

- (1) In million United States \$
- (2) Estimate by the Economic's Directorate

TABLE VII
PHYSICAL OUTPUT OF MAIN COMMODITIES

(a) 1963 (actual)
(b) 1964 (plan)

	Unit	Germany S. Zone	Czech.	Poland	Rumania	Hungary	Bul- garia
Electric power	(a) mlld.	47.7	29.9	37.0	11.7	9.7	7.2
	(b) kwh	51.0	32.2	40.0	14.3	10.6*	9.0
Coal (in h.c. equiv.)	(a) m	78.8	69.1	118.0	6.2	19.7	11.6
	(b) tons	79.4	69.3	120.0		22.0	13.5
Crude oil	(a) m	-	-	0.2	12.2	1.8	0.3*
	(b) tons				12.5*		
Nat. gas	(a) mlld.	3.5*	-	1.0	10.1	0.5*	-
	(b) cu.m.				11.0*		
Iron ore	(a) m	1.7*	1.2*	2.6	2.3	0.2*	0.7
	(b) tons			2.6			
Pig iron	(a) m	2.2*	5.5	5.4	1.7	1.5*	0.2
	(b) tons		5.9	5.6			
Crude steel	(a) m	3.8*	7.6	8.0	2.7	2.4	0.5
	(b)		8.1	8.4	2.9*		0.5
Cement	(a) m	5.6*	5.18	7.7	4.4	1.8	2.2
	(b) tons		5.3*	8.7	5.4*	2.1	2.7
Fertilisers (N+P ₂ O ₅)	(a) m	1.0*	0.36	0.6	0.4	0.9	0.17
	(b) tons		0.43	0.7	0.5		0.28
Rolled Steel	(a) m	2.9	5.1	5.5	1.9	1.7	0.35
	(b) tons		6.4*	5.7	2.0*		0.41
Grain	(a) m	5.9*	6.0	14.5	10.4	5.8	4.4*
	(b) tons		6.7	14.7	11.0*		
of which: wheat	(a) m	1.3*	1.7	3.1	3.7	1.6	1.9
	(b) tons		1.8				
potatoes	(a) m	13.4*	6.4	44.9	2.7	1.9	1.72
	(b) tons		6.8*	40.3			
sugar beet	(a) m	5.0*	7.7	10.6	2.4	3.4	1.12
	(b) tons		8.3	11.6			

* Estimates by the Economics Directorate according to 1962 results.

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		Unit	Germany S. Zone	Czech.	Poland	Rumania	Hungary	Bul- garia
Cattle	(a)	m	4.6	4.5	9.8	2.4	1.9	1.8
	(b)	head			10.0			
Pigs	(a)	m	9.3	5.8	11.7	2.3	7.0	2.1
	(b)	head			12.0*			
Sheep	(a)	m	1.9	0.7	3.1	6.3	3.0	10.1
	(b)	head						
Meat	(a)	m	0.6	1.0	1.1	0.3	0.2	0.17
	(b)	tons			1.0			0.16
Milk	(a)	m	5.6	3.5	12.2	2.6*	1.8	1.1
	(b)	tons		4.0*	12.6			
Sugar	(a)	m	0.7*	1.0	1.3	0.3	0.38	0.14
	(b)	tons		1.1*	1.5			0.22
Eggs	(a)	m	3.6*	2.4	5.7	2.6	1.8	1.3
	(b)	units			6.0			
Tobacco	(a)	1,000		6.0*	45.0*	2.6*	16.0*	102.5
	(b)	tons						

*Estimates by the Economics Directorate according to 1962 results.

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