

Ce document est en prêt et doit être renvoyé au Bureau de Documentation

ORIGINAL: ENGLISH/FRENCH
22nd July, 1966 N° 149

EXEMPLAIRE N° 366
COPY

NATO RESTRICTED
DOCUMENT
C-M(66)67

NATO COUNTRIES' TRADE WITH COMMUNIST COUNTRIES

Report by the Committee of Economic Advisers

Within the framework of its studies on East/West trade, the Committee of Economic Advisers had deemed it useful to bring up-to-date its earlier reports on NATO countries' trade with Communist countries, which dealt respectively with the periods 1958 to 1963 and 1960 to 1964(1). The present document analyses the development of trade during the period 1961 to 1965 and also attempts to throw some light on the outlook for the future.

2. During the five-year period 1961 to 1965, the main features(2) of the development in trade between NATO countries and Communist countries seem to be as follows:

- (i) total exports (\$3,189.78 million) from NATO countries to the Communist countries in 1965 only rose by 2.04% in comparison with 1964 - during which year they had shown a marked increase of 24.4% as a result of grain sales by North America. The slow increase in 1965 conceals differing tendencies in European exports - which increased - and in North American exports - which decreased. The increase in exports is well below the rate of increase of total imports (\$3,361.64 million) of the NATO countries from Communist countries, which was 19.9% in 1965 in comparison with 1964;

(1) C-M(64)52 and C-M(65)55

(2) A brief description of the development of trade with the USSR, the countries of Eastern Europe and Communist China is attached at Annex. This development also appears on the graphs and tables similarly attached. More complete statistics and some analytical tables are given in document AC/127-D/217 and Corrigenda

- (ii) for NATO countries as a whole, East/West trade continues to account for a small fraction of their foreign trade: in 1965 it represented 3.1% of their exports (as against 3.3% in 1964 and in 1961) and 3.2% of their imports (as against 3% in 1964 and 3.2% in 1961). East/West trade accounts for a much larger percentage of the foreign trade of Communist countries as a whole: about 13.5% of total exports and 16.5% of total imports in 1964(1);
- (iii) during the five-year period 1961 to 1965, trade between NATO countries and Communist countries developed less rapidly than the former's trade with the world as a whole; 7.1% as an annual average against 8.1% for exports, and 8.5% against 9% for imports;
- (iv) these percentages reveal that during the period under examination, the rate of increase in purchases from Communist countries was more rapid than that of sales to those countries. Nevertheless, the overall cumulative trade balance of the NATO countries, with Communist countries is slightly positive from 1961 to 1965: \$166.46 million. While trade exchanges between the North American countries and the East have shown a surplus, those of the European countries taken as a whole have been showing an increasing deficit.

3. During the years to come, a spectacular expansion of trade between the NATO countries and the European Communist countries cannot be expected. However, the gradual elimination of quantitative restrictions may increase the share of manufactured products in the exports of Communist countries and may favour expansion. In addition, in both the West and the East, efforts are being made to find ways to increase and expand this trade; sub-contracting agreements, patent exchanges and technical assistance and even joint production schemes between Socialist firms and Western enterprises. If this co-operation, which is only in the initial stages is continued, the present outlook on East/West trade could be changed in the long run. Much will depend on how much Western grain is needed by Communist countries. North American suppliers of grain, along with Australia, France and other countries, are likely to meet these needs. They are difficult to forecast as far as the European Communist countries are concerned, but it is significant that the USSR has signed a contract to purchase 9 million tons of Canadian wheat and flour in the three year period commencing 1st August, 1966. Communist China will probably continue to use a large part of its

(1) Last year for which statistics on Communist countries' foreign trade are available.

available convertible currency to buy grain, as agricultural production will continue to have difficulty in keeping pace with population growth. Since China's export potential over the next few years will remain fairly modest, new possibilities of trading with industrial Western countries will consequently be limited.

(Signed) F.D. GREGH
Chairman

OTAN/NATO,
Paris, (16e).

THE DEVELOPMENT OF TRADE BETWEEN NATO COUNTRIES
AND THE SOVIET UNION, EASTERN EUROPE AND COMMUNIST CHINA

I. Soviet Union

1. Although the exports from the European member countries of NATO to the Soviet Union rose slightly in 1965 (2.45% in comparison with 1964) amounting to \$598.82 million, they remained distinctly below their level for the years 1961, 1962 and 1963. Imports from the USSR, on the other hand, which had dropped slightly in 1964, rose again in 1965, reaching \$1,098.28 million, or 22.6% more than the figures of the previous year. The composition of trade did not noticeably change during the five years covered by the present report. The largest part of the sales of the USSR to NATO Europe consisted of some agricultural and timber (chiefly wood) products, raw materials, fuels and semi-manufactured products. On the other hand, Soviet purchases were chiefly of manufactured products. One of the characteristic features of the exchanges between the NATO countries of Europe and the USSR is the Soviet trade balance surplus (\$499.46 million in 1965).

2. Exports from the North American member countries of NATO to the USSR dropped sharply in 1965; their total, to a value of \$227.28 million, represented only 51.7% of the figure reached a year earlier. Two reasons explained this development; on the one hand, the USSR has not bought wheat from the United States in 1965, and on the other hand, wheat purchases from Canada have been spread over the crop year, 1965/66. The volume of American and Canadian exports of other products, especially of manufactured products, to the USSR, is small. The total sales of the USSR to North America only reached a modest level; \$52.32 million in 1965, or less than 5% of the amount of Soviet exports to NATO Europe; however, they have more than doubled in comparison with 1964.

II. Eastern Europe(1)

3. The sales of NATO European member countries to Eastern Europe, which have been increasing steadily since 1961, reached a figure of \$1,759.24 million, or 19.7% and 48.2% more, respectively, than the corresponding figures for 1964 and 1961. Imports from Eastern Europe have also been increasing; in 1965 they reached \$1,780.72 million, or respectively 48.2% and 14.6% more than in 1961 and 1964. In each year from 1961 to 1965, the trade balance of Eastern Europe with NATO Europe showed a surplus.

(1) Albania, Bulgaria, Hungary, Poland, Rumania, Czechoslovakia, Soviet-occupied Zone of Germany.

4. Although in 1965 Eastern European purchases in the North American member countries, to a value of \$194.16 million, surpassed the level reached in 1961, 1962 and 1963, they dropped by 43.3% in comparison with 1964. This decrease is principally the result of a slowing down in the North American grain sales. In contrast, sales to North America have greatly increased, growing from \$100.68 million in 1964 to \$123 million in 1965, or an increase of 22.2%. In comparison with 1961, the increase is of the order of 70%. Nevertheless, this increase in North American purchases was not sufficient to offset the constant surplus trade balance with Eastern Europe.

III. Communist China

5. Trade between Communist China and NATO European member countries expanded greatly in 1965 indicating a measure of success in her efforts to remedy an economic situation in difficulty as a result of the failure of the "Great Leap Forward", the poor weather and the withdrawal of Soviet aid. Exports to Communist China - increasing by 91% - went from \$163.92 million in 1964 to \$312.96 million in 1965; this figure is nevertheless still below that reached in 1960 (\$335 million). Imports from this country have also progressed strongly; they rose to a figure of \$293.52 million in 1965, a third more than in 1964. In 1965, for the first time for five years, the trade balance of Communist China with NATO Europe showed a deficit (-\$19.44 million).

6. Trade relations between Communist China and the North American members of the Alliance are in fact limited to exchanges with Canada - her principal grain supplier. The United States, which refrain from any sales to Communist China, import each year a very small quantity of products which most probably come via Hong-Kong. The figure for Canadian exports in 1965 dropped by 23% in comparison with that for 1964 (\$97.32 million as against \$126.36 million) as a result of a slowing down in the wheat deliveries, although the level of these remains very high. Canadian imports - relatively small - rose to \$13.32 million in 1965, or 53% more than in 1964 and nearly three times the figure reached in 1963.

TABLE I

NATO COUNTRIES' EXPORTS TO COMMUNIST COUNTRIES AS A
PERCENTAGE OF THEIR TOTAL WORLD EXPORTS

	1961	1964	1965
Belgium/Luxembourg	2.6	1.5	1.7
Denmark	3.4	3.9	4.3
France	3.8	3.2	3.6
Federal Republic of Germany(1)	5.6	5.2	5.3
Greece	23.4	21.0	22.8
Iceland	14.1	14.3	11.5
Italy	5.9	4.9	5.4
Netherlands	1.9	1.4	1.9
Norway	4.5	5.0	4.7
Portugal	1.4	1.4	1.1
Turkey	8.6	9.2	15.0
United Kingdom	3.9	2.8	2.9
Total NATO Europe	4.4	3.7	4.0
Canada	3.8	7.4	4.7
United States	0.6	1.3	0.5
Total NATO North America	1.3	2.7	1.5
Total NATO	3.3	3.3	3.1

(1) In the case of the Federal Republic of Germany - figures comprise both exports and interzonal trade deliveries to the Soviet-occupied Zone of Germany.

DECLASSIFIED/DECLASSIFIEE - PUBLIC DISCLOSED/MISE EN LECTURE PUBLIQUE

TABLE II

NATO COUNTRIES' IMPORTS FROM COMMUNIST COUNTRIES AS A
PERCENTAGE OF THEIR TOTAL WORLD IMPORTS

	1961	1964	1965
Belgium/Luxembourg	2.1	2.2	1.6
Denmark	3.5	4.1	4.4
France	2.7	2.9	3.1
Federal Republic of Germany(1)	6.1	5.4	5.5
Greece	7.0	8.3	9.0
Iceland	23.0	16.2	16.1
Italy	6.2	5.4	6.5
Netherlands	2.3	2.1	2.4
Norway	3.1	3.6	3.3
Portugal	1.3	1.3	1.3
Turkey	7.7	7.7	10.0
United Kingdom	4.2	3.8	4.3
Total NATO Europe	4.3	4.0	4.2
Canada	0.3	0.5	0.6
United States	0.6	0.5	0.6
Total NATO North America	0.5	0.5	0.6
Total NATO	3.2	3.0	3.2

(1) In the case of the Federal Republic of Germany, figures comprise both imports and interzonal trade deliveries from the Soviet-occupied Zone of Germany.

NATO UNCLASSIFIED
ANNEX to
C-M(66)67

TABLE III
NATO COUNTRIES' EXPORTS TO EASTERN EUROPE(1)

Annual totals f.o.b. (in millions US dollars)

	1961	1962	1963	1964	1965	Percentage change between 1965 and 1964
Belgium/Luxembourg	64.80	61.08	60.48	62.76	70.56	+12.42
Denmark	42.12	55.20	51.24	44.28	64.92	+46.61
France	124.92	129.00	161.88	170.76	228.96	+34.08
Federal Republic of Germany(2)	489.15	511.01	499.89	644.85	739.02	+14.60
Greece	33.48	31.20	35.28	40.55	47.98	+18.32
Iceland	4.80	4.68	5.64	5.88	8.04	+36.73
Italy	127.32	138.72	156.24	184.92	231.24	+25.04
Netherlands	58.32	44.52	48.12	59.04	75.12	+27.23
Norway	24.72	27.12	33.60	41.52	44.76	+ 7.80
Portugal	4.68	5.52	6.36	6.84	6.24	- 8.78
Turkey	25.44	21.12	28.32	28.80	48.00	+66.66
United Kingdom	187.20	207.72	195.24	179.52	194.40	+ 8.28
Total NATO Europe	1,186.95	1,236.89	1,282.29	1,469.72	1,759.24	+19.69
Canada	71.16	42.48	40.32	149.64	99.68	-33.39
United States	87.48	104.76	143.52	192.60	94.48	-50.95
Total NATO North America	158.64	147.24	183.84	342.24	194.16	-43.27
Total NATO	1,345.59	1,384.13	1,466.13	1,811.96	1,953.40	+ 7.80

(1) Comprising Poland, the Soviet-occupied Zone of Germany, Czechoslovakia, Hungary, Rumania, Bulgaria and Albania.

(2) In the case of the Federal Republic of Germany, figures comprise interzonal trade deliveries.

Source: AC/127-D/217 and Corrigena

NATO UNCLASSIFIED

NATO UNCLASSIFIED
ANNEX to
C-M(66)67

TABLE IV

NATO COUNTRIES' IMPORTS FROM EASTERN EUROPE(1)

Annual totals c.i.f. (in millions US dollars)

	1961	1962	1963	1964	1965	Percentage change between 1965 and 1964
Belgium/Luxembourg	51.36	54.12	62.88	67.80	74.16	+ 9.38
Denmark	49.56	59.64	60.00	72.48	79.20	+ 9.27
France	69.24	86.76	109.80	117.96	126.24	+ 7.01
Federal Republic of Germany(2)	505.26	513.80	545.14	573.43	694.41	+21.09
Greece	30.48	34.44	39.96	45.95	65.83	+43.26
Iceland	6.24	6.84	7.56	10.20	9.84	- 3.53
Italy	160.20	166.44	249.36	223.04	257.32	+15.09
Netherlands	64.80	62.76	73.20	89.64	97.92	+ 9.23
Norway	28.80	29.40	30.12	41.40	40.08	- 3.19
Portugal	6.48	4.44	4.20	9.60	11.40	+18.75
Turkey	31.08	31.20	41.28	33.96	40.92	+20.49
United Kingdom	198.24	206.16	226.68	268.68	283.68	+ 5.58
Total NATO Europe	1,201.74	1,256.00	1,450.18	1,554.42	1,780.72	+14.55
Canada (f.o.b.)	13.20	14.16	16.68	22.80	29.40	+28.94
United States (f.o.b.)	57.60	62.16	59.40	77.88	93.60	+20.18
Total NATO North America	70.80	76.32	76.08	100.68	123.00	+22.16
Total NATO	1,272.54	1,332.32	1,526.26	1,655.10	1,903.72	+15.02

(1) Comprising Poland, the Soviet-occupied Zone of Germany, Czechoslovakia, Hungary, Rumania, Bulgaria and Albania.

(2) In the case of the Federal Republic of Germany, figures include interzonal trade deliveries.

Source: AC/127-D/217 and Corrigena

NATO UNCLASSIFIED

NATO UNCLASSIFIED
ANNEX to
C-M(66)67

TABLE V

NATO COUNTRIES' EXPORTS TO THE USSR

Annual totals f.o.b.

(in millions US dollars)

	1961	1962	1963	1964	1965	Percentage change between 1965 and 1964
Belgium/Luxembourg	27.00	25.56	13.20	14.76	22.56	+52.84
Denmark	5.04	20.64	28.92	34.80	30.84	-11.38
France	109.92	138.12	64.20	64.08	72.00	+12.35
Federal Republic of Germany	204.00	206.76	153.60	193.56	146.52	-24.31
Greece	18.72	19.20	22.44	24.18	26.90	+11.24
Iceland	5.28	10.92	10.68	10.08	6.84	-32.15
Italy	90.00	103.20	114.96	90.84	98.16	+ 8.06
Netherlands	19.68	31.92	23.76	14.88	29.28	+96.77
Norway	12.48	10.44	12.72	17.04	18.48	+ 8.45
Portugal	4.44	5.52	7.08	9.00	18.72	+108.00
Turkey	194.40	161.04	178.80	111.24	128.52	+15.53
United Kingdom	690.96	733.32	630.36	584.46	598.82	+ 2.45
Total NATO Europe	24.24	3.12	139.20	292.80	182.88	-37.55
Canada	45.48	20.04	22.92	146.40	44.40	-69.68
United States	69.72	23.16	162.12	439.20	227.28	-48.26
Total NATO North America	760.68	756.48	792.48	1,023.66	826.10	-19.30
Total NATO						

Source: AC/127-D/217 and Corrigenda

NATO UNCLASSIFIED

NATO UNCLASSIFIED
ANNEX to
C-M(66)67

TABLE VI
NATO COUNTRIES' IMPORTS FROM THE USSR

Annual totals c.i.f.

(in millions US dollars)

	1961	1962	1963	1964	1965	Percentage change between 1965 and 1964
Belgium/Luxembourg	34.08	43.08	51.12	49.80	46.32	- 6.99
Denmark	27.60	23.40	24.84	26.04	34.56	+32.71
France	97.20	110.64	141.12	141.12	146.04	+ 3.48
Federal Republic of Germany	142.32	186.36	163.68	170.40	210.48	+23.52
Greece	19.80	20.28	28.44	27.41	36.52	+33.23
Iceland	10.92	10.32	11.88	11.04	12.12	+ 9.78
Italy	151.08	166.92	176.76	147.24	181.32	+23.14
Netherlands	39.36	36.36	47.28	35.64	52.92	+48.48
Norway	19.44	18.24	21.36	25.80	28.20	+ 9.30
Portugal	1.56	-	0.36	-	0.12	-
Turkey	8.40	6.48	8.88	8.04	16.68	+107.46
United Kingdom	238.20	235.56	254.64	252.96	333.00	+31.64
Total NATO Europe	789.96	857.64	930.36	895.49	1,098.28	+22.64
Canada (f.o.b.)	2.64	1.68	2.16	2.60	9.12	+250.76
United States (f.o.b.)	22.68	16.32	21.24	21.48	43.20	+101.11
Total NATO North America	25.32	18.00	23.40	24.08	52.32	+117.27
Total NATO	815.28	875.64	953.76	919.57	1,150.60	+25.12

Source: AC/127-D/217 and Corrigena

NATO UNCLASSIFIED

NATO UNCLASSIFIED
ANNEX to
C-M(66)67

TABLE VII
NATO COUNTRIES' EXPORTS TO COMMUNIST CHINA

Annual totals f.o.b.

(in millions US dollars)

	1961	1962	1963	1964	1965	Percentage change between 1965 and 1964
Belgium/Luxembourg	10.08	7.92	9.48	7.44	16.68	+124.19
Denmark	3.72	3.60	0.60	1.08	2.04	+88.88
France	36.36	43.32	58.44	49.56	60.12	+21.30
Federal Republic of Germany	30.48	31.20	15.36	25.44	78.96	+210.37
Greece	-	-	-	-	-	-
Iceland	-	-	-	-	-	-
Italy	29.76	19.08	19.44	18.48	56.40	+205.19
Netherlands	4.08	3.60	12.84	5.88	18.96	+222.44
Norway	4.92	0.96	3.36	5.88	5.16	-12.25
Portugal	-	0.12	0.24	0.24	-	-100.00
Turkey	-	-	-	-	2.28	-
United Kingdom	36.48	24.12	37.44	49.92	72.36	+44.95
Total NATO Europe	155.88	133.92	157.20	163.92	312.96	+90.92
Canada	121.20	138.12	97.20	126.36	97.32	-22.99
United States	-	-	-	-	-	-
Total North America	121.20	138.12	97.20	126.36	97.32	-22.99
Total NATO	277.08	272.04	254.40	290.28	410.28	+41.33

Source: AC/127-D/217 and Corrigena

NATO UNCLASSIFIED

NATO UNCLASSIFIED
ANNEX to
C-M(66)67

TABLE VIII

NATO COUNTRIES' IMPORTS FROM COMMUNIST CHINA

Annual totals c.i.f.

(in millions US dollars)

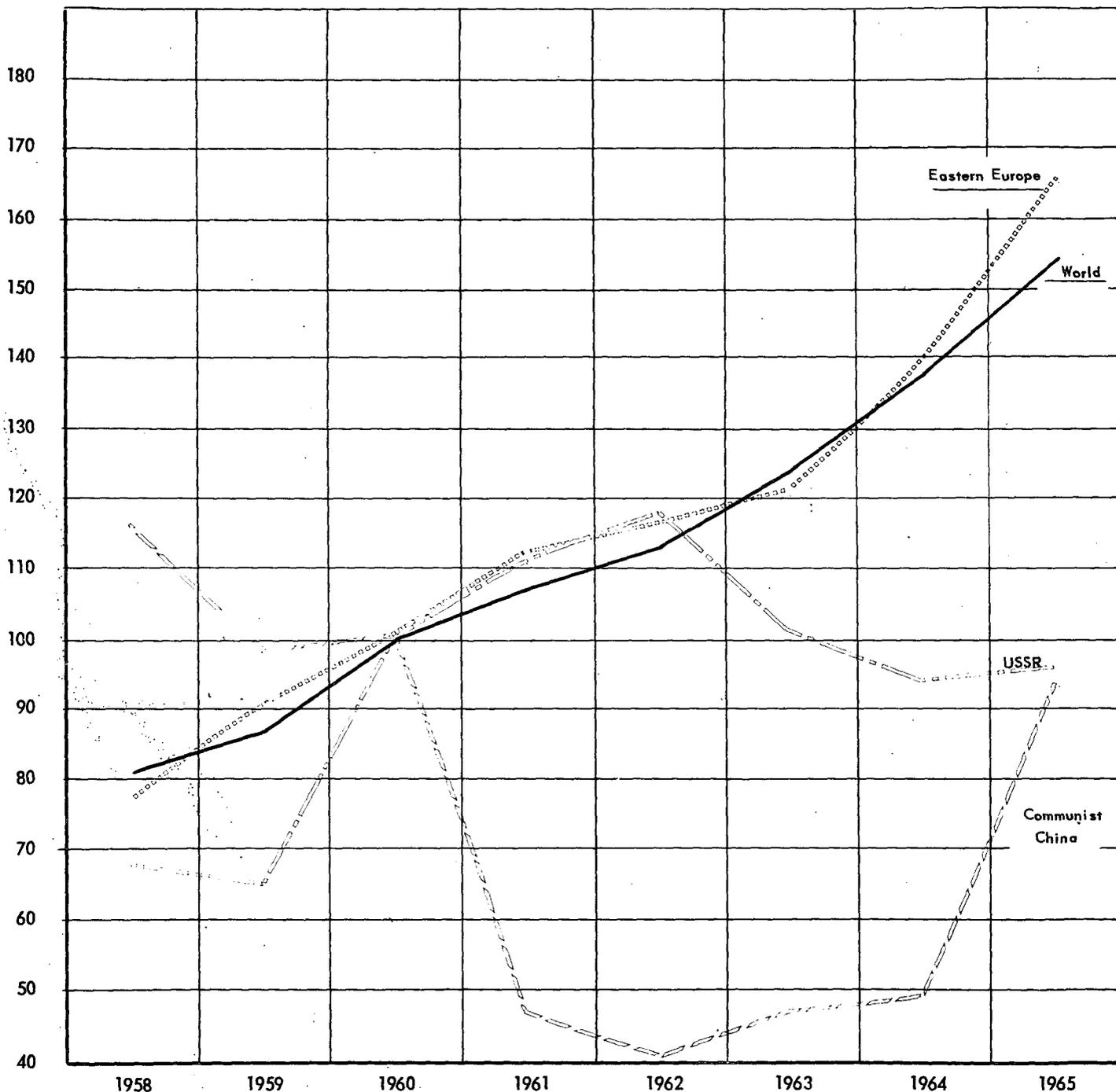
	1961	1962	1963	1964	1965	Percentage change between 1965 and 1964
Belgium/Luxembourg	3.24	4.68	8.16	13.68	14.16	+ 3.50
Denmark	6.60	3.84	4.20	7.56	10.56	+39.68
France	15.84	16.92	21.12	30.84	43.68	+41.63
Federal Republic of Germany	39.60	39.24	40.80	51.84	72.72	+40.27
Greece	-	0.12	0.12	0.14	0.12	-14.29
Iceland	-	-	-	-	0.12	-
Italy	12.24	14.16	19.20	23.76	38.40	+61.61
Netherlands	15.24	13.92	15.72	19.92	25.44	+27.71
Norway	1.68	1.56	1.92	3.24	4.80	+48.14
Portugal	0.24	0.12	0.12	0.24	0.24	-
Turkey	-	-	-	-	-	-
United Kingdom	86.40	64.80	51.84	69.00	83.28	+20.69
Total NATO Europe	181.08	159.36	163.20	220.22	293.52	+33.28
Canada(f.o.b.)	3.24	4.20	4.80	8.70	13.32	+53.10
United States (f.o.b.)	0.36	0.24	0.24	0.48	0.48	-
Total NATO North America	3.60	4.44	5.04	9.18	13.80	+50.32
Total NATO	184.68	163.80	168.24	229.40	307.32	+33.96

Source: AC/127-D/217 and Corrigena

NATO UNCLASSIFIED

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1958-1965

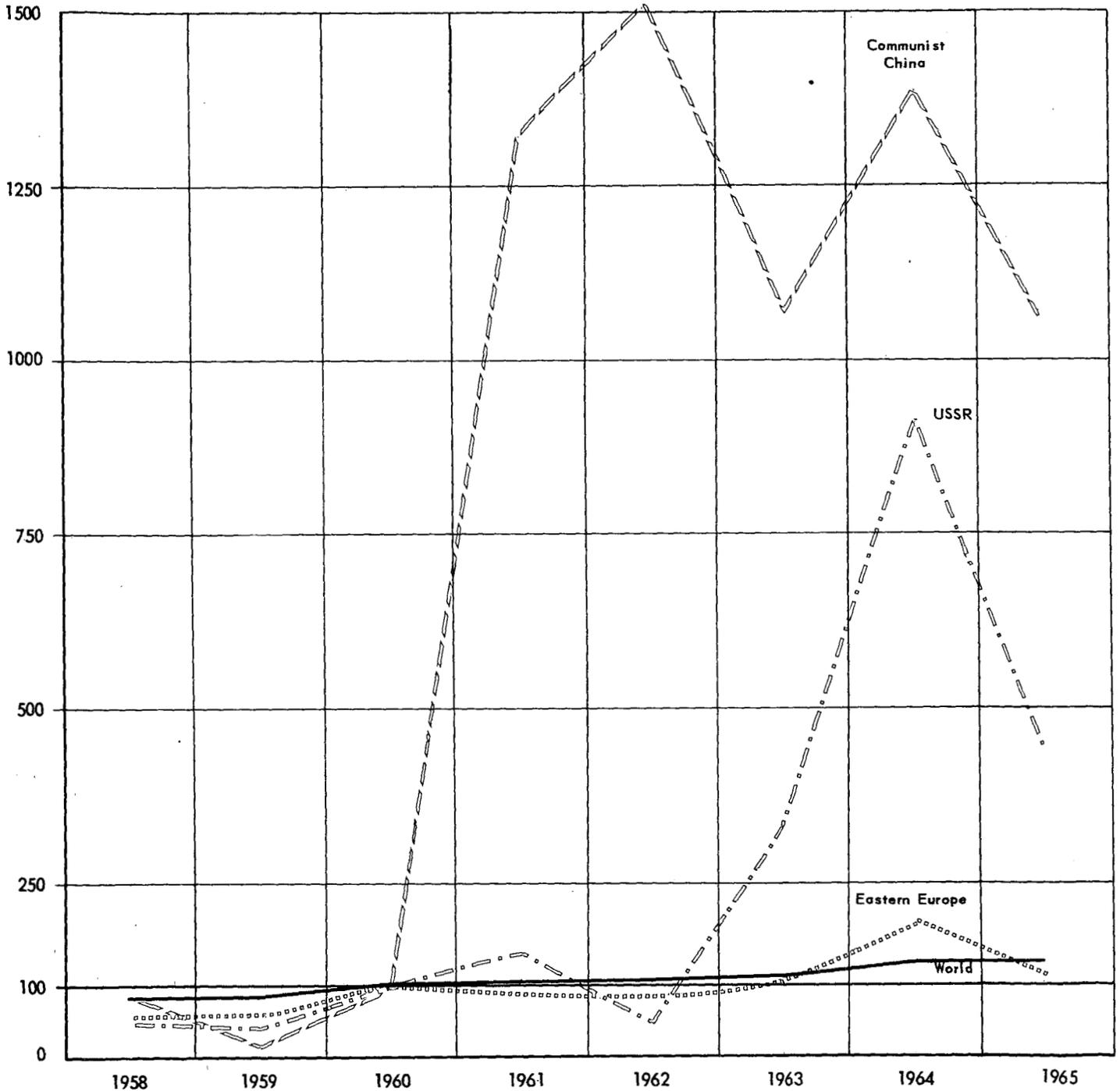
NATO EUROPE EXPORTS 1960 = 100 (*)



(*) The absolute values (million US \$) for 1965 would read as follows :
USSR = 599 ; Eastern Europe = 1,759 ; Communist China = 313 ; World = 67,123

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1958-1965

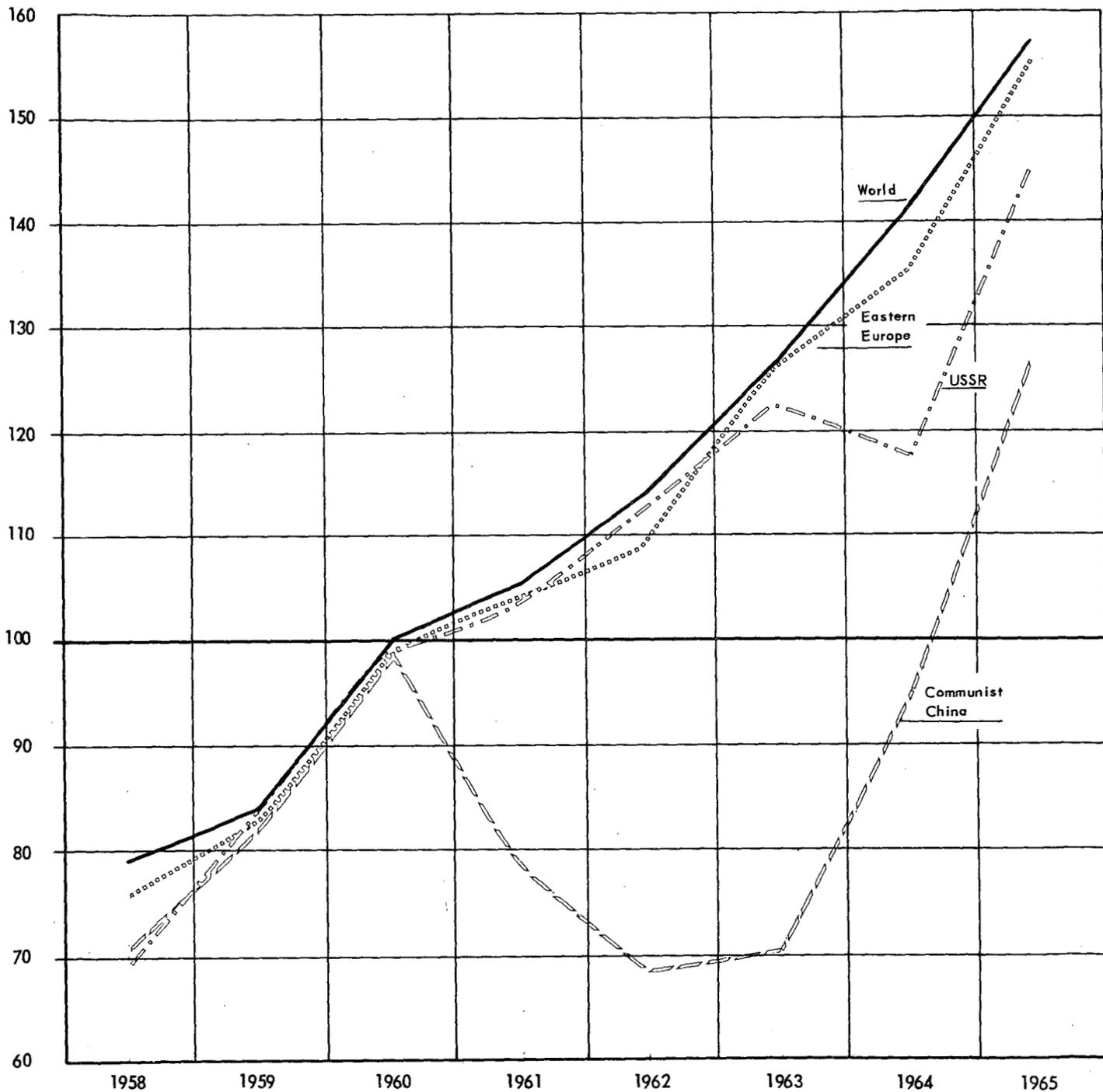
NATO NORTH AMERICA EXPORTS 1960 = 100 (*)



(*) The absolute values (million US \$) for 1965 would read as follows :
 USSR = 227 ; Eastern Europe = 194 ; Communist China = 97 ; World = 35,111

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1958-1965

NATO EUROPE IMPORTS 1960 = 100 (*)

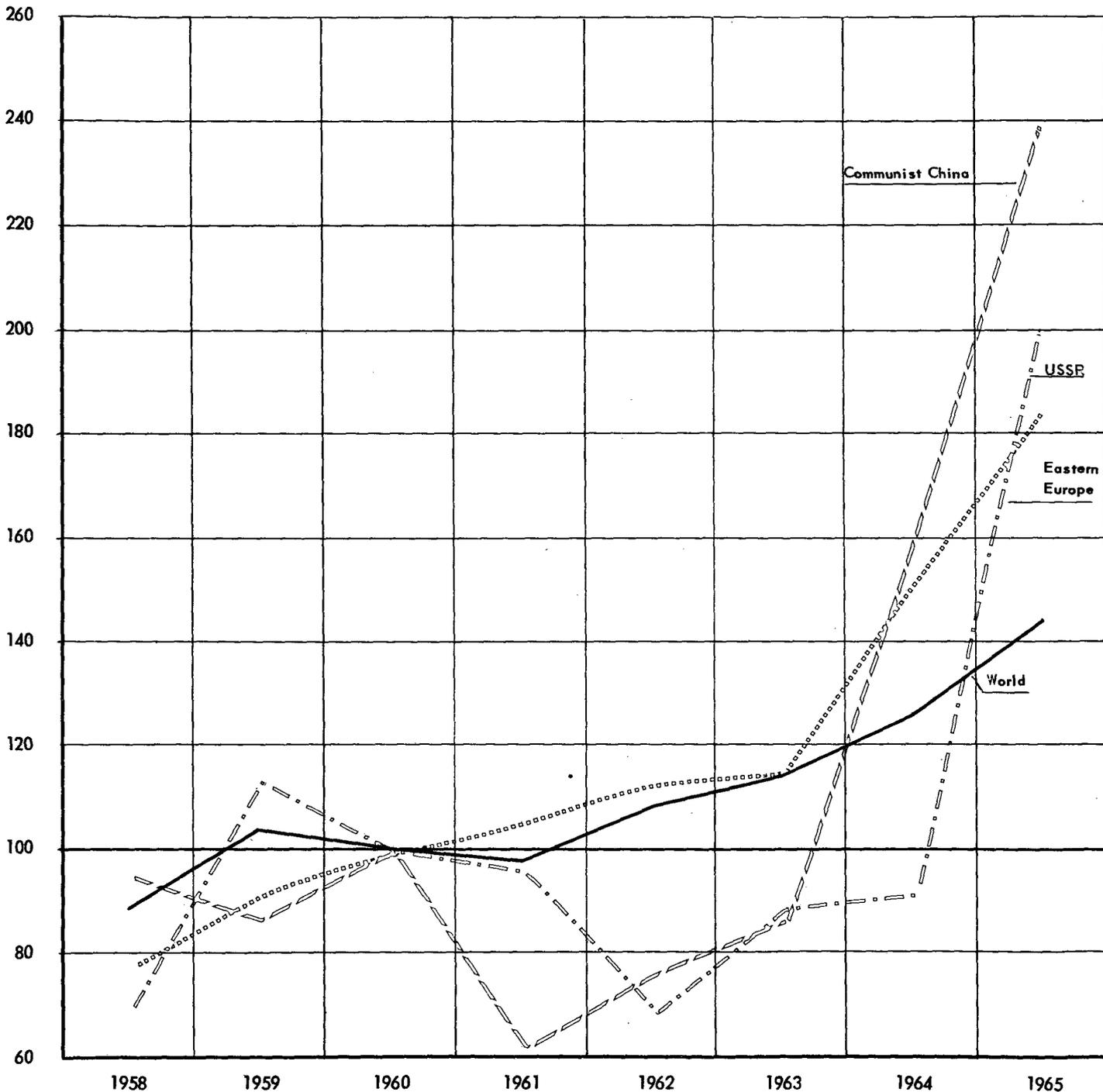


(*) The absolute values (million US \$) for 1965 would read as follows :
USSR = 1,098 ; Eastern Europe = 1,781 ; Communist China = 294 ; World = 75,199

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1958-1965

NATO NORTH AMERICA IMPORTS 1960 = 100 (*)

DECLASSIFIED/DECLASSIFIEE - PUBLIC DISCLOSED/MISE EN LECTURE PUBLIQUE



(*) The absolute values (million US \$) for 1965 would read as follows :
USSR = 52 ; Eastern Europe = 123 ; Communist China = 14 ; World = 29,268