

CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

EXEMPLAIRE
COPY N° 366

ORIGINAL: FRENCH
18th August, 1967

NATO RESTRICTED
DOCUMENT
C-M(67)53

NATO COUNTRIES TRADE WITH COMMUNIST COUNTRIES

Report by the Committee of Economic Advisers

In this report, the fourth in the series(1) devoted to the trade of NATO countries with the Communist countries, the Committee of Economic Advisers has attempted to analyse briefly the development of trade exchanges during the period 1962-1966, and has sought to clarify future prospects in the light of the results obtained in 1966.

2. During the period under examination, the essential features(2) of the development of trade between the NATO countries and the Communist countries seems to have been as follows:

- (i) total exports (\$3,990.28 million) from NATO countries to the Communist countries increased by 25.4% in 1966 in comparison with 1965 - a year of little growth. The continuation of grain sales by North America to numerous countries, including the USSR, and an unprecedented expansion of deliveries by the European member countries of the Alliance to Eastern Europe and to Communist China explain this satisfactory development. In 1966, NATO countries' imports (\$3,821.64) from Communist countries also showed a marked increase, exceeding the level of the previous year by 13.6%;

(1) C-M(64)57, C-M(65)55, C-M(66)67

(2) A summary description of the development of trade with the USSR, the Eastern European countries and Communist China is given in Annex. This development is also visible in the attached charts and tables. More complete statistics and analytical tables are given in the document AC/127-D/253 which was used in drawing up this report.

No 440

NATO RESTRICTED

NATO RESTRICTED
C-M(67)53

-2-

- (ii) in 1966, the growth rates of sales (25.4%) to Communist countries and of purchases (13.6%) in these countries were well above those of NATO countries' exports to the world as a whole (10.3%) and imports from world sources (10.9%);
- (iii) despite this increase in exchanges, for the NATO countries as a whole, the share of trade with the East in their foreign commerce remains modest: in 1966 it was 3.5% for exports and 3.4% for imports in comparison with 3.1% and 3.3% respectively in 1965. These small percentages should not, however, obviate the fact that for some member countries - Greece, Iceland and Turkey - exchanges with the East are responsible for an appreciable share of their external trade;
- (iv) for the five-year period 1962-1966, the annual growth rates of exchanges between the NATO countries and the Communist countries were higher than those of exchanges between the countries of the Alliance and the world as a whole: 10.9% on an annual average, as against 9% for exports, and 10.9% as against 10.1% for imports. Sales of grain to Communist countries by Canada, the United States and France have played an important rôle in East/West trade. For the period 1962-1965 - the last year for which detailed statistics by product are available at the present time - the yearly average rate of growth of NATO countries' exports to Communist countries, if no account is taken of grain sales by these three countries, has been of 5.9%.

3. In its previous reports, the Committee of Economic Advisers has indicated that a spectacular increase in the trade of countries of the Alliance with the European Communist countries could not be counted on. It still considers, in the light of the developments of 1966, that during the coming years trade with the East, while possibly increasing more rapidly than in the past, will only account for a small part of the total foreign trade of member countries as a whole.

4. Several Eastern European countries showed a great interest in Western manufactured products and capital goods in 1966; they hope through these to speed up the development of their economies. These countries could therefore offer promising outlets in so far as they possess the means to finance their purchases without having excessive recourse to credits. The development of trade with the USSR - potentially

NATO RESTRICTED

-2-

the most interesting market of the Communist countries - is difficult to foresee. A series of important commercial transactions was concluded in 1966 by the USSR with some European countries and it is therefore reasonable to suppose that there will be an increase in the exports of the Allied countries. On the other hand, if the progress shown in 1966 in Soviet agriculture continues this year and in following years, the grain sales by North America to the European Communist countries may drop sharply in comparison to the level they have reached in the last three years. It should be noted, however, that the 3-year wheat agreement between Canada and the USSR has still two years to run(1). Should there be any substitution for grain imports, the USSR would be more likely to expand imports of capital goods rather than imports of consumer goods; it appears, however, that the composition of capital goods ordered in 1966 may have shifted somewhat from basic heavy-industrial machinery to equipment that produces directly for consumers.

5. As far as Communist China is concerned, - whose trade with the member countries of the Alliance, except the United States, showed a sharp increase in 1966 - it is particularly difficult to make any forecasts. This country will probably continue to obtain in the West the grains she lacks, because of the demographic pressure felt at present. Her growing industrialisation should bring about an increase in the orders given to the industrialised countries of the Free World, but the limited currency resources at China's disposal will continue to be a considerable obstacle to the development of her trade with the West.

(Signed) A. VINCENT
Chairman

OTAN/NATO,
Paris, (16e).

(1) Sec C-R(66)28, paragraph 19.

THE DEVELOPMENT OF TRADE BETWEEN NATO COUNTRIES AND
THE USSR, EASTERN EUROPE AND COMMUNIST CHINAI. Soviet Union

1. In 1966, the sales of the European countries of NATO to the USSR, \$587.60 million, were practically on a level with those of the two preceding years. On the other hand imports from the Soviet Union increased further to attain \$1,214 million, or 10.5% more than in 1965. The trade deficit of the European countries of NATO with the USSR therefore increased, reaching \$626.40 million, or five times more than in 1962 and 23% more than in 1965.

2. The opposite situation obtains in trade relations between the USSR and the North American countries of the Alliance. In 1966 these countries sold \$338.16 million worth of products to the USSR, or 48.8% more than in 1965, consisting particularly of grains. However, they only bought \$59.76 million worth of products. Even this modest figure is 14% above that for imports in 1965, which were already more than twice as high as those of 1964. The trade balance of North America with the USSR has been continually positive, increasing from \$5.16 million in 1962, to \$278.40 million in 1966: the largest surplus was, however, attained in 1964 with \$415.12 million.

II. Eastern Europe(1)

3. Exchanges between the NATO countries of Europe and the Eastern European countries have continued to progress as they have already done for several years. Exports, \$2,246 million, have increased by 27.6% in comparison with 1965 and imports, \$2,006.73 million, by 12.7%. In 1966, for the first time during the present decade, the trade balance of the European countries of NATO with Eastern Europe was a credit one (+ \$239.27 million).

4. Exchanges between the North American countries of NATO and the Eastern European countries, also progressed satisfactorily in 1966. In comparison with 1965, exports, \$225.12 million, rose by 15.9% and imports, \$161.16 million, by 31%. The trade balance continued to be favourable to North America with a surplus of \$63.96 million.

III. Communist China

5. Trade between Communist China and the European countries of the Alliance progressed in a remarkable way in 1966. Western Europe, as a whole, in fact became the chief supplier and client of Communist China. Exports reached

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

\$422.40 million, an increase of 35% over 1965 - a year which already showed a very marked increase. Imports from these countries also developed strongly to reach \$360.79 million, or 23% more than in 1965. For the second consecutive year China had a trade deficit (- \$61.61 million) with the European countries of the Alliance.

6. Transactions between Communist China and the North American countries of the Alliance are in fact limited to exchanges with Canada. Canadian exports reached their highest figure of this decade in 1966 with \$171 million. Showing a 76% increase over 1965, these exports are almost entirely composed of grain. Canadian imports have also increased from \$13.32 million in 1965 to \$19.08 million, or 43% more in the space of a year. The United States, which sells nothing to Communist China, bought products to the value of \$120,000 in 1966, or four times less than the already insignificant amount of the previous year.

TABLE I

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

	1962	1965	1966
Belgium/Luxembourg	2.2	1.7	2.0
Denmark	4.9	4.3	4.2
France	4.2	3.6	4.4
Federal Republic of Germany(1)	5.6	5.3	6.0
Greece	20.3	22.8	22.9
Iceland	18.5	11.5	11.9
Italy	5.6	5.2	5.2
Netherlands	1.7	1.9	2.0
Norway	4.0	4.7	3.4
Portugal	1.5	1.1	1.1
Turkey	7.0	15.0	15.2
United Kingdom	3.6	2.9	3.5
Total NATO Europe	4.3	4.0	4.4
Canada	3.1	4.7	5.6
United States	0.6	0.5	0.7
Total NATO North America	1.1	1.5	1.9
Total NATO	3.2	3.1	3.5

(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.

NATO RESTRICTEDANNEX to
C-M(67)53

-8-

TABLE IINATO COUNTRIES' IMPORTS FROM COMMUNIST COUNTRIES AS A
PERCENTAGE OF THEIR WORLD TRADE

	1962	1965	1966
Belgium/Luxembourg	2.3	2.1	2.1
Denmark	4.1	4.4	4.6
France	2.8	3.1	3.4
Federal Republic of Germany(1)	5.9	5.5	5.9
Greece	7.8	9.0	8.3
Iceland	19.2	16.0	11.3
Italy	5.7	6.5	6.7
Netherlands	2.1	2.4	2.3
Norway	3.0	3.3	3.2
Portugal	0.8	1.3	1.3
Turkey	6.1	10.0	11.6
United Kingdom	4.0	4.3	4.6
Total NATO Europe	4.2	4.3	4.5
Canada	0.3	0.6	0.8
United States	0.5	0.6	0.7
Total NATO North America	0.4	0.6	0.7
Total NATO	3.1	3.3	3.4

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

NATO RESTRICTED

-8-

NATO RESTRICTED
ANNEX to
C-M(67)53

-9-

TABLE III

NATO COUNTRIES' EXPORTS TO EASTERN EUROPE (1)
(in million US dollars)

Annual totals f.o.b.	1962	1963	1964	1965	1966	Percentage change between 1966 and 1965
Belgium/Luxembourg	61.08	60.48	62.76	70.68	88.08	+ 24.61
Denmark	55.20	51.24	44.28	64.92	74.64	+ 14.97
France	129.00	161.88	170.76	228.96	311.52	+ 56.05
Federal Republic of Germany (2)	511.01	499.89	644.85	739.02	965.19	+ 50.60
Greece	31.20	35.28	40.55	47.98	64.53	+ 34.49
Iceland	4.68	5.64	5.88	8.10	6.79	- 16.18
Italy	138.72	156.24	184.92	231.24	267.48	+ 15.67
Netherlands	44.52	48.12	59.04	75.12	91.20	+ 21.40
Norway	27.12	33.60	41.52	44.76	34.08	- 23.86
Portugal	5.52	6.36	6.84	6.23	6.71	+ 7.70
Turkey	21.12	28.32	28.80	48.10	56.06	+ 16.55
United Kingdom	207.72	195.24	179.52	194.40	279.72	+ 45.89
Total NATO Europe	1,236.89	1,282.29	1,469.72	1,759.51	2,246.00	+ 27.64
Canada	42.48	40.32	149.64	99.48	69.00	- 50.64
United States	104.76	143.52	192.60	94.68	156.12	+ 64.89
Total NATO North America	147.24	183.84	342.24	194.16	225.12	+ 15.94
Total NATO	1,384.13	1,466.13	1,811.96	1,953.67	2,471.12	+ 26.48

(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/233

NATO RESTRICTED

-9-

NATO RESTRICTED
ANNEX to
C-M(67)53

-10-

TABLE IV
 NATO COUNTRIES' IMPORTS FROM EASTERN EUROPE(1)

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

	1962	1963	1964	1965	1966	Percentage change between 1966 and 1965
Belgium/Luxembourg	54.12	62.88	67.80	74.28	75.48	+ 1.61
Denmark	59.64	60.00	72.48	79.20	85.56	+ 8.05
France	86.76	109.80	117.96	126.24	176.28	+ 39.64
Federal Republic of Germany(2)	513.80	545.14	573.43	694.41	740.26	+ 6.60
Greece	34.44	39.96	45.95	65.83	62.64	- 4.85
Iceland	6.84	7.56	10.20	9.80	6.92	- 29.39
Italy	166.44	249.36	225.32	257.04	323.76	+ 25.96
Netherlands	62.76	73.20	89.64	97.92	102.12	+ 4.29
Norway	29.40	30.12	41.40	40.08	39.72	- 0.90
Portugal	4.44	4.20	9.60	11.39	12.48	+ 9.56
Turkey	31.20	41.28	33.96	40.95	58.23	+ 42.19
United Kingdom	206.16	226.68	268.68	283.68	323.28	+ 13.96
Total NATO Europe	1,256.00	1,450.18	1,554.42	1,780.82	2,006.73	+ 12.68
Canada (f.o.b.)	14.16	16.68	22.80	29.40	39.12	+ 55.06
United States (f.o.b.)	62.16	59.40	77.88	93.60	122.04	+ 30.38
Total NATO North America	76.32	76.08	100.68	123.00	161.16	+ 31.02
Total NATO	1,332.32	1,526.26	1,655.10	1,903.82	2,167.89	+ 13.87

(1) Comprising Poland, the Soviet-occupied Zone of Germany, Czechoslovakia, Hungary, Romania,

Bulgaria and Albania.

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

Source: AC/127-D/235

NATO RESTRICTED

-10-

NATO RESTRICTED
ANNEX to
C-M(67)53

-11-

TABLE V
NATO COUNTRIES' EXPORTS TO THE USSR

Annual totals f.o.b.

	1962	1963	1964	1965	1966	Percentage change between 1966 and 1965
Belgium/Luxembourg	25.56	13.20	14.76	22.80	26.52	+ 16.31
Denmark	20.64	28.92	34.80	30.84	23.28	- 24.52
France	138.12	64.20	64.08	72.00	75.60	+ 5.00
Federal Republic of Germany	206.76	153.60	193.56	146.52	135.36	- 7.62
Greece	19.20	22.44	24.18	26.90	28.31	+ 5.24
Iceland	10.92	10.68	10.08	6.78	9.94	+ 46.61
Italy	103.20	114.96	90.84	89.60	89.28	- 0.36
Netherlands	31.92	23.76	14.88	29.28	25.20	- 13.94
Norway	10.44	12.72	17.04	18.48	14.52	- 21.43
Portugal	-	-	-	-	-	-
Turkey	5.52	7.08	9.00	18.67	18.47	- 1.08
United Kingdom	161.04	178.80	111.24	128.52	141.12	+ 9.80
Total NATO Europe	733.32	630.36	584.46	590.39	587.60	- 0.48
Canada	3.12	139.20	292.80	182.88	296.52	+ 62.13
United States	20.04	22.92	146.40	44.40	41.64	- 6.22
Total NATO North America	23.16	162.12	439.20	227.28	338.16	+ 48.78
Total NATO	756.48	792.48	1,023.66	817.67	925.76	+ 13.22

Source: AC/127-D/233

NATO RESTRICTED

NATO RESTRICTED
ANNEX to
C-M(67)53

-12-

TABLE VI
NATO COUNTRIES' IMPORTS FROM THE USSR

Annual totals c.i.f.

	1962	1963	1964	1965	1966	Percentage change between 1966 and 1965
Belgium/Luxembourg	43.08	51.12	49.80	46.32	59.76	+ 29.01
Denmark	23.40	24.84	26.04	34.56	39.84	+ 15.28
France	110.64	141.12	141.12	146.04	171.60	+ 17.50
Federal Republic of Germany	186.36	163.68	170.40	210.48	245.28	+ 16.53
Greece	20.28	28.44	27.41	36.52	38.06	+ 4.21
Iceland	10.32	11.88	11.04	12.11	11.00	- 9.17
Italy	166.92	176.76	147.24	181.32	189.96	+ 4.76
Netherlands	136.36	47.28	35.64	52.92	48.48	- 8.40
Norway	18.24	21.36	25.80	28.20	31.56	+ 11.91
Portugal	-	0.36	-	0.12	0.54	+ 350.00
Turkey	6.48	8.88	8.04	16.66	26.08	+ 56.54
United Kingdom	235.56	254.64	252.86	333.00	351.84	+ 5.65
Total NATO Europe	857.64	930.36	895.49	1,098.25	1,214.00	+ 10.54
Canada (f.o.b.)	1.68	2.16	2.60	9.12	10.80	+ 18.42
United States (f.o.b.)	16.32	21.24	21.48	43.20	48.96	+ 13.33
Total NATO North America	18.00	23.40	24.08	52.32	59.76	+ 14.22
Total NATO	875.64	953.76	919.57	1,150.57	1,273.76	+ 10.70

Source: AC/127-D/233

NATO RESTRICTED

NATO RESTRICTED
 ANNEX to
 C-M(67)53

TABLE VII
NATO COUNTRIES' EXPORTS TO COMMUNIST CHINA

(in million US dollars)

Annual totals f.o.b.

	1962	1963	1964	1965	1966	Percentage change between 1966 and 1965
Belgium/Luxembourg	7.92	9.48	7.44	16.92	20.28	+ 19.86
Denmark	3.60	0.60	1.08	2.04	2.52	+ 23.53
France	43.32	58.44	49.56	60.12	92.40	+ 53.69
Federal Republic of Germany	31.20	15.36	25.44	78.96	129.48	+ 63.98
Greece	-	-	-	-	-	-
Iceland	-	-	-	-	-	-
Italy	19.08	19.44	18.48	56.40	62.64	+ 11.06
Netherlands	3.60	12.84	5.88	18.96	16.20	- 14.56
Norway	0.96	3.36	5.88	5.16	5.28	+ 2.32
Portugal	0.12	0.24	0.24	-	-	- 100.00
Turkey	-	-	-	2.27	-	- 29.35
United Kingdom	24.12	37.44	49.92	72.36	93.60	+ 34.87
Total NATO Europe	133.92	157.20	163.92	313.19	422.40	+ 34.87
Canada	138.12	97.20	126.36	97.32	171.00	+ 75.71
United States	-	-	-	-	-	-
Total NATO North America	138.12	97.20	126.36	97.32	171.00	+ 75.71
Total NATO	272.04	254.40	290.28	410.51	593.40	+ 44.55

Source: AC/127-D/233

NATO RESTRICTED

NATO RESTRICTED
ANNEX to
O-M(67)53

TABLE VIII
NATO COUNTRIES' IMPORTS FROM COMMUNIST CHINA

Annual totals c.i.f.

	1962	1963	1964	1965	1966	Percentage change between 1966 and 1965
Belgium/Luxembourg	4.68	8.16	13.68	14.16	15.36	+ 8.47
Denmark	3.84	4.20	7.56	10.56	11.76	+ 11.36
France	16.92	21.12	30.84	43.68	53.88	+ 23.35
Federal Republic of Germany	39.24	40.80	51.84	72.72	92.52	+ 27.22
Greece	0.12	0.12	0.14	0.13	0.54	+ 315.38
Iceland	-	-	-	0.08	0.13	+ 62.50
Italy	14.16	19.20	23.76	38.40	56.52	+ 47.18
Netherlands	13.92	15.72	19.92	25.44	30.24	+ 18.86
Norway	1.56	1.92	3.24	4.80	4.92	+ 2.50
Portugal	0.12	0.12	0.24	0.19	0.18	- 5.27
Turkey	-	-	-	-	0.06	-
United Kingdom	64.80	51.84	69.00	83.28	94.68	+ 13.69
Total NATO Europe	159.36	163.20	220.22	293.44	360.79	+ 22.95
Canada (f.o.b.)	4.20	4.80	8.72	13.32	19.08	+ 43.24
United States (f.o.b.)	0.24	0.24	0.48	0.48	0.12	- 75.00
Total NATO North America	4.44	5.04	9.18	13.80	19.20	+ 39.13
Total NATO	163.80	168.24	229.40	307.24	379.99	+ 23.68

-14-

-14-

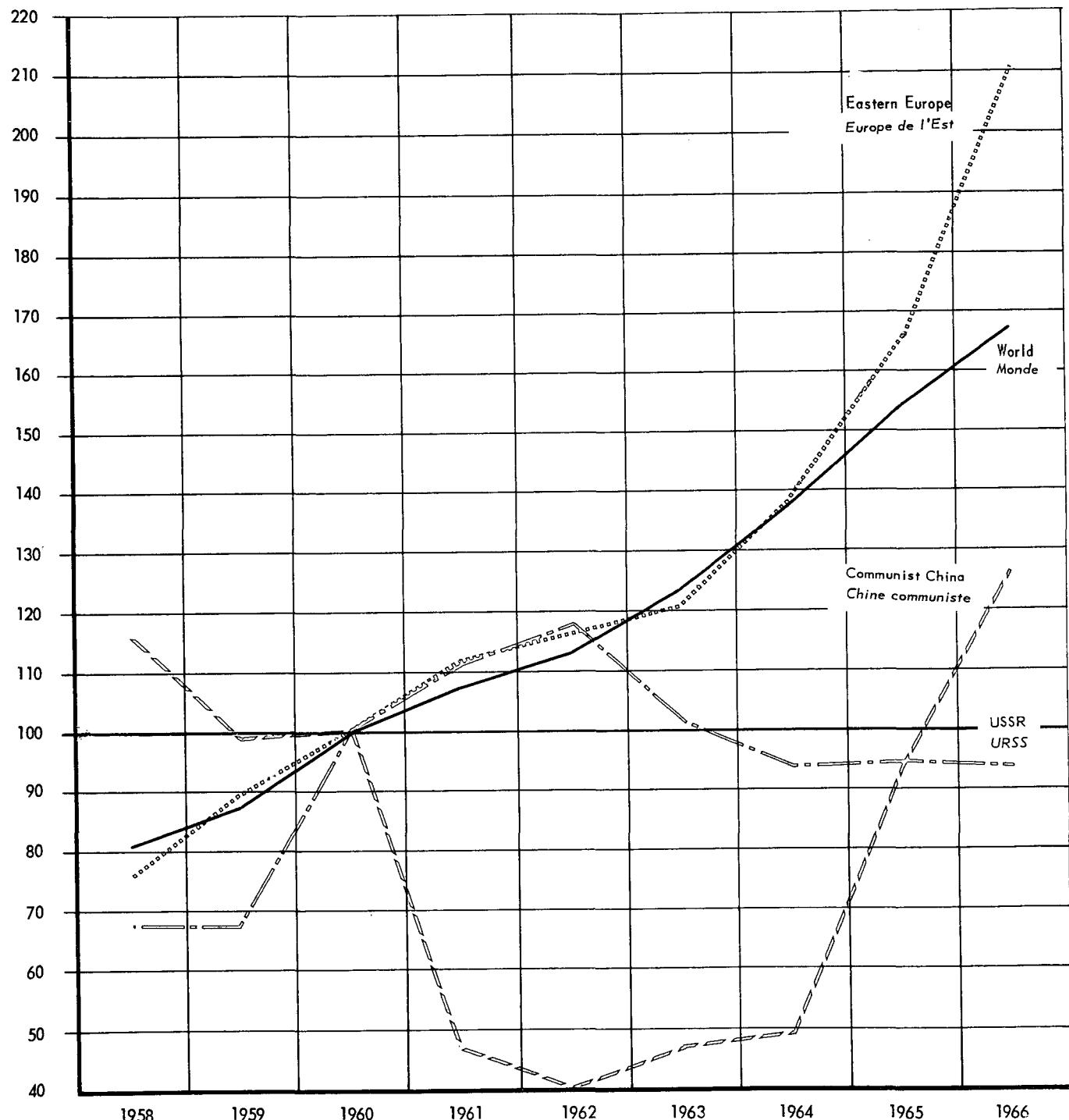
Source: AC/127-D/233

NATO RESTRICTED

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1958-1966

EVOLUTION DU COMMERCE DES PAYS MEMBRES DE L'OTAN
AVEC LE MONDE ET AVEC LES PAYS COMMUNISTES 1958-1966

NATO EUROPE EXPORTS 1960 = 100 (*)
 EXPORTATIONS DES PAYS EUROPEENS MEMBRES DE L'OTAN, 1960 = 100 (*)



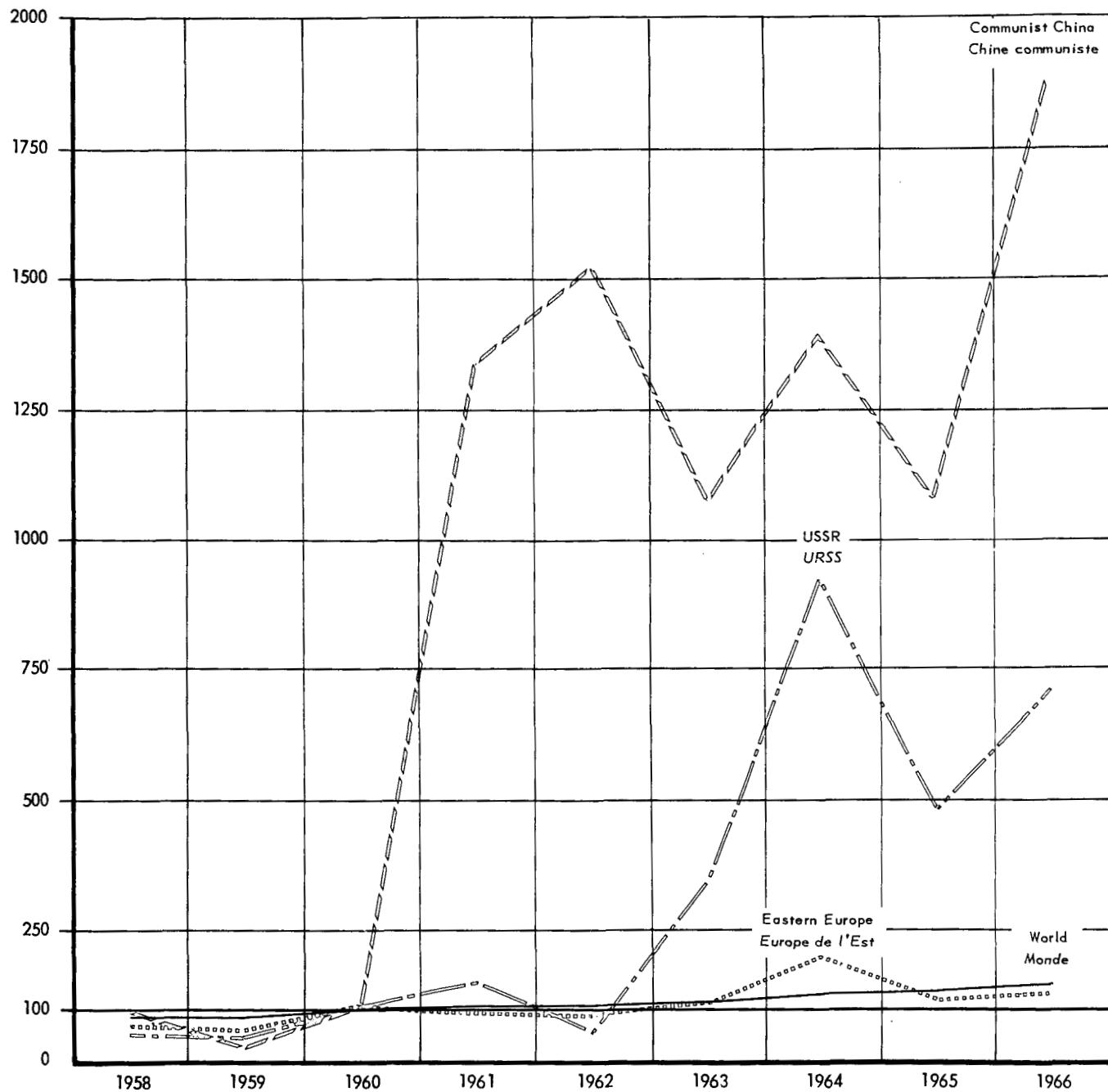
(*) The absolute values (million US \$) for 1966 would read as follows :
 USSR = 588 ; Eastern Europe = 2,246 ; Communist China = 422 ; World = 73,346.

Pour 1966, les valeurs absolues (en millions de \$ des E.U.) sont les suivantes :
 URSS = 588 ; Europe de l'Est = 2.246 ; Chine Communiste = 422 ; Monde = 73.346.

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1958-1966

EVOLUTION DU COMMERCE DES PAYS MEMBRES DE L'OTAN
AVEC LE MONDE ET AVEC LES PAYS COMMUNISTES 1958-1966

NATO NORTH AMERICA EXPORTS 1960 = 100 (*)
EXPORTATIONS DES PAYS NORD-AMÉRICAINS MEMBRES DE L'OTAN, 1960 = 100 (*)



(*) The absolute values (million US \$) for 1966 would read as follows :
USSR = 338 ; Eastern Europe = 225 ; Communist China = 171 ; World = 39,451.

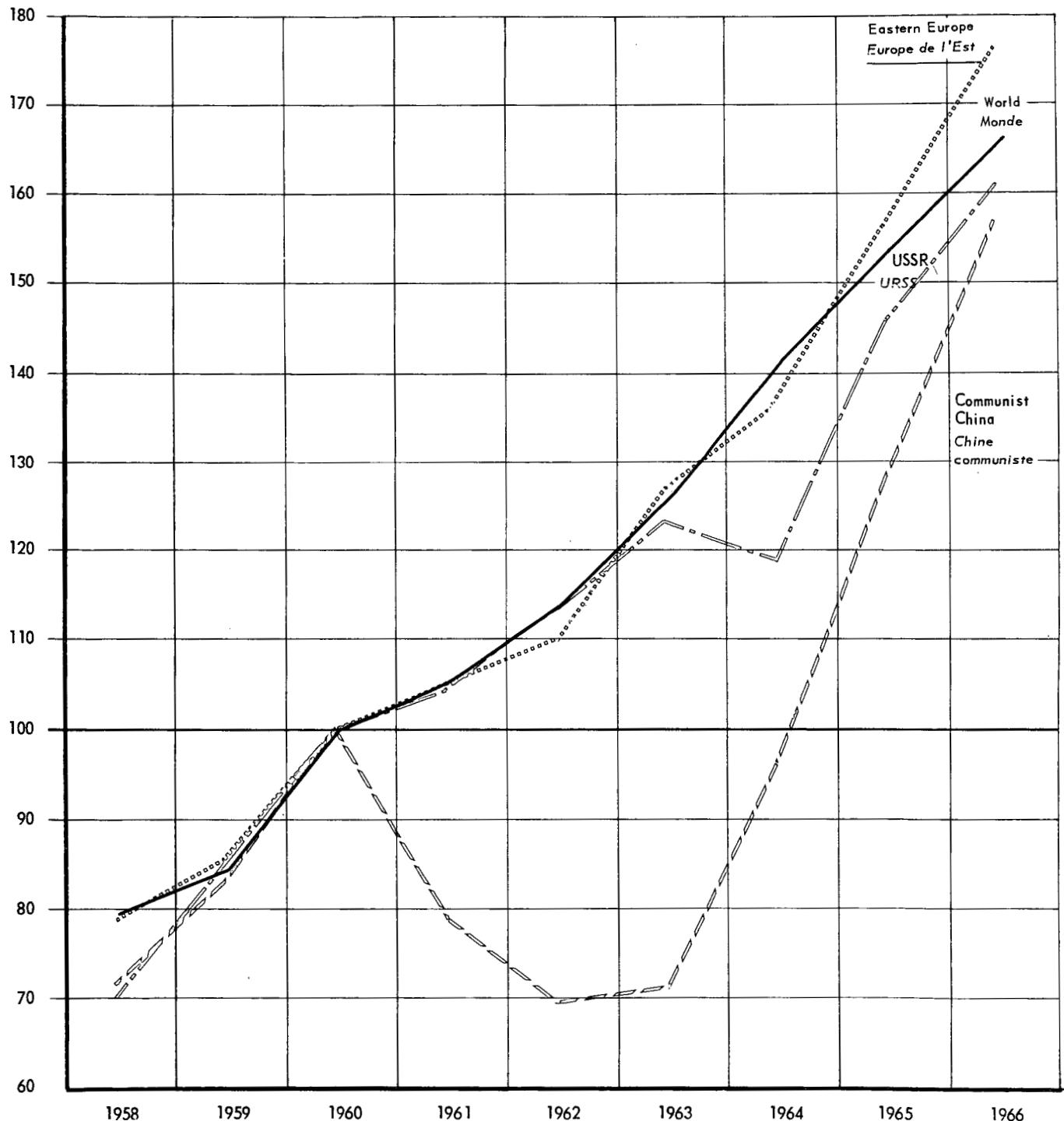
Pour 1966, les valeurs absolues (en millions de \$ des E.U.) sont les suivantes :
URSS = 338 ; Europe de l'Est = 225 ; Chine communiste = 171 ; Monde = 39.451.

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1958-1966

EVOLUTION DU COMMERCE DES PAYS MEMBRES DE L'OTAN
AVEC LE MONDE ET AVEC LES PAYS COMMUNISTES 1958-1966

NATO EUROPE IMPORTS 1960 = 100 (*)

IMPORTATIONS DES PAYS EUROPEENS MEMBRES DE L'OTAN, 1960 = 100 (*)



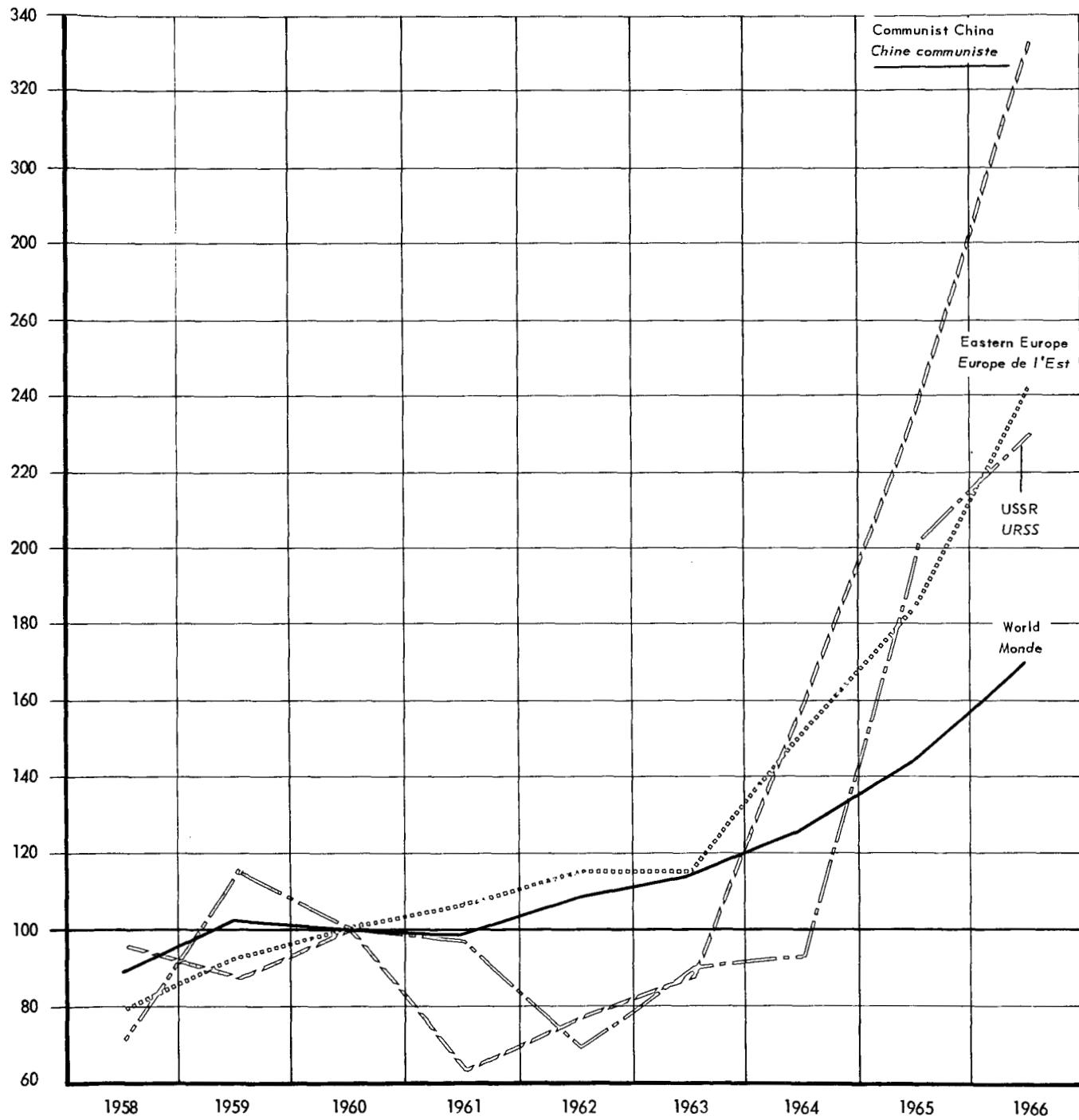
(*) The absolute values (million US \$) for 1966 would read as follows :
 USSR = 1,214 ; Eastern Europe = 2,007 ; Communist China = 361 ; World = 79,184.

Pour 1966, les valeurs absolues (en millions de \$ des E.U.) sont les suivantes :
 URSS = 1.214 ; Europe de l'Est = 2.007 ; Chine communiste = 361 ; Monde = 79.184.

THE DEVELOPMENT OF NATO COUNTRIES' TRADE
WITH THE WORLD AND THE COMMUNIST COUNTRIES 1958-1966

EVOLUTION DU COMMERCE DES PAYS MEMBRES DE L'OTAN
AVEC LE MONDE ET AVEC LES PAYS COMMUNISTES 1958-1966

NATO NORTH AMERICA IMPORTS 1960 = 100 (*)
 IMPORTATIONS DES PAYS NORD-AMÉRICAINS MEMBRES DE L'OTAN, 1960 = 100 (*)



(*) The absolute values (million US \$) for 1966 would read as follows :
 USSR = 60 ; Eastern Europe = 161 ; Communist China = 19 ; World = 34,493.

Pour 1966, les valeurs absolues (en millions de \$ des E.U.) sont les suivantes :
 URSS = 60 ; Europe de l'Est = 161 ; Chine communiste = 19 ; Monde = 34.493.