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USSR AND EASTERN EUROPE: RECENT
ECONOMIC PERFORMANCE AND OUTLOOK

Note by the Acting Secretary General

The attached report(1) has been prepared by the Economic Committee in the light of detailed discussions. Whilst it concentrates on economic performance in the USSR and Eastern Europe in 1979 it covers also major economic sectors of the USSR for the first four months of 1980 to the extent that important factual information is available. It also examines very briefly the economic growth rates during the 1970s, as shown in the national official statistics, as well as Soviet and East European aid to the Less Developed Countries, CMEA development as a whole, and trends in East-West trade.

2. This report will constitute a reference document for the Council meeting of 25th-26th June 1980.

(Signed) Rinaldo PETRIGNANI

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This document includes: 2 Annexes

(1) For previous reports see documents C-M(79)74 dated 7th December 1979, and C-M(79)32 dated 7th May 1979

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ECONOMIC PERFORMANCE AND OUTLOOKReport by the Economic CommitteeI. SUMMARYUSSR

Soviet plans for moderate economic growth suffered a marked setback in 1979. National income grew by a reported 2% - less than half the planned rate(1). Industry, off to a bad start because of the severe winter of 1978-1979, was not able to make good its losses. Agricultural production actually declined, largely because of the worst grain harvest since 1976. The construction and transportation sectors continued to perform poorly and to hamper growth in the rest of the economy. Although efforts to scale down outlays for capital investment were apparently successful, labour productivity failed to grow as planned. Despite the general downturn in domestic economic growth, the foreign trade picture improved considerably, principally through a sharp rise in the prices of Soviet exports, notably oil and gold.

2. Possibly because of the economy's generally poor 1979 performance, Soviet planners have scaled down most 1980 targets. The planned increase in industrial output has been cut back to the 1978 level of 4.5%, as opposed to a planned 5.7% in 1979. Despite the reduction, growth in consumer goods output will be given more emphasis, in relation to capital goods production, than in any previous year of the current five-year period. None the less, Soviet planners anticipate that real per capita income will grow at the lowest rate ever - only 2.9% as compared with an average planned increase of 3.9% in the 1976-1980 period, and an actual annual increase of 4.4% during 1971-1975. Capital investment will continue to be restrained, and growth in foreign trade turnover is to be cut back to under 5%. Despite the 1980 plan's apparent austerity, however, if achieved it should produce positive total economic growth. January-April results for the Soviet economy in 1980 showed all industrial sectors, except pulp and paper, having met or exceeded planned production.

(1) Economic growth has steadily declined over the past 15 years, especially when calculated in terms of GNP: whereas GNP growth, calculated at factor cost, averaged 5.3% annually over the 1966-1970 period, it fell to 3.8% in 1971-1975 and 2.1% in 1978-1979.

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EASTERN EUROPE

3. The East European countries also showed declining rates of growth in 1979. For the area as a whole, growth in national income slowed from around 4% in 1978 to 2-3% in 1979. Romania alone appeared to maintain a relatively high growth momentum, achieving a 6.2% increase in national income, and an 8% expansion in industrial output. Poland suffered a decline in national income for the first time.

4. For Poland, Hungary, Czechoslovakia and the GDR, much of the growth slow-down can be attributed to bad weather and consequently poor agricultural results. Poland's grain harvest in particular fell by around 25% from its 1978 level, and necessitated grain imports. Only in Bulgaria and Romania did agriculture perform well, posting 7% and 5% gains in output, respectively.

5. In all the countries industrial output fell substantially below plan, advancing only 2.8% in Hungary and Poland, 3.7% in Czechoslovakia, and 4.8% in the GDR. The shortfalls parallel failures to achieve hoped for gains in labour productivity, reflecting a general drying up of pools of available labour, and indicating that the performance of machinery and management continues not to live up to expectations. The hard winter also evidently held back industrial growth in the northern countries, causing power cuts and delivery interruptions on already overburdened transportation systems. Moreover, drives to reduce imports, including raw materials and semi-manufactures for industry, probably affected industrial output by causing shortages in imported industrial raw materials.

6. Industrial investment growth was cut back sharply in all the countries, reflecting severe restrictions on capital imports, and policies aimed at completing projects already begun. In some countries, notably Bulgaria and Poland, investment appears to have been curtailed so as to maintain popularly acceptable levels of consumption, in the face of sometimes severe price inflation. Consumer prices rose by at least 2.5-4% in Bulgaria, Czechoslovakia, and Romania, by 6.7% in Poland, and by 9% in Hungary.

7. The foreign trade sector remained particularly sensitive in each of the East European countries. With the exception of Bulgaria, which achieved a surplus of \$690 million

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in its trade with non-Communist countries, all of the countries continued to labour with moderate to heavy convertible currency trade deficits, aggravated by increased prices for OPEC oil in some cases and other raw materials. Although Hungary reduced its hard-currency trade deficit to only \$167 million, it none the less claimed to experience a deterioration in its terms of non-ruble trade of around \$210 million. East European sales to the West did however pick up in 1979, with sales growing twice as fast as purchases, or by 23%.

8. Eastern Europe's total net convertible currency debt to the West was estimated to have grown to \$50 billion(1). Poland's net hard-currency debt grew by \$3 billion to total \$20 billion at the end of 1979, whilst that of the GDR, following a rapid growth, came to \$9 billion(2). Moreover, the continued objective of rapid economic growth could result in a worsening of the GDR's indebtedness.

9. Plans for 1980 call in general for modest growth in national income of between 1-2% for Poland to 5% for the GDR(3). Investments will continue to be constrained to priority needs such as transportation and energy. The consumer's lot may worsen as a result of continued inflation and possibly lessened availabilities of consumer goods. The principal determinants in plan fulfilment will be each country's success in promoting economic efficiency, as well as foreign trade developments and weather conditions.

CMEA

10. The year 1979 confirmed the trend of limited progress on multilateral specialization and co-operation programmes, because of each nation's desire to develop its own industry as broadly as possible and avoid excessive dependence on others. The Thirty-Third Session of the CMEA Council in June 1979 only served to confirm the principle that "no one commands in the Council" and to give official sanction to the areas selected for common economic development in the period 1981-1990, which include energy and raw materials, transport, machinery output, and production of food and consumer goods. Most progress was made in the area of energy, with the signing of agreements to mutually build nuclear power plants which are planned to increase by two-fifths Eastern Europe's installed 1978 generating capacity.

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- (1) All figures in this paragraph are US estimates.
 (2) French estimates put Poland's year-end debt at \$18.5 billion and the GDR's at under \$8 billion, suggesting a slowing down of debt growth.
 (3) Romania plans for a national income growth of 9%.

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SOVIET AND EAST EUROPEAN AID TO LDCs

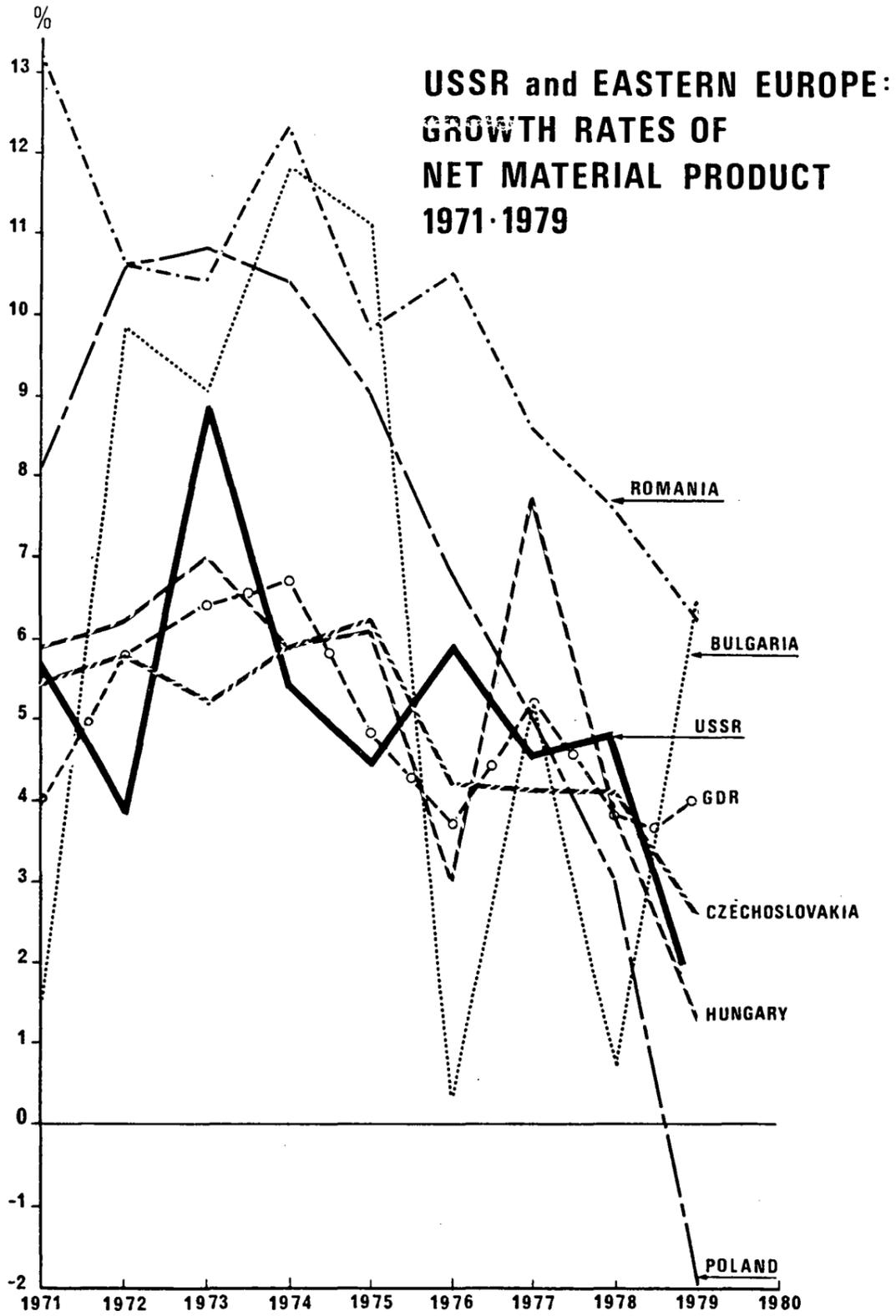
11. CMEA net economic aid to the Less Developed Countries (LDCs) continued to show a negative balance (of -\$30 million), as LDC repayments for past aid exceeded new CMEA disbursements. Cuba and Vietnam took the bulk of Soviet aid, to the tune of \$3 billion and \$500 million, respectively. On the other hand, the CMEA countries continue to make extensive arms deliveries, which were of the order of \$4 billion in 1978. Aid and arms delivery links have opened for the Communist countries' markets in several countries where they might not otherwise have been competitive, and has gained access to some raw materials, particularly food products and bauxite. The invasion of Afghanistan is likely to impose further burdens on the USSR.

GROWTH RATES FOR THE 1970s

12. The growth rates of Net Material Product for the USSR and East European countries covering the period 1971-1979 are shown on the graph facing. These are in terms of annual growth rate in Net Material Product and they have been drawn up in as comparable a way as possible. Net Material Product is the overall growth indicator used in Marxist economies and is the nearest indicator to the Western concept of Gross National Product. The generally declining trends, particularly since 1973-1974, is quite apparent and applies to all the countries illustrated.

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II. THE USSR

A. 1979 RESULTS AND 1980 PROGRESS

13. The volume of Soviet industrial production grew only 3.4% last year, well below the planned rate of 5.7%. Output of both capital and consumer goods was more than 2% below their targets(1). In fact, while registering some growth, nearly all major industries failed to meet their 1979 plans. Production in ferrous and non-ferrous metallurgy showed almost no gain, while output of fuels and power, chemicals and petrochemicals grew by only 2-3%. Output in the timber and wood, pulp and paper, and construction materials industries fell below 1978 levels. The food industry increased production by 2%, compared with a planned rate of 6.3%. Meat output, at the same level as in 1978, increased less than planned for the second year in a row, and below the rate needed to keep up with population.

14. Soviet industry also failed to meet planned output of many key products in 1979. Production of steel and rolled steel not only failed to meet planned levels for the fourth year in succession, but actually fell below 1978 production; the same phenomenon was true for mineral fertilizers. Elsewhere in the chemical industry, the output of synthetic resins, plastics, and chemical fibres remained at 1978 levels. All of these shortfalls portend future difficulties in the population of machinery, foodstuffs, and other consumer goods.

15. Agriculture, hit early in the year by the harsh winter and the spring floods in the European part of the country, fell victim to summer drought as well. The grain crop was especially badly affected: at 179 million tonnes, it was 48 million tonnes below target and 58 million tonnes below the bumper 1978 crop. Only cotton, with a record harvest of 9 million tonnes, did noticeably better than expected(2).

16. Capital investment totalled 131 billion rubles in 1979, an increase of 1% over 1978, and about 2% below plan, perhaps reflecting excessive restraint in the initiation of new projects. About 15% of the invested sum went into the retooling and modernization of existing facilities, reportedly overfulfilling that portion of

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- (1) For the percentage growth of leading economic indicators, 1971-1980, see Annex I, Table 1.
- (2) In the longer perspective, it might be noted that yields of grains and major consumer foodstuffs were on the average generally higher in the 1976-1978 period than in the years 1971-1975.

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the investment plan by 5%. None the less, a large number of new projects failed to come on stream as scheduled. As a result, unfinished construction now totals over 100 billion rubles. Accordingly, except for projects intended for the production of consumer goods, the industrial ministries have been instructed to concentrate on finishing those projects already begun.

17. The volume of retail trade turnover in state-owned and co-operative outlets failed to fulfil plan, signalling that consumer demand for a number of items was not met. In his speech to the November Party Plenum, Brezhnev specifically mentioned such basic items as soap, diapers, bread and milk as being in short supply. Other shortages reported have included children's clothes, toothbrushes, bed linen, light bulbs, and paint.

18. Housing construction also continues to be a problem. The 103 million square metres of new housing commissioned in 1979 was 9% below plan and about 5% below the 1978 level. It was also the lowest level of construction since 1968, partly because of weather.

19. Foreign trade turnover increased by 14% during 1979, compared with 10% in 1978. Soviet trade with developed Western countries during the year grew by over 30%, to 25.7 billion rubles. Exports were up 44%, reflecting booming oil and gold prices. Imports, meanwhile, increased by only 20%. As a result, the Soviet trade deficit with the developed West was cut to 0.7 billion rubles during 1979, as compared to a 2.3 billion ruble deficit in 1978.

20. Soviet trade turnover with other CMEA countries grew by some 7% in 1979 and totalled 41.7 billion rubles, leaving the USSR with a 1.7 billion ruble surplus. Trade with China totalled only 332 million rubles, about 2% below the 1978 mark. The USSR's trade turnover with the Third World increased 9.5 billion rubles during 1979. As a result, the area, which already takes about 17% of all Soviet exports, provided the USSR with a trading surplus of 3.1 billion rubles.

21. In the first four months of 1980 Soviet industrial output was reported to have grown by 5% and labour productivity by 4% - both ahead of the pace set for the year as a whole. All industrial ministries except the pulp and paper industry met or exceeded planned production, which in some sectors, including automobiles, chemicals, and control instruments, was valued at 6-8% more than the previous year's four-month output. Strongly ahead of the previous year's corresponding production, in terms of physical units, were mineral fertilizers (up 17%) and colour television sets (up

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25%), indicative of the government's heightened interest in providing for consumer needs. Government meat production, at 2.7 million tonnes, was 3% ahead of that produced in January-April 1979; but there were reports that the slaughter weights of cattle and hogs were sharply lower than the average of the past several years, suggesting at least some distress slaughtering. Oil, coal, gas, and electricity production all reportedly met plan targets, the latter two exceeding four-month 1979 production by 7% and 6% respectively. If oil output continues at its current pace, it will grow by 1% over 1979's production but will fall 15 million tonnes short of the year's goal of 606 million tonnes, more than double 1979's plan shortfall.

B. ECONOMIC AREAS OF PARTICULAR INTEREST

(a) Energy

22. Except for natural gas, growth in output of principal sources of energy in 1979 continued a general decline from earlier years, as the following table shows(1):

Percentage increases in energy production

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1979</u> <u>plan</u>	<u>1979</u> <u>plan</u>
Oil	7.0	6.1	5.0	4.8	2.4	3.7	3.4
Gas	11.0	11.0	7.8	7.5	9.4	18.6	6.9
Coal	2.5	1.6	1.4	0.1	-0.6	4.0	3.6
Electricity (total)	6.4	6.9	3.5	4.5	3.1	5.2	4.5

23. Increases in output of oil, coal, and electricity all fell below plan, and the scaling-down of 1980 targets for these three commodities from plan levels of the previous year suggests that difficulties in expanding production are expected to continue into this year. Even the 1980 target for natural gas production has been lowered from the preceding year, possibly because of anticipated pipe-laying difficulties, or disruptions in domestic gas routing following Iran's interruption of the IGAT-2 natural gas pipeline project (2).

(1) See also Table 2, Annex II

(2) Under a contract signed in 1975, the USSR was to have served as a middleman for Iranian gas sold to Western Europe, importing, by 1984, 17 billion cubic metres of Iranian natural gas annually via IGAT-2 for its own consumption, primarily in the increasingly gas-poor Caucasus region, and exporting 11.4 billion cubic metres per year to Western Europe and 3.6 billion cubic metres to Czechoslovakia. The 2 billion cubic metre difference would have been considered as part of the USSR's transit fee. Current indications are that the project will be resumed if the USSR agrees to pay sharply higher prices for gas delivered via the pipeline.

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24. Coal production fell badly behind plan during the severe winter at the beginning of 1979 and never recovered. The shortfall adversely affected electricity output in the coal-fired power stations. Electricity production was also held back by a failure to install new capacity, much of it nuclear, on time. The planned commissioning of considerable additional generating capacity in 1980 should partly help to correct this shortcoming; results for the first four months of 1980 suggest that the USSR will achieve its electricity-generating goals this year.

25. Oil output, too, failed to meet the 1979 goal by some 7 million tonnes: a production increase of 3.7% had been planned, whilst in fact output grew by 2.4%. Part of the difficulty can be traced simply to poor management. Among the management deficiencies in both the oil and coal industries have been cited the unsatisfactory bringing on stream of new capacity, poor use of high-productivity technology, poor organization of production, carelessness, and lack of discipline. Again, it has been observed that there is too much paperwork, too many unnecessary meetings, and too much emphasis on setting records by individual work crews. Sometimes, for instance, production associations use drilling crews just because they are there, to produce more impressive work results, without special regard for where the drilling efforts might best be used. As a result, current drilling sometimes has little effect on enhancing the rate of oil recovery.

26. Besides management shortcomings, there are technical factors which limit the growth of Soviet oil recovery. A senior Soviet scientist has recently claimed that existing Soviet oilfields are becoming over-drilled and overworked. In the past, he observes, increases in Soviet oil output have stemmed as much from optimizing well spacing as from water injection techniques. With the current emphasis on completely working existing reserves, however, output per well in old fields has steadily fallen off. As a result, the USSR's additional potential reserves, which are considerable although located largely in difficult areas in Siberia, must be quickly developed, if Soviet oil output is to be prevented from reaching its maximum in a comparatively short period of time, and from falling thereafter. Alternatively, existing reserves might be worked more efficiently with more advanced technology. In either case, however, enormous sums of capital and probably imports of Western technological assistance are needed.

(b) Agriculture

27. Despite generally disappointing agricultural results in 1979, the cotton harvest set an all-time record of 9.2 million tonnes, which should enable the USSR to export up to 1 million tonnes, valued at approximately one billion roubles. The potato harvest was also satisfactory at 89 million tonnes, i.e. 3.5% above the 1976-1978 average. Egg and wool production also increased in 1979 over 1978, while meat production remained approximately at the same level as

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the preceding year, and milk production decreased somewhat. On balance, these latter developments suggest general progress in most areas of animal husbandry.

28. It is clearly evident, however, that the country's weather-beset grain harvest in 1979 had a severe impact on growth of the economy as a whole, and threatened in particular to retard the USSR's ambitious livestock-raising programme, which has the aim of increasing by one-third the average animal protein intake of the Soviet citizen by 1985. To replace already low grain stocks, the USSR in 1979 contracted to import large amounts of feedgrains, especially from the United States, which was to have provided up to 25 million tonnes. The imposition of the US grain embargo at the beginning of 1980 limited US deliveries to no more than 8 million tonnes during the 1979-1980 harvest year; but there were indications in early 1980 that the USSR had found alternative grain suppliers, notably Argentina, to alleviate a substantial portion of the grain shortfall.

29. None the less, meat production was up by 13% in January-February 1980 over the same period in the preceding year, suggesting some distress slaughtering. All in all, Soviet livestock herds will probably not grow perceptibly in 1980 and may even decline, especially with respect to pigs and poultry. If the 1980 harvest is again bad both meat production and herds are likely to decline in 1981.

30. Early 1980 indications of ground moisture content were favourable and 15% more land was sown to winter grain in 1979-1980, as opposed to 1978; winter sowings yield typically twice the amount of grain as spring-sown varieties. Consequently, although it is too early to predict harvest results with certainty, the USSR has some chance to reap enough grain this year to avoid excessive herd reductions and even possibly to begin rebuilding grain reserves.

31. The Soviet government continues to put over one-fourth of all capital investments into the agricultural sector, and plans for 1980 are no exception. Investments are to reach 37 billion roubles, out of total investments of 135.3 billion roubles. The relative increase in agricultural investment (4.8%) is thus greater than that for the economy as a whole (3.5%). Nearly 8 billion roubles of the investments are to be used for irrigation and soil improvement schemes: in addition, particular attention is to be given to developing the non-black earth regions.

(c) Industry

32. Most industrial branches suffered declines in production in 1979, due to a considerable extent to interrupted deliveries and energy shortages arising from the severe winter. Transport deficiencies were particularly evident, even beyond those attributable to the weather.

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33. Despite the generally sluggish picture, some industrial sectors registered output in 1979 perceptibly above that of the year before. They included metal-cutting machine tools, forges and presses, steel smelting and rolling equipment, and precision instruments, all of which are vital to develop technological progress and productivity gains. Production of turbines, key to future electricity generation, was also up more than 10% from total capacity produced in 1979 as was output of electrical motors, chronically in short supply in the USSR. The value of chemical equipment produced also advanced by over 4%. Finally, more cars and trucks, as well as automobile tyres were produced, suggesting continued progress in the automotive field.

34. On the other hand, serious production declines were noticeable in important industrial sectors, notably chemicals and chemical products, wood, steel and cement. These signal forthcoming difficulties in related industries, such as the manufacture of fertilizers and pesticides, plastics and other synthetic products, in the production of paper and other wood-based products, and in the provision of materials to the construction industry. Again, production of both diesel and electric locomotives was down, as was output of railway freightcars, despite the generally poor state of repair of the freightcar fleet.

35. In consumer goods, reported declines in production may be less significant, where they represent adjustments to reduced demand for certain lines. Again, marked changes in such items as the value of output of china and glassware might partially be accounted for by price changes. The trickle of colour television sets continued to increase, from 1.4 million sets in 1978 to 1.8 million in 1979. None the less, growth in production of consumer goods as a whole, like the growth in production of industrial goods, attained only about 60% of targeted expansion.

36. Beyond weather and transport difficulties, the principal reasons for the fallback in industrial production appear to be the familiar ones of production inefficiencies(1), failures in co-ordination, worker apathy, and slowness in introducing new technology and commissioning new productive capacity. Although the relative number of uncompleted construction projects in 1979 was reported to have improved, perhaps partially through a severe cutback in new investments, there were none the less substantial shortcomings in capital construction. Around two-fifths of all plants and production units scheduled to be put into operation in the course of 1979 were still incomplete at year's end. These failures can in turn be traced to supply shortages, transport difficulties, worker indifference, and the fact that projects are located increasingly in relatively inaccessible areas.

(1) For instance, almost one-third of consumed rolled metal products are transformed into waste and chips and remelted.

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37. To remedy some of these shortcomings, the leadership in July 1979 announced a series of reform measures aimed at improving planning methods, more tightly controlling capital investments, and providing more material incentives for efficient, high quality work. In addition, Chairman Brezhnev, in a speech to the Central Committee Plenum on 27th November 1979 made a forceful attack on inefficiencies throughout the economy. Criticizing nine government ministers by name, he attacked inertia, local interests and low productivity for slowing down the nation's economic growth. As well as highlighting current economic ills, the speech suggested the current thinking of Soviet economic planners as to areas of priority development in the 1980s(1).

38. In the longer term, the Soviet economy's central problem can be seen as the need to increase labour productivity - output per manhour. Having invested enormous sums in capital equipment to achieve this goal, however, Soviet leaders have seen industrial labour productivity fail to meet growth targets every year of the current Five-Year Plan. The year 1979 was particularly disappointing in this respect: industrial labour productivity grew by 2.4% - half its planned rate. Part of the reason for the shortfall was probably due to the bad weather and delivery interruptions of raw materials. In view of the magnitude of the drop in labour productivity growth, however, it is doubtful that the 3.8% growth in productivity planned for 1980 can be obtained.

39. In addition to capital investment, labour productivity growth also depends on the well-organized and efficient use of labour, both of which are lacking on a wide scale in the USSR. This problem becomes steadily more acute with the drying up of manpower reserves and with the increasing tendency of factory workers to change jobs repeatedly because of discontent, secure in the knowledge that they do not face the prospect of unemployment. In attempts to offset the growing shortages of manpower and to improve labour discipline, the USSR in 1979 passed two resolutions, one to encourage the employment of pensioners, and the other to reduce labour turnover. The latter decree offers better housing and annual leave to workers who stay in the same post, and higher pensions for those who pursue an uninterrupted career for 25 years. It also provides for penalties to workers who change jobs more than once a year without good reason. In addition, the Labour Code has been amended so that workers now have to give one month's written notice of resignation, instead of the two weeks' notice previously required.

(d) Transport

40. Soviet railways performed especially badly in 1979, partly because of the weather, but probably more importantly because of labour shortcomings and planning and management inefficiencies.

(1) See Annex I for a resumé and analysis of the speech

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Although total railway length grew by around 5%(1), or some 700 kilometres, 81.5 million tonnes less freight was carried, a drop of 2.2%. Aware of this shortcoming, Soviet planners are giving greater emphasis to improved performance in 1980: railway freight turnover is scheduled to grow by 4.1%. To achieve this goal, nearly one-third of the 26 billion rubles in expenditure budgeted for transport and communications in 1980 is directed to railway development. Parts of the sum will be used for the construction of new railroad lines and for second tracks, for the electrification of 1,300 km of track, or over twice the amount electrified in 1978, and the introduction of more automatic equipment. An additional 400 km are to be added to the BAMs already completed 1,500 km. In addition, efforts will continue to eliminate wasteful hauls, to make loading and unloading operations more efficient, and to speed up rail traffic.

41. Soviet inland and maritime commercial shipping capacity and airline capacity continued to expand in 1979, and the USSR's pipeline network kept up its noticeably rapid growth.

(e) Consumer Affairs

42. Growth in real per capita income continued its downward drift in 1979, suggesting that the Soviet consumer, too, feels the effects of price inflation. Price rises were probably especially felt in markets providing privately grown produce, in high demand because of generally inferior harvest results. Black market operations and profiteering must also have continued to put upward pressures on consumer expenditures, since the Minister of Internal Trade, Struyev, in a lengthy television speech in September 1979, addressed these problems specifically and promised determined government action to combat them and maintain price stability. It has been estimated that prices are rising in the legal and illegal private sectors at the rate of around 6% a year - thus eroding the advance in living standards implied by the growth of real incomes.

43. Even in the realm of consumer goods sold at state-controlled tariffs, prices were raised on a number of items in July 1979: automobiles by 18%; imported furniture by 30%, and Soviet made furniture by 10%; carpets, furs, and items of precious metals on the average by 50%; and beer sold in public eating places by 45%. Allegedly imposed to bring consumer demand for sought-after "luxury" items more nearly into line with existing supply capacities, the round of price increases followed two others in the past three years. In January 1977 prices were raised for carpets, silk, crystal, books, tailoring, taxi rides, and air and sea travel; and in March 1978 it was announced

(1) Among the new trackage added was a Soviet-gauge link between the USSR and Poland, bringing to eight the number of high-capacity strategic rail routes leading from the USSR into Poland, Czechoslovakia, and the GDR.

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that the price of gasoline would be approximately doubled and that of coffee nearly tripled. All in all, the general trend seems to be to raise prices selectively on items regarded as non-essential but none the less in high demand, sometimes as personal investments and as alternatives to personal savings.

44. Doubtless part of the reason for the official price increases is the government's desire to absorb part of the extensive pool of personal savings among the population. At 131 billion rubles at the end of 1978, personal savings continued to accumulate at a rate of about one billion rubles a month throughout 1979, representing considerable potential excess purchasing power encouraging black market dealings. A ruble revaluation was rumoured in 1979, which would have wiped out much of this potential purchasing pool, but so far has come to nothing.

45. Monthly wages, the principal source of consumer income, continued their steady rise in 1979, advancing by 2.2% over the 1978 level to 163.5 rubles. Part of the increase was due to the fact that in 1979 the government finally implemented its promise over the pay of service workers; as a result, 31 million factory and office workers in the "non-productive" sphere received earnings increases. Average industrial wages are to rise by 2.3% to 167.3 rubles in 1980.

46. Because much of the nominal wage increases are either saved or spent in "the second economy", they do not give rise to anticipated increases in retail trade. In 1979, as in the two previous years, retail trade turnover fell below its targeted expansion. Sales of such common items as washing machines, vacuum cleaners, refrigerators, and television sets were even lower than in 1978, possibly because of consumer rejection of quality.

47. Aware that it must offer attractive consumer goods to stimulate worker morale, the government plans to put more emphasis on consumer goods production in 1980. Construction of facilities for light industry, consisting largely of consumer goods, is to rise by 55%, and for the first time since 1972 light industry output is to grow at the same rate as that of heavy industrial goods.

48. At the same time, the government plans to expand its social services to the population in 1980, in such areas as health care, public education, and cultural organizations. Over one-third of all expenditures from the state budget will continue to go to social and cultural services in 1980, and the sales volume of consumer services is to grow by 7.3%. What the government cannot provide to consumers in the way of material goods, in other words, it appears to be trying to make up for by the provision of additional services.

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(f) Foreign Trade

49. Although still accounting for only 4% of total world trade, Soviet foreign trade has assumed increasing importance in the USSR's economy in recent years. In 1979 total turnover came to an amount equal to nearly 20% of Soviet national income, whereas in 1970 it amounted to less than one-tenth of national income. Since 1970 Soviet foreign trade has generally been in surplus; slight deficits were recorded only in 1972 and 1975-1976. The year 1979 marked another surplus, with exports outpacing imports by 4.5 billion rubles(1).

50. As in recent past years, most of the 1979 surplus originated in the Soviet Union's trade with developing countries, which accounts for around 12% of the USSR's total foreign trade turnover. Exports to the developing world exceeded imports by 3.1 billion rubles. Soviet exports to the area have grown from 3.3 billion rubles in 1975 to 6.3 billion rubles in 1979, when they accounted for 15% of all Soviet exports.

51. On the other hand, trade with the industrial West in 1979 regained its 1975 position of occupying nearly one-third of total Soviet foreign trade turnover. In 1979 the USSR also considerably narrowed its usual trade deficit with the industrial West to 0.7 billion rubles, down from 2.3 billion rubles in 1978 and a record 3.6 billion rubles in 1975. Although imports from the industrial West continued to increase by over 2 billion rubles over the 1978 level, the increase was more than matched by a jump in exports of nearly 4 billion rubles, much of it apparently accounted for by higher prices for oil, which in 1978 provided the USSR with approximately half of its convertible currency earnings from commodity sales, or around \$6 billion. Total Soviet exports to the industrial West in 1979 came to 12.5 billion rubles, or around \$19 billion, and enabled it to reduce its gross hard-currency debt by approximately \$1 billion to an estimated level of \$16 billion.

52. Soviet trade with other CMEA countries in 1979 fell back to its 1975 position of occupying 52% of total Soviet foreign trade, as opposed to 56% in 1978. The Soviet surplus with the area regained its 1977 record level of 1.7 billion roubles, partly because of increased receipts for oil. The USSR has been trying to bring its trade with the CMEA area into balance by encouraging the other member countries to export more to the USSR. The CMEA trading partners with which the Soviet Union was in surplus in 1978 were East Germany, Bulgaria, Mongolia, and Cuba; it is probably with these countries that the bulk of the surplus accrued in 1979.

(1) See Table 3, Annex II

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53. The USSR gained an additional half-billion ruble surplus in 1979 from trade with non-CMEA Communist countries, which earned the Soviet Union an additional two billion rubles in export revenues.

54. Principal machinery imports of the USSR in 1979, which amounted to 14.4 billion rubles or approximately one-third of total imports, were chemical equipment (1.8 billion rubles) and ships (1.2 billion rubles). From Western industrial countries machinery imports amounted to 4.5 billion rubles (\$6.8 billion), of which 1.4 billion was spent on steel pipes of various diameters. Considerable sums were also spent on grain imports - greater than usual because of the bad harvest. Soviet machinery exports in 1979 amounted to 7.4 billion rubles and went mainly to Eastern Europe.

55. On balance, the Soviet foreign trade picture is one of continuing reliance on oil exports to finance purchases of needed machinery and equipment, and feedgrains in years of bad harvests. With a probable decline in its exportable oil production in the 1980s, which could none the less continue to earn significant sums for the USSR if oil prices continue their strong upward push, the USSR can take increasing advantage of higher gold prices, which earned it some \$4 billion in 1979, arms, and other raw materials.

III. BULGARIAGENERAL SITUATION

56. In 1979 Bulgaria posted the highest produced NMP(1) growth rate in Eastern Europe: 6.5%. Although this is less than planned (7.0%) and is subject to revision - usually downwards - when final returns are given, the leadership would have good reasons to be satisfied with such a level in a year of unfavourable world economic developments in general, and for all other socialist countries (except Romania) in particular. However, the sustained growth claimed by Sofia is more fictitious than real. Indeed, during the three last years for which comparable data are available (1976-1978), the dynamics of produced NMP differed significantly from that of the sum of consumption and investment, or utilized NMP. If this sum is taken as a more realistic measurement, then Bulgarian growth is brought down to about 2% which is much more consistent with the position of a country poor in raw materials, whose lack represents a principal constraint on most national economies. In sum, the symptoms of a general slow-down in economic activity are uncontroversial and the growth rates of produced NMP are totally misleading.

(1) Net Material Product

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ECONOMIC PERFORMANCE

57. Very few figures were released in the plan fulfilment communiqué covering 1979, and they were all below the targets. Real per capita income was up by 2% (Plan: 3.2%), so that during the period 1976-1979 of the present Five-Year Plan (1976-1980) the annual average increase of this indicator(1) was 2.3%(2). This seems to be about the minimum Sofia's leadership can grant the population without repudiating its own policy targets and causing tension among its subjects. To maintain such modest levels of increase in living standards, total accumulation and fixed investment rates had to be checked to an extent that Bulgaria cannot be said to pursue "forced industrialization" policies, as was the case until the early 1970s. In 1979, for example, fixed investment was up only by an estimated 0.4% (Plan: 2.0%), while the overall accumulation fund(3) in the period 1976-1978 went down by an average 4.7% per annum.

58. The very silence of official sources on returns for the main sectoral variables such as agricultural and industrial production, for which only preliminary (and unreliable) official estimates are available, is an indication of unsatisfactory results. This is confirmed by the returns actually published, such as construction, which is reported to have increased by 3.5% (Plan: 5.7%), and apparently only 71,300 new dwellings were delivered (Plan: 82,500).

FOREIGN TRADE

59. Foreign trade turnover (imports and exports are not available separately) was up 11.4% (Plan: 9.0%), but this is most probably due to a higher than anticipated inflation in international prices. Tourism was up by 5.2% and over five million foreigners visited Bulgaria, whose spending might have provided some relief to the tight foreign exchange situation.

60. Nevertheless, the best evidence available suggests that a severe balance of trade constraint has forced Sofia's authorities to reduce the pace of domestic growth and to go to all possible lengths to curb imports and stimulate exports. Such a policy has

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- (1) Real per capita income is the best measure of consumers' welfare, for it accounts for - among other things - all personal and social consumption.
- (2) As far as consumers' welfare is concerned, the inflation rate is estimated at 4% in 1979. This resulted mainly from price rises announced in November 1979.
- (3) The accumulation fund represents total investment, including new fixed investment, capital repairs and increases in inventories, net of depreciation.

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been applied not only for trade with the West, which had already produced a \$3 billion cumulative deficit at the end of 1978, but also for trade with the Soviet Union, Bulgaria's first trading partner (54% of turnover) and main supplier of raw materials. It seems likely that the Soviets have made it clear that Sofia cannot count on indefinite and unlimited aid from Moscow in the form of permanent trade deficits. This might also have caused some real, although disguised tension between the two countries, especially during the negotiations of last year's trade protocol. By and large, the foreign payments and foreign debt still represent a serious short-term constraint on Bulgaria's economic growth, although the country succeeded in reducing its debt service ratio to 36% in 1979.

OUTLOOK

61. In the longer term constraints other than foreign trade and debt weigh more heavily: scarcity of raw materials (particularly oil) and of labour, both skilled and unskilled. Indeed, all of the recent increase in produced NMP is due to increases in labour productivity (allegedly up 6.5% in 1979) since the size of the labour force is stagnating because of low rates of population increases and longer time spent in school. However, it cannot be taken for granted that labour productivity will increase at a constant rate: the trend since 1975 has been declining and similar patterns obtain in more mature socialist economies, such as the Soviet Union. These factors imply that diminishing returns are at work and will eventually bring the economy to a stage of zero per capita growth unless reforms are adopted which can reverse such trends. Consequently, any attempt to speed up growth without reforms will frustrate the current efforts to balance foreign trade with both West and East, and will aggravate the burden of foreign debt. The attempt at boosting consumption while growth is sluggish will result in declining accumulation and eventually still slower overall growth. How Zhivkov will untangle this knot is far from clear. What is clear is that - if this analysis is correct - the Bulgarian economy is probably weaker than heretofore supposed.

IV. CZECHOSLOVAKIAGENERAL SITUATION

62. The Czechoslovak economy in 1979 reported very low growth rates and failures in achieving plan goals in many sectors. National income grew by only 2.6% over 1978, well below the plan target of 4.3%. Only 3.7% growth occurred in industrial production and 20% of industries failed to accomplish plan directives. Investment rose 1.6% compared to the previous year's figure of 6.6%.

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INDUSTRY

63. In order to meet rising import costs for grain, energy and raw materials, Czechoslovakia must compete successfully on Western markets with its manufactured goods. It is important that the country gain more rapid access to Western technology, not only to conserve resources in industry, but also to produce more sophisticated up-to-date and competitive exports. Labour, at present, is in short supply and will continue to be so at least until the latter half of the 1980s, because of the high proportion of population of post-productive age. The 1979 increase of 2.9% in industrial labour productivity is below the target of 3.3% and such a modest increase does not balance with the rise in wages of 2.8%, which brings the average monthly salary to about Kcs 2,580. Purchasing power has also been somewhat eroded through price rises and inflation. The "complex experiment for increasing effectiveness and quality", initiated in 1978, has achieved some positive results; however as of 1981 a single major reform concerning planning will be introduced. More comprehensive and detailed Five-Year Plans will serve as the predominant guidelines for production, while annual plans will be viewed as subdivisions of the overall one. The High Production Units (VHJ) or industrial conglomerates will be granted greater independence in management, although central direction and external control over production will be increased. This new approach is designed to facilitate research and development and speed up the adaptation of new technology. Management is frequently subject to criticism in official statements and it is hoped that through repeated admonitions and threats of replacing incompetent personnel, the situation will improve. The 1980 plan has laid strong emphasis on developing the engineering industry. One of the problems facing this branch is the overly high metal content in machine tools. Emphasis is now put on the production of lighter, more streamlined machinery, to save on the use of metal and also in correspondence with current technology.

AGRICULTURE

64. Gross agricultural production in 1979 was 3.9% lower than in 1978 due largely to the severe winter followed by spring drought. The total grain harvest at 9.2 million tonnes is 19% less than the plan target and 1.7 million tonnes under the 1978 figure. Maize was 10% above the plan goal, but the overall deficits necessitate the import of 2.5 million tonnes of grain to replenish stocks for fodder. Oleaginous crops fared particularly badly in 1979, incurring a shortfall of 1/3 in comparison to 1978 and a 40% discrepancy with the plan target. The Czechoslovak government has had to import grain and oil seed in order to alleviate the deficits caused by plan underfulfilment (87.8%) in total crop production. Nor will the country be able to export its traditional products of hops, sugar and brewers' malt in the same volume.

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65. The availability of basic foodstuffs to the population has been maintained and increased 2% since 1978, although the range of meat products may decline because of feed problems. Overall meat production increased 3%, but only the poultry industry satisfied plan goals, as livestock production fell 1.5% short of plan fulfilment. The tightening of meat availability comes at a time when the population, accustomed to a gradual improvement in supply, has increased its level of consumption.

66. The 1980 plan projects a 7.2% increase in gross farm production of which 16.9% is designated for crop production. The most rigorous tasks will be to boost grain production to 11 million tonnes and the number of cows by 1.1% to provide the country with an adequate milk and meat supply.

FUEL AND ENERGY

67. The most vital problem facing the Czechoslovak economy is the prospect of reduced Soviet oil and gas deliveries. For the year 1980, the Soviets have agreed to provide 18 million tonnes of crude oil, 6 billion cubic metres of natural gas and 8 million tonnes of iron ore. Until able to exploit alternative sources of energy, Czechoslovakia will have to import oil from the Middle East and pay current world prices, thereby straining its hard currency reserves.

68. Moderate success is reported in the extraction of coal and lignite. The output figure of 124.7 million tonnes represents a 1.3% rise over 1978 and an overfulfilment by 0.4 million tonnes of the plan target. 68,000 million kWh of electrical power were generated in 1979, signifying a decrease of 1.5% against the 1978 figure. The operation of the nuclear power plant at Jaslovske Bohunicé accounted for 5.2% of the national total or 2,100 million kWh. At the 14th session of the CPCZ Central Committee, General Secretary Husak stressed repeatedly the need to maximize efficiency and economize on use in the fuel and energy sector.

METALLURGY

69. Losses also resulted in the metallurgical industry where overall production increased by 2%. Ferrous and non-ferrous metallurgy showed modest increases of 1.9% and 2.8% respectively. Steel output, calculated at 14.8 million tonnes is 3.1% less than in 1978, in regard to the latter figures, rolled steel and steel tubes went up by 5.2% and 1.7%.

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FOREIGN TRADE

70. Plan targets in foreign trade were achieved with a global increase of 10.8% since 1978 and a more specific rise with the USSR of 13.1%. The increase in total imports of 11.3% is above the export figure of 10.3%. This slight imbalance is caused mainly by increased imports from CMEA countries, 9.9% as against exports 8.4%. In regard to trade with non-socialist countries, Czechoslovak imports (15.0%) are just slightly less than exports (15.5%). The engineering industry will receive particular attention in the manufacture of products destined for Western markets.

CONSTRUCTION AND INDUSTRY

71. Low labour productivity in the building industry has resulted in only partial (93%) plan fulfilment for the construction of new apartments. The state transport plan was slightly under-fulfilled (98.2%) and freight shipment, as well as road transport, fell somewhat short of targets (98.8% and 97.3% respectively).

OUTLOOK

72. Greater efficiency in production and conservation of resources are necessary to maintain existing standards and some measure of modest growth. Those sectors requiring the greatest concentration of investment and resource allocation are energy, engineering, and grain production in agriculture. Only if progress can be made in these basic factors, possibly through the application of improved management techniques, is the economy likely to emerge from its present sluggishness.

V. GERMAN DEMOCRATIC REPUBLIC

GENERAL SITUATION

73. The GDR reported an increase of 4% in produced NMP (Net Material Product) during 1979 which, although better than some other East European economies, is slightly below the revised plan target of 4.3%. The 4.8% increase in industrial production falls far short of the plan goal of 5.5% and indicates a downward trend in comparison with the 1978 result of 5.4%. Agriculture experienced an overall increase of 4%, but grain production declined since 1978. Although foreign trade improved by 12%, imbalance between exports and imports resulted in a deficit of an estimated 6 billion Valuta Marks.

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74. The 4.8% increase in industrial production was achieved partly through labour productivity increases of 4.4%, slightly below the 4.6% planned figure. Industrial investment of 4% failed significantly to meet the plan target of 7.7%. In the realm of industrial reforms, the middle managerial level of the VVB (state owned enterprises) has been dissolved leaving the top administrative planning agencies and large amalgamated enterprises, which function almost entirely as self-sufficient production units. It is hoped that the larger combines and streamlined managerial structure will facilitate co-ordination and supply, accelerate the adoption of technology, and promote the more efficient allocation of investment.

ENERGY AND RAW MATERIALS

75. Honecker's speech to the SED Central Committee on 13th December 1979 emphasized the necessity for energy and raw materials conservation. The 1980 target for reduction of "specific consumption" (raw materials consumption per unit of output) is set at between 4.5% and 4.7%, although only a 3.1% reduction was achieved over the period 1976-1978. In order to reduce waste and boost efficiency, the GDR is dependent on imported Western technology, which must be balanced against East German exports. There are constant urgings to master and adapt as quickly as possible advanced technology to domestic production. The dominant underlying reason for this are rising costs and cutbacks in exports of Soviet raw materials. The GDR-USSR protocol concerning economic co-ordination over the period 1981-1985 anticipates a 1980 peak in annual crude oil deliveries of 19 million tonnes, after which imports are likely to even out(1). Prospects for further expansion are limited due to Soviet reluctance to extend credits and the GDR's accumulated debt of 7.7 billion Valuta Marks, which signifies a yearly deficit of 10% in exports between 1975 and 1978. It is estimated that in 1980, 25% of GDR exports to the USSR will be necessary to cover oil imports alone and by 1985 the figure may reach 33 1/3%. Overall, GDR-USSR trade between 1981-1985 will total 48 billion transferable rubles of which the 1980 turnover will comprise 9 billion transferable rubles indicating a nominal yearly increase of 2.2% calculated on a value basis. Brown coal remains the GDR's main domestic source of energy, although further planned exploitation of deposits will prove more difficult and costly.

FOREIGN TRADE

76. Total foreign trade in 1979 grew by 12%, which is well above the plan figure of 9.8% and up considerably from the 1978 result of 5.6%; imports and exports rose 13% and 12% respectively,

(1) Imports of crude oil in the first four months of 1980, however, were 20% above those of the corresponding period of 1979.

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giving rise to a trade deficit in 1979 of 6 billion Valuta Marks. The structure of GDR exports increased in the following manner: USSR 7.3%, other socialist countries 6.7%, and Western industrialized nations 14.4%. The expanding trade deficit, hard currency problems and large Western loans coming due in the early 1980s has led to a greater emphasis on producing more competitive and marketable goods for export to the West. The 1980 plan provides for higher export goals and the production of higher quality goods for the foreign, rather than the domestic market.

THE CONSUMER

77. The reduction in high quality consumer durables comes at a time when demand for certain luxury items is particularly high. A recently introduced three-tiered pricing policy should reduce somewhat the consumption of such products and absorb excess purchasing power. The cost of staples such as rents, public transport and basic foodstuffs, which already receive substantial subsidies, will remain the same. Subsidies will be decreased, however, on a second category comprising medium priced goods, signifying that a larger portion of the actual cost will be borne by the consumer. A third group of high quality and highly priced manufactured products will be sold at their full market value reflecting both cost base and profit margin.

OUTLOOK

78. The 1980 plan calls for growth rates of 4.8% in produced national income, 4.7% in industrial production, 4.5% in industrial labour productivity, and 2% in investment which, although representing modest increases, reflect realistically the existing situation of limited raw resources and a shrinking labour force. The plan also envisages growth through concentrated investment in the machine-building industries. This policy will involve intense domestic research and development programmes, supplemented by imports of Western technology. Those areas to benefit most directly from this programme are the construction and capital equipment sectors, at the expense of the consumer whose choice and variety of goods is likely to diminish.

79. In the longer term the progress of East German economic development will depend largely on the ability to use the large resources of brown coal to meet the energy needs in the face of growing competition for, and costs of, imported fuel and to constantly modernize technologies in order to produce more sophisticated products and to increase labour productivity. Economic reforms will play their part in solving these problems but those seen so far are unlikely to have a major impact.

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VI. HUNGARY

GENERAL SITUATION

80. In 1979 Hungary experienced a slow-down in the growth of national income, industrial output, and agricultural production. Per capita real income remained at the 1978 level. On the other hand, Hungary performed well in foreign trade, on which it is heavily dependent. Overall, exports grew by 13% whilst imports decreased by 3%. New regulators were introduced towards the end of the year in almost every economic sector, designed to improve the economic structure by decreasing subsidies, introducing new management methods, changing the wage system and the price policy. All these measures are considered as a fresh revival of the New Economic Measures (NEM) initiated in 1968, aimed at achieving a higher level of efficiency in the economy.

81. National income in 1979 was about 550,000 million forints, pointing to a growth of 1-1.5%, i.e. below the planned 3-4%. This result, although below the year's target, itself already lower than the 1976-1978 Five-Year Plan annual average of 5.4-5.7% increase, nevertheless points to success in the economic policy. The main aim of this policy (for the current Five-Year Plan) has been to reduce the rate of economic growth and the level of domestic consumption to the extent possible so that the savings thus obtained from the difference between the production and consumption can be used to improve the foreign trade balance.

INDUSTRY

82. Industrial output increased by only 2.8%, less than the planned 4%. However, the growth of output in some industries such as chemicals, building, engineering, and food industries, was greater than the general industrial output. The lack of data on the realisation of the target in the growth of industrial labour productivity (4% over 1978) suggests that underfulfilment of the plan for industry may be connected with disappointing increases in productivity. Moreover, the drive to reduce imports, including raw materials and semi-manufactures for industry, also may have affected industrial output by causing shortages in imported industrial raw materials.

AGRICULTURE

83. In agriculture, wheat and maize production decreased considerably and the average yield per hectare in all cereals was much lower than for the preceding year. Only 3.7 million tonnes of wheat were produced in contrast to the 5.7 million

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tonnes in 1978. On the other hand, growth in animal husbandry was 2% as planned. The actual decrease in overall agricultural production can be attributed mainly to adverse weather. However, the radical changes in agricultural regulators indicate that, as in the past, structural deficiencies may also have played a rôle in last year's performance. Measures taken included decreasing or abolishing subsidies in many branches of agriculture and increasing prices of agricultural products and some inputs, including fertilizers, as well as establishing new incentives.

FOREIGN TRADE

84. Imports were cut back and exports improved. Hungary exported 17% more goods, surpassing the 1979 plan target and imported only 3% more than in 1978. In ruble trade, imports increased by 6% and exports by 8%. In non-ruble trade, exports went up by 26% and imports were kept more or less at the 1978 level. Export sales of industrial products increased by 11.9%. However, according to preliminary Hungarian evaluations, greater than expected deterioration in Hungary's terms of trade resulted in a loss of 7-8 billion forints. Despite these developments the hard-currency merchandise trade deficit was reduced from \$833 million in 1978 to \$167 million in 1979 and the current account deficit dropped to \$555 million.

CONSUMPTION

85. In January and July 1979 and January 1980 there were price increases on several items ranging from food to fuel oil, aimed mainly at generating market forces by charging prices reflecting actual production costs. By adopting this policy which is in line with the principles of the NEM, Hungarians expect to lower their consumption level and to make the prices of their exports more competitive in world markets. These price increases resulted in pushing up the level of consumer prices by 9%, far exceeding the 4.7-4.9% increase envisaged by the plan.

OUTLOOK

86. The plan for 1980 envisages an increase in national income of 3-3.5%, in agricultural production of 5-5.5%, in industrial production of 3.5-4%, and of 1-1.5% in the consumption of the population. The plan also hopes to keep the increase in consumer prices at 3.7% and that of real wages(1) at 0.5%. Given the price

(1) This term applies to income earned (money income - wages and other income - some social benefits) corrected by consumer price index.

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increases over last year, the 9% increase in consumer prices, the reorganization of the price mechanism which categorizes many products as "freely priced items", and the expected rise in the costs of imported materials, a higher degree of inflation can be expected in 1980.

87. The plan targets for 1980 seem to be relatively modest and attainable. However, in the light of last year's performance when modest plan targets were not reached, the realisation of those for 1980 will depend mainly on the success of the new measures introduced, favourable terms of trade, and weather conditions.

VII. POLANDGENERAL SITUATION

88. Following a sharp decline in growth in 1978, the Polish economy went into recession last year; national income fell by 2% in real terms as compared with a planned growth of 2.8%. In particular, the Polish authorities applied a highly-restrictive investment policy in 1979 (with investments down by 8.2%, a figure close to the planned 9%), in an effort to rectify the imbalances in the consumer and foreign trade sectors.

INDUSTRY

89. Industrial output fell significantly short of the planned targets, with the volume of industrial sales up by 2.8% against the planned 4.9% and the 1978 figure of 5.8%. Among the major branches in which output failed to meet the planned targets were electricity, crude steels, fertilizers and cement. Industrial development was hampered particularly by deficiencies in the transport network and in energy production; last year's bad weather compounded the adverse economic effects of these two now-chronic bottlenecks. It is also probable that the restrictions on imports paid for with convertible currencies put a brake on expansion in some sectors.

AGRICULTURE

90. Agriculture was hard-hit by particularly adverse weather conditions, which were largely responsible for the 1.4% fall in this sector's overall output. In particular, the grain harvest totalled only 17.3 million tonnes, i.e. 4.2 million tonnes less than in 1978, which means that the country will need more convertible currency imports and may later experience further difficulties with meat supplies. Sugar-beet production (14.2 million tonnes) has also gone down sharply (-10%), whereas the potato harvest (49.6 million tonnes) exceeded the 1978 figure by 7%.

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INCOMES

91. After a 2.8% fall in 1978, the average wage, according to official statistics, increased last year by 8.5%, or 1.8% in real terms; this improvement, however, is very questionable inasmuch as Western experts feel that the proclaimed rise in the cost-of-living index falls short of the true inflation rate. Notwithstanding the wage restraint policy, the demand for certain consumer goods still seriously outstrips supply.

FOREIGN TRADE

92. In 1979, Poland further reduced its convertible currency trade deficit, which fell from the 1978 figure of \$1.9 billion to about \$1.8 billion. However, the deficit is still very large (greatly exceeding the authorities' initial forecasts of \$0.7 billion), and this at a time when it will be difficult to impose further restrictions on imports from the West without seriously impairing domestic production. Nor has there been much change in the convertible currency deficit on the current account (which appears to have risen slightly from \$2.8 billion in 1978 to \$3.0 billion) and, in order to meet this deficit, the country is having to resort extensively and systematically to Western credits.

93. Poland's convertible currency indebtedness (about \$20 billion net at end-1979) at present entails a very heavy debt-servicing commitment and part of the debt is having to be re-financed. So far, Western financial institutions seem to have given Poland at least the benefit of the doubt, partly because they have faith in the country's long-term economic potential and also partly to avoid aggravating its financial position; however, if Poland fails to achieve a marked improvement in its deficit on current account, it could be faced with harsher credit terms, which would result in further economic difficulties.

OUTLOOK

94. The 1980 Plan reflects the authorities' two-fold concern to reduce the foreign trade deficit and the proportion of resources allocated to investment; in the latter sector, allocations to transport, energy and building are given priority. The target for growth in national income (+ 1.4 to 1.8%) is moderate, whilst the planned 1% growth in real terms in average wages shows that the authorities are resolved to pursue an income restraint policy aimed at bringing the demand for consumer goods into line with supply. The Polish authorities recently took a number of specific measures to ensure the smoother operation of certain enterprises producing export goods. In order to overcome its economic difficulties, however, the country needs far more extensive reforms, particularly in the whole system of economic management, but the 8th Party Congress does not seem to have provided any real impetus in this direction.

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C-M(80)31VIII. ROMANIAGENERAL SITUATION

95. Despite increasing difficulties in raw material supplies, including a substantial decline in oil extraction, the Romanian economy continues to grow at sustained rates both in absolute terms and as compared to other socialist countries. The nation's NMP (Net Material Product) increased by 6.2% in 1979 and only Bulgaria posted a higher rate in Eastern Europe (6.5%), whilst the Soviet Union was only at 2%(1). Higher growth rates not only reflect the lower base of the Romanian economy but also a continuing process of forced industrialization, characterized by long work hours and high accumulation. Although fixed investments were up by 5.1% in 1979, net capital formation still represents over one-third of NMP during the current Five-Year Plan (1976-1980), the same as during the previous one (1971-1975) and equivalent to that planned for the next plan (1981-1985). The day when the consumer will reap the fruit of long sacrifices is not yet in sight, nor is Ceausescu likely to revise his economic philosophy, consistently oriented towards industry and coherently enacted despite the far reaching reshuffles he imposes periodically on Romania's party, state, and economic leadership.

ECONOMIC PERFORMANCE

96. In 1979 all major indicators fell short of plan provision, and most of them were at their lowest value in the decade. This was the case for NMP, fixed investment, real incomes (the closest approximation to total consumption by the population), and retail sales (the bulk of personal consumption). Moreover, under cost push, inflation reached an official maximum of 2.5%; this does not take into account disguised and suppressed inflation. The attempt at maintaining sustained growth in the presence of unfavourable internal and international economic trends caused a 20% increase in imports resulting in the highest trade deficit ever recorded for Romania: 5.3 billion lei, corresponding to \$1.2 billion. Although such a trade imbalance added to Bucharest's hard-currency indebtedness, estimated at \$4.5 billion at the end of 1978, the country's debt remained one of the lowest in East Europe and appears to be well manageable.

(1) Bulgaria's NMP growth rate is probably misleading, as explained in the section on the Bulgarian economy; Romania's NMP growth rate may not be subject to this difficulty since its foreign trade component is probably calculated at real foreign trade prices.

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97. From a sectoral standpoint Romania's top priority branch - industry - grew by 8% in 1979. This is a satisfactory result for a comparatively adverse year, although the annual plan had provided for 11.3%. Agriculture performed well (+5%), continuing the upward trend which followed the 1977 disaster. Construction fell short of expectations as usual, and resulted in the unfulfilment of the plan for housing: only 191,000 new apartments were completed, including 12,300 privately built (Plan: 248,000 apartments, excluding private). This failure reflects the low priority accorded to sectors directly related to consumers' welfare; its philosophical underpinning is that consumption has to be "pulled" by economic growth, rather than "pushed" by reallocation of resources.

FOREIGN TRADE

98. The record trade and payments deficits of 1978 and 1979 cannot be considered as mere incidents in Romania's progress: like most developing countries the nation needs external financing, especially in times of hardship, the more so as one of its major economic advantages - oil self-sufficiency - withered away in 1976 when the country became a net importer under the pressures of fast industrial growth and declining oil extraction. An increasing dependence on imports to secure its energy supplies is preoccupying Bucharest not only for economic reasons, but also from a political point of view: were the country forced to turn to the USSR for oil, Romanian policy would be exposed to Moscow's leverage(1). Ceausescu has successfully resisted so far and policies of semi-autarky were more the rule than the exception in the past. However, dependence on the USSR for oil and for iron ore may well be something the Romanians will have to live with in the future. The Soviets seems to be pleased with such a state of affairs, and their diplomats were surprisingly ready to confirm that the USSR had contracted for the supply of 350,000 tonnes of crude in 1979 and about 1,000,000 in 1980. However, oil supplies are settled in hard currency and Soviet deliveries will not alleviate the pressure on Bucharest's scarce foreign exchange resources.

FIVE-YEAR PLAN FULFILMENT

99. Both aggregate and sectoral trends in the last four years (1976-1979) suggest that Five-Year Plan targets are not likely to be fulfilled, with the possible exception of agriculture.

(1) There is at present no particular advantage for Romania in buying oil from the USSR, as long as it has to pay hard currency at prevailing world market prices.

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NMP as a whole will not grow by more than the high 8.3% annual average of the period 1976-1979 (Five-Year Plan target: 11.0%), and real incomes probably will not grow more than 6.5% per annum. Industry may fall 1-1.5% short of the ambitious 11.5% annual average foreseen in the plan. Although such performance is positive per se, the impossibility of fulfilling the 1976-1980 plan provisions was likely to have been among the reasons which led the planners to put forward more moderate targets for the next Five-Year Plan (1981-1985).

OUTLOOK

100. Romania is still living in the heyday of its industrial revolution, a period of massive mobilization of resources, primitive accumulation of capital, extensive drain of rural resources, particularly labour. In 1978, more than half its population (51.4%) was still rural, as compared to 38% in the Soviet Union and about 40% in Bulgaria. The resources to be tapped are still substantial(1) and high growth rates are to be expected in the short and medium term. An NMP growth rate of about 7% as announced in the preliminary draft of the Five-Year Plan 1981-1985 is realistic, although it presupposes that the country be able to attract sufficient credit to import foreign technology and raw materials: adoption of industrial processes already tested abroad, continued fast accumulation, and strict manpower discipline will do the rest.

101. However, the low population growth and the progressive exhaustion of the agricultural manpower reserves (which represents a lower percentage than rural population: 32.5% in 1978) will make labour scarcer, as it is already in almost all other socialist countries. On the other hand, a trend of markedly declining labour productivity growth rates has already set in, quite independently from the far from efficient manpower allocation. If technological progress and/or managerial reforms are not able to outmatch such decreasing returns, Romania's future is likely to parallel that of the low growth rate of the USSR (2 per cent growth in NMP in 1979), but this will probably not happen before the nineties.

IX. SOVIET AND EAST EUROPEAN AID TO LDCs

102. During 1979, the Soviet bloc continued to provide the LDCs with a very reduced (and declining) amount of aid deliveries. The USSR, heavily engaged in aid activities to such clients as Cuba (over \$3 billion) and Vietnam (around \$500 million), seems to have little left for non-Communist beneficiaries. The more so as recent years have been characterized by a marked slow-down in

(1) It must be noted, however, that energy production is a potentially serious problem: oil and gas output are falling and coal production is growing only slowly.

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growth rates of Soviet aggregate production, by hard-currency trade imbalances, and by mounting external indebtedness. On the other hand, Eastern Europe - although not bearing comparable burdens for Communist clients - does not appear to be willing to make any sacrifices for the benefit of LDCs. Indeed, even if political considerations and opportunism play a rôle in economic aid decisions, economic advantage is seldom overlooked by Communist donors, particularly Eastern Europe, which continues to view aid as a means of opening up markets where, on purely commercial grounds, they would invariably be overbid by the West.

103. In net terms, i.e. after allowing for repayments of capital and interest, Soviet aid to LDCs was negative in 1979 (\$-30 million) as it had been in 1977 (\$-6 million). On the average, since the beginning of the current Five-Year Plan (1976) the Soviet Union has been pumping resources out of LDCs to the tune of over \$6 million a year. Eastern Europe still records net outflows towards LDCs, but their level was just at \$4 and 5 million in 1978 and 1979 respectively. For the purpose of comparison, Soviet bloc net aid disbursements to LDCs (i.e. gross aid less capital repayments) were \$103 million in 1978, whilst the West handed out a net \$19.5 billion in the same year.

104. Thus from a purely quantitative point of view, Soviet bloc aid to LDCs is practically non-existent, although many LDCs are heavily dependent on the bloc for arms deliveries (\$3.8 billion in 1978), a trade which is highly profitable for the East and politically binding for a segment of the developing world.

105. 1979 marked the 25th anniversary of Soviet aid to LDCs, and a longer term assessment may now be spelled out. Owing largely to the nature and limitations of their economy, Soviet aid has been inadequate in quantity, generally unimpressive in quality, and has often been unsuited to the needs of the recipient countries. It has left several monuments to outdated technology, to Soviet inefficiency, and to the weaknesses of the Soviet economy itself. It has been able to bring notably Cuba and Afghanistan into the Communist orbit(1). However, in the latter country assassinations and finally military invasion were necessary to complete the work, while aid to the former has grown to such an extent that it soaks up most of the reduced possibilities of the USSR. Moscow could hardly support another client such as Havana.

(1) The Soviet Union, exceptionally, provided Afghanistan with more aid than the West.

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106. Nevertheless, looking back to 25 years of foreign aid, the Soviet Union can point to some notable achievements: in 36 countries active Soviet projects were under way in 1979, and their civil personnel were present in 19 others (such as Libya and Kuwait) where there is no aid programme. In addition, Cubans are in three countries where there are no Russians, and East Europeans in another 14. Beside political and military advantages, the Soviet aid programme has gained for the USSR access to some raw materials - particularly food products and bauxite - and opened up markets for Soviet exports. All in all, their aid programme paid them off handsomely. Moreover, a gradual decline in aid actually extended over the years has been offset by increasing sales of arms, which amounted to around \$4 billion in 1978 alone.

X. CMEA DEVELOPMENT

107. There have not been any structural changes in the CMEA in the past year. The 33rd meeting of the CMEA Council in Moscow in June 1979 reiterated the position of CMEA as a loose co-ordinating body with no executive powers despite the existence of twenty-three Permanent Commissions, six Standing Conferences, and three Institutes, and a Secretariat. As in the past, the nations showed no willingness to delegate any of their sovereign rights to this International Body.

108. However, except for Romania, they did not voice their dissatisfaction towards moves to this direction. In fact, the Soviets, aware of the sensitivity of the East European nations in this respect, were careful enough in Brezhnev's message for the occasion to stress that "no-one commands in the Council" as well as to reiterate the principles of each nation's sovereignty, equality and voluntary participation.

109. The co-operation among the CMEA countries preserved their bilateral character, although the national plans continued to have "integration parts". Since 1976 there has not been much progress on multilateral specialisation and co-operation programmes, mainly owing to each nation's desire to develop its own industry in all spheres as much as possible and avoid excessive dependence on others.

110. The CMEA countries continued to be heavily dependent on intra-CMEA trade. With the exception of Romania, all the CMEA countries had over 50% of their trade with each other. Moreover, 40% of all goods traded in CMEA was of Soviet origin, almost two-thirds of Soviet supplies being raw and basic materials. Although some countries, notably Hungary and Poland, continued with their efforts to increase their trade with the West and decrease the CMEA share, they continued to depend heavily on Soviet fuel and raw materials.

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111. During the period under review, further bilateral or multilateral framework or implementation agreements were signed in the five fields named below, approved by the 1978 Bucharest and the 1979 Moscow summits, bringing the total of such agreements to thirty-two for the period up to 1990. Ten of these agreements fall under the programme for co-operation in the fuel, energy and raw materials sector; three under the programme for co-operation in the development of transport and communications; seven under the programme of extension of production and reciprocal supply of industrial goods; four in the programme of co-operation in the production of main food-stuffs; and eight fall under the programme for co-operation in engineering(1).

112. Of all the five programmes, the programme on co-operation on fuel, energy and raw materials is more likely to materialize in the foreseeable future: realization of this programme will not only provide the East European countries with the vital energy and raw material supplies which they lack, but will also supply the USSR with some of the capital and other factors to exploit its vast natural resources. However, the USSR contributed the major part of these investments. The extent of materialization of other programmes shall depend on, first of all, the political will of the NSWP countries and their need for the Soviet market for exports.

XI. RECENT TRENDS IN SOVIET AND EAST EUROPEAN TRADE WITH THE INDUSTRIALISED WESTERN COUNTRIES

113. In 1979, the European members of CMEA succeeded in achieving a marked reduction in their trade deficit with the industrialised market economies. The Western statistics available(2) show that the combined Soviet and East European trade deficit vis-à-vis the OECD area(3) dropped from \$7.6 billion in 1978 to approximately \$4.5 billion the following year owing to the fact that exports (approximately \$35.9 billion, +34%) went up twice as fast as imports (approximately \$40.4 billion, +17%).

114. This was a particularly clear-cut phenomenon for the USSR, whose deficit dropped from \$2.6 billion in 1978 to approximately \$0.5 billion. Soviet exports (around \$18.4 billion) benefited from rising prices, particularly for oil, and this largely accounts for their sizeable increase (+42%). Soviet imports (\$18.9 billion) grew by 21%, partly because of a rise in the amount of agricultural products purchased. As regards Eastern Europe, the deficit of the region as a whole with the OECD area was reduced by \$1 billion in 1979 to a figure of approximately \$3.9 billion. With the exception of the GDR, whose deficit, in contrast, doubled from one year to

- (1) It is planned to allocate a total of 70,000-90,000 million transferable rubles for these programmes.
- (2) Unless otherwise specified, the data used in this chapter are taken from the OECD foreign trade statistics. The CIF figures were calculated FOB by applying a multiplication factor of 0.925. The 1979 figures are extrapolated from 11 months data.
- (3) Including intra-German deliveries (source: Wirtschaft und Statistik 3/80).

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the next (from \$0.5 billion in 1978 to \$1.0 billion), all the East European countries succeeded in reducing their deficits, in some cases (Hungary, Bulgaria, Poland) by a considerable amount.

115. It is probable that the USSR has largely offset its trading deficit and adverse investment income balance through gold sales (estimated at approximately \$4 billion), and invisible earnings, and that in this way it has been able to achieve a substantial surplus in its current account balance with the West for the second year running. On the other hand, where most of the East European countries are concerned, the current account deficit has probably exceeded the trade deficit because of heavier debt-interest payments. These countries are therefore confronted with extensive loan requirements, to meet which they will have to resort to the Western financial markets.

116. After a standstill in 1978, the net Soviet convertible currency debt fell last year, perhaps to a figure of around \$10-10.5 billion. On the other hand, the net East European indebtedness continued to increase and at the end of 1979 it probably totalled approximately \$50 billion, including \$20 billion for Poland(1). The countries in this region, so far, have had no trouble in obtaining loans on comparatively favourable terms from Western financial establishments, partly because of the continuing liquidity of international capital markets, but also because they are deemed to be credit-worthy. However, in the case of Poland, especially heavy repayments are now falling due and this entails refinancing part of the debt.

(1) US estimates

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BREZHNEV SPEECH: BLUEPRINT FOR THE EIGHTIES

1. Certain themes stand out in Party Secretary Brezhnev's speech of 27th November 1979 to the Communist Central Committee on the eve of the annual presentation of the 1980 plan and budget to the Soviet Parliament, and in the Committee's resolution approving the budget, both published in the 28th November edition of Pravda. Taken together, they give insight into the probable direction of the Soviet economy in the 1980s.

2. Priority on transport. Mr. Brezhnev gave a prominent place to transport in his list of priorities for the eighties, as a necessary prerequisite for the growth of all other areas of the economy. To a large extent, the Soviet economy is hindered in its proper functioning simply because the right amount of supplies are not delivered to the right place at the right time, and transport difficulties are often at the root of this problem. Dilapidated railway cars, for instance, have leaked untold amounts of grain, and too often are used as silos, blocking railway traffic and preventing rail use for the transport of other commodities. Railway transport has become all the more important in efforts to integrate various regions to achieve economies of scale in production, and is a prerequisite for the completion of many of the huge development projects in Siberia and the Far East. Perhaps most important in Soviet eyes, an effective railway system is vital to the transport of troops for defence. For these reasons railway construction and other transport development is sure to have a growing claim on Soviet manpower and investment resources in the 1980s. Because of its defence implications, transport, including pipelines and merchant ships, may even be given a priority as high as defence, and become one of the fastest growing elements in government spending. In a word, the eighties might well be termed the decade of transport development in the Soviet Union, as well as the era of energy crisis.

3. Harvest difficulties. Mr. Brezhnev confirmed that the 1979 grain harvest came to only 179 million tonnes - the worst since 1975 and 58 million tonnes less than 1978's record crop. In fact, 1979's harvest may not be the disaster it seems, since the grain was in a much dryer condition than in 1978 and so does not have its weight inflated by the 25% water content that applied in 1978.

4. In the longer term, however, Soviet planners are faced with the fact that they have had to import large quantities of grain during the 1976-1980 period, at a cost of several billion

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dollars. Grain imports have, in fact, been one of the largest components of the deficit in the Soviet balance of convertible currency trade during the period. Planners cannot realistically assume, therefore, that problems in producing desired quantities of grain will not continue into the 1980s, nor that they must not reckon with the prospect of a continuing convertible currency deficit in the period. As a result, they can be expected to engage perhaps even more actively than in the past in foreign gold and currency markets, in order to earn as much convertible currency as possible by these means, and to promote Soviet exports to developing countries having convertible currency. Soviet exports to the developing world have grown particularly rapidly during the 1976-1980 period and now account for 15% of all Soviet exports, or half the amount of Soviet exports to the industrial West. In their efforts to develop markets in the developing world, the Soviets will inevitably come into competition with Western firms trying to boost their sales in the same markets.

5. Soviet grain imports are destined primarily to feed a slowly growing livestock population, in order to raise meat supplies to a level considered desirable by Soviet nutrition experts - an increase in meat output by 1985 of 35% over the 1976-1978 level. Meat production was down in 1979, however, on the state and co-operative farms. Only with the aid of private production was total meat output able to grow by a marginal one per cent. To encourage meat production in the 1980s, the Soviets will undoubtedly continue their policy commenced in 1978 of giving additional encouragement and material support to the private raising of livestock. They may have additional incentive to do so in reasoning that, since private animal husbandry has been demonstrably more efficient in raising meat output, it might also be more efficient in feeding practices, such as more intensively employing border grazing, and so might help keep down the level of required grain imports.

6. Reduced growth targets. Mr. Brezhnev indicated that plan targets for 1980 would not allow for fulfilment of original 1976-1980 growth goals and implied that national income during the 1981-1985 period might be expected to grow at an average rate of around 4% instead of the 5% envisaged in 1976-1980. Partly, the reduced growth goals are an implicit recognition of the huge investment costs of developing new production capacity, such as that of raw materials extraction in Siberia, and needed transport infrastructure which has been long neglected. On the other hand, they fit into the objectives of the reform measures announced in July 1979, which emphasize raising the efficiency and quality rather than the quantity of industrial production. By deliberately

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cutting back on growth goals, although maintaining economic policies heavily oriented toward growth, Soviet planners may in fact have given the reforms a better chance to work, by allowing enterprise directors the latitude necessary to re-tool for quality production.

7. Energy conservation. By stating that there will have to be a radical shift in the balance of energy consumption in the USSR in the 1980s, Mr. Brezhnev gave tacit admission of Soviet concern over matching growth in output of Soviet oil and other energy materials, with ever-increasing domestic demand and export commitments to Eastern Europe and elsewhere. With oil output increasingly falling short of plan goals (by 3 million tonnes in 1978 and 7 million tonnes in 1979), Soviet planners are faced with the need for rapid switchover to other energy sources - natural gas and nuclear energy in particular. But natural gas output, rapidly expanding though it is, cannot fully take the place of oil, and the nuclear power plant construction programme is lagging well behind schedule. In the face of these difficulties the USSR in the 1980s can be expected to export decreasing amounts of oil to the West, and perhaps even become a competitor with the West on world oil markets. In addition, it will probably put continually greater pressure on its Eastern European allies to participate in the construction of Soviet nuclear power plants in return for guaranteed future deliveries of electricity.

8. Controls on capital and manpower. Finally, the plenum confirmed the already observed trend that additions of capital investment to the Soviet economy increasingly fail to produce corresponding increases in output, partly because of rising costs, and also because of dwindling pools of manpower and failure to use existing manpower efficiently. As a result, the 1980s can be expected to see increasingly greater concern with efficient manpower use, and growing pressures for curtailment of bonuses for both workers and management. To expand available manpower resources, for example, a decree was announced on 2nd October 1979 providing additional incentives to pensioners, whose numbers have grown rapidly to over 31 million persons in the past decade, to continue working past retirement age.

9. In order to improve capital productivity, the Soviets may be expected to continue seeking considerable amounts of Western technology. In such acquisitions, however, they will be faced with continuing pressures to find suitable hard-currency exports and markets. In the end, then, the 1980s will see the Soviet Union caught in a vicious circle of probably having to continue grain and technology imports to upgrade and maintain the nutritional and living standards of the population, but at the same time having to threaten to diminish living standards, in order

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to develop industrial efficiencies needed to provide for other domestic needs and to pay for the imports. Gold, arms and credits can fill the trade gap temporarily, and will undoubtedly be used to their fullest possible extent; but the long-term trend will be toward curtailment of increases in the level of consumption. With largely invisible inflation eroding the consumers' purchasing power, the Soviet masses are quite likely to see their standard of living declining in as many areas as it might otherwise be improving.

10. Ironically, then, having made considerable sacrifices in the past so that the USSR might obtain unquestioned improvement of its industrial capacity, the Soviet consumer may be asked again to bear additional burdens so that some capacity might come partially closer toward fulfilling some of his basic needs.

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(percentage increase over preceding year)

	1971	1972	1973	1974	1975	ANNUAL AVERAGE		1976		1977		1978		1979		1980
	Act.	Act.	Act.	Act.	Act.	Actual	Planned	Plan	Act.	Plan	Act.	Plan	Act.	Plan	Act.	Plan
						1971-75	1976-80									
Net Material Product (Utilized)	6.0	4.0	4.8	5.0	4.0	5.7	4.7	5.4	5.5	4.1	3.7	4.0	4.2	4.3	2	4.0
Total Industrial Production	7.7	6.5	7.5	8.0	7.5	7.4	6.3	4.3	4.8	5.6	5.7	4.5	4.8	5.7	3.4	4.5
Producer Goods	7.8	6.8	8.2	8.4	7.9	7.9	6.7	4.9	5.5	5.9	5.9	4.7	5.1	5.8	3.5	4.5
Consumer Goods	7.7	5.7	5.7	7.0	6.5	6.5	5.7	2.7	3.0	4.9	5.2	3.7	4.1	5.4	3.3	4.5
Industrial labor Productivity	6.3	5.2	6.1	6.3	5.9	6.0	5.5	3.4	3.3	4.8	4.0	3.8	3.6	4.7	2.4	3.8
Total Capital Investment	7.3	7.0	4.7	7.1	8.6	6.9	4.6	4.0	4.5	3.0	3.7	3.4	6.0	4.5	1.3	3.1
Agricultural Production	1.1	-4.1	16.1	-2.4	-5.3	0.8	5.5	3.4	6.5	4.8	4.0	3.8	3	5.8	-4	3.8
Real per Capita Income	4.5	4.0	5.0	4.0	4.5	4.4	3.9	3.7	3.7	3.8	3.5	3.0	3.0	3.3	3	2.9
Retail Trade Turnover	6.8	6.8	5.3	5.9	6.9	6.3	5.2	3.6	4.6	4.8	4.5	3.9	3.4	4.8	4.2	
Foreign Trade Turnover	6.8	10.2	20.4	26.5	28.0	18.1	6.0	13.6	11.9	-	11.6	10.	10.4	-	14	4.7
Exports	7.8	2.4	24.4	31.6	15.4	15.8	-	-	16.6	-	18.7	-	7.2	-	18.9	-
Imports	5.7	18.8	16.5	21.3	42.0	20.4	-	-	7.7	-	4.7	-	14.8	-	9.6	-

Sources : For 1971-78 data except Utilized National Income, Narodnoe Khozyaistvo, SSSR, 1978, p. 38, 548 ; Vneshnaya Torgovlya SSSR, 1975,
 For Utilized National Income 1971-78, Radio Free Europe, Research Bulletin RS 1/80 (27 December, 1979).
 For 1979 results, Pravda, 26 Jan.80, and Ekonomicheskaya Gazeta, No. 13, Mar. 1980
 For 1980 plan, Baibakov Report to Supreme Soviet, 28 November 1979 ;
 For other plan data, reports by US, UK, and DIW (Wochenbericht 23/79, p.247)

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TABLE 2
USSR: FUEL AND ENERGY PRODUCTION
1975-1980

	1975	1976	1977	1978	1979	(Jan-Apr) 1980	1980 Plan	Percentage increase				
								1976	1977	1978	1979	(Jan-Apr) 1980
Oil and condensates (million tonnes)	490	520	546	572	586	(197)	606	6.1	5.0	4.8	2.4	(3) (a)
Natural gas (billion m ³)	289	321	346	372	407	(145)	435	11.0	7.8	7.5	9.4	(7)
Coal (million tonnes)	701	712	722	724	719	(248)	745	1.6	1.4	0.1	-0.6	(0)
Electrical energy (billion kWh)	1,039	1,111	1,150	1,202	1,239	(434)	1,295	6.9	3.5	4.5	3.0	(6)

Source: Official Soviet statistics

(a) As reported in Ekonomicheskaya Gazeta, No. 20, May 1980; it should be noted that at the rate of production established in the first four months of 1980, oil output would increase in 1980 by only 1%, and so fall substantially below planned output expansion.

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TABLE 3
USSR: FOREIGN TRADE
(1970, 1975, 1978, 1979)

	Billion rubles				Percentage distribution (a)			
	1970	1975	1978	1979	1970	1975	1978	1979
<u>Total</u>								
Turnover	22.1	50.7	70.2	80.3	100	100	100	100
Exports	11.5	24.0	35.7	42.4	100	100	100	100
Imports	10.6	26.7	34.5	37.9	100	100	100	100
<u>Communist Areas</u>								
Turnover	14.4	28.6	42.0	45.1	65	56	60	56
Exports	7.5	14.6	21.3	23.6	65	60	60	56
Imports	6.9	14.0	20.7	21.5	65	52	60	57
<u>Developed Industrial West</u>								
Turnover	4.7	15.8	19.7	25.7	21	31	28	32
Exports	2.2	6.1	8.7	12.5	19	25	24	30
Imports	2.5	9.7	11.0	13.2	24	36	32	35
<u>Developing World</u>								
Turnover	2.9	6.3	8.5	9.5	13	12	12	12
Exports	1.8	3.3	5.7	6.3	16	14	14	15
Imports	1.1	3.0	2.8	3.2	11	11	8	8

Source: Vneshnaya Torgovlya; Ekonomicheskaya Gazeta, No. 13, March 1980

(a) Percentages may not add to 100 because of rounding

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TABLE 4 : BULGARIA : SELECTED ECONOMIC GROWTH INDICATORS, 1971-1980
(percentage increase over preceding year)

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	1971	1972	1973	1974	1975	ANNUAL AVERAGE 1971 - 1975		1976	1977	1978	1979		ANNUAL AVERAGE 1976 - 1980		1980	1981	
	Actual	Actual	Actual	Actual	Actual	Plan	Actual	Actual	Actual	Actual	Plan	Actual	Plan	Actual (6)	Plan	Plan	
AGGREGATE VARIABLES																	
Net Material Product (utilized)	1.6	9.8	9.0	11.8	11.1	...	8.6	0.3	5.2	0.7	...	...	...	(7)	...	...	...
Consumption Fund	7.4	6.3	6.6	7.1	7.7	...	7.0	6.0	4.0	4.6	4.6	...	...	(7)	...	...	...
Accumulation Fund	-11.5	21.0	16.0	24.2	18.7	...	12.9	-11.5	8.9	-10.2	...	...	...	(7)	...	...	...
Share of Consumption (%)	73.2	74.0	72.3	69.3	67.2	...	71.2	71.0	73.6	76.5	74.0	...	74.0	73.7(7)	...	...	...
NET MATERIAL PRODUCT	6.9	7.7	8.1	7.6	8.8	7.7-8.5	7.8	6.5	6.3	5.5	7.0	6.5	7.7	6.2	5.7	5.5	5.5
Per capital real income	4.3	7.0	8.8	3.1	5.4	4.6-5.4	5.7	4.6	0.6	1.9	3.2	2.0	3.7	2.3	3.0	3.1	3.1
Retail sales	6.5	6.5	9.0	9.7	8.2	...	8.0	7.5	3.5	4.7	...	...	...	5.2(7)	...	...	...
Current prices	6.5	6.6	8.8	9.1	7.8	6.8	7.8	7.3	3.1	3.4	4.1	...	7.0	4.6(7)	4.6	4.6	4.6
Constant prices	6.5	6.6	8.8	9.1	7.8	6.8	7.8	7.3	3.1	3.4	4.1	...	7.0	4.6(7)	4.6	4.6	4.6
Capital Investment	1.7	10.0	6.9	7.8	17.3	5.9	8.6	0.6	14.2	-2.7	2.0(4)	0.4(4)	4.6(2)	2.9	16.7(4)	6.9(4)	6.9(4)
Labour	6.3	6.7	8.7	7.1	9.3	7.6	7.7	7.0	7.0	5.5	6.7	6.5	7.7	6.5	5.4	5.2	5.2
Productivity (1)	6.3	6.7	8.7	7.1	9.3	7.6	7.7	7.0	7.0	5.5	6.7	6.5	7.7	6.5	5.4	5.2	5.2
Foreign trade (currency leva)																	
Turnover	12.2	11.4	13.6	24.2	23.5	9.8-10.5	16.9	8.8	13.6	11.1	9.0	11.4	9.9	11.2	7.5	7.0	7.0
Exports	8.9	11.1	12.8	16.2	22.1	...	14.1	14.5	15.8	10.7	...	...	...	13.6(7)	...	...	...
Imports	15.8	11.7	14.4	32.3	24.8	...	19.6	3.8	11.5	11.5	...	...	...	8.9(7)	...	...	...
Hard Currency Debt	...	...	...	1.2	1.8	...	1.1(9)	2.3	2.6	3.0	...	...	...	...	...	...	...
SECTORAL VARIABLES																	
Agriculture																	
Output	2.0	5.6	1.3	-1.5	7.6	3.2-3.8(3)	2.4(3)	4.1	-4.6	2.8	7.0	7.0(5)	3.7(3)	2.2	3.7	3.1	3.1
Industry																	
Output	9.1	9.2	9.2	8.3	9.8	9.2-9.9	9.1	6.7	6.8	7.0	7.8	6.6(5)	9.2	6.7	6.3	3.1	3.1
Employment (2)	2.7	2.3	2.3	2.1	1.7	1.5-2.1	2.2	0.2	0.3	0.6	...	...	0.7	0.3(7)	...	...	...
Labour																	
Productivity	6.2	6.7	6.7	6.1	8.0	7.6-8.1	6.8	6.5	6.5	6.4	...	...	8.4	6.5(7)	...	...	...
Construction																	
Output	2.8	4.8	8.5	8.1	4.4	8.6	5.7	5.0	11.3	6.5	5.7	3.5	9.9	6.5	...	...	...
New dwellings (units)	48,862	46,542	54,209	44,065	57,151	250,000	250,829	67,626	75,885	66,511	82,500	71,300(5)	84,000	70,330	79,500	80,400	80,400
Transportation																	
Freight																	
Turnover(t.km)	-4.2	3.9	8.9	14.5	-4.4	...	3.5	2.9	2.6	10.3	...	...	...	5.2(7)	...	...	...
Freight Carried (tons)	6.7	6.7	6.1	8.8	8.7	...	7.4	5.0	5.8	2.8	5.3	...	...	4.5(7)	...	...	...
Tourism (thousand units)																	
Total	2,720.9	3,007.0	3,247.8	3,818.0	4,049.3	...	16,843.0	4,033.4	4,569.8	4,900	...	5,000	...	4,625	...	...	...
Excluding Transit	1,710.6	1,697.1	1,820.5	2,001.4	2,092.7	...	9,322.3	2,070.9	2,385

Sources and Notes: See next page.

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ANNEX II to
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TABLE 4 : BULGARIA : SELECTED ECONOMIC GROWTH INDICATORS, 1971-1980

Sources: 1971-1977(actual): Statisticheski Grolishnik 1978 and preceding issues; 1978 (actual): Statisticheski Sporochnik 1979;
other entries: Official Communiqués on plans and performance published in Robotnichesko Delo.

Notes: (1) NMP per person employed in material production.
(2) Calculated from output and productivity figures.
(3) With respect to the average of the preceding five years.
(4) Calculated from data in leva.
(5) Preliminary communiqué of December 1979.
(6) 1976 - 1979.
(7) 1976 - 1978.
(8) Estimated from targets expressed in leva.
(9) Increase in the five-year period.

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-5-

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

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

ANNEX II to
C-M(80)31TABLE 5 - CZECHOSLOVAKIA : SELECTED ECONOMIC GROWTH INDICATORS 1971-1980
(percentage increase over preceding year)

	1971 Act.	1972 Act.	1973 Act.	1974 Act.	1975 Act.	ANNUAL AVERAGE		1976 Act.	1977 Act.	1978 Act.	1979		1980 Plan
						Actual 1971-75	Planned 1976-80				Plan	Act.	
Net Material Product(Utilized)	5.5	5.8	5.2	5.9	6.2	5.7		4.2	4.1	4.1	4.3	2.6	3.7
Total Industrial Production	6.9	6.6	6.7	6.2	7.0	6.7		5.5	5.6	5.0	4.2	3.7	4.0
Industrial Labor Productivity	6.4	5.9	5.7	5.4	6.0	5.9	5.3	4.9	4.9	4.2	3.3	2.9	
Agriculture	3.2	3.9	4.7	2.3	-1.1	6.8		2.4	9.1	2.6	3.8	-2.7	7.2
Foreign Trade													
Imports #/	8.5	7.1	5.8	22.8	15.3	13.8		10.4	12.9	7.7	5.7	11.3	12.8
Exports	10.2	8.3	8.4	16.7	13.2	11.3		11.8	11.7	9.2	6.3	10.3	17.0
Industrial Investments	4.6	2.9	15.5	8.1	5.0	7.1		2.5	7.3	3.2			
Gross Investments	5.6	8.7	9.2	9.2	8.3	8.2		0.7	5.7	4.1		1.6	

Sources: Statistická Ročenka Československé Socialistické Republiky 1979, SNTL Nakladatelství
technické literatury Praha 1979.

Statisticheskii Iezhegodnik Stran-chlienov Sovieta Ekonomicheskoi Vzaimopomoschchi Moskva Statistika, 1978, 1977, 1975, 1974.
Weltwirtschaft am Jahreswechsel, Tschechoslovakei, Mitteilungen der Bundesstelle für
Aussenhandelsinformation März 1980, 30 Jg. NR Bn 82.
L'économie européenne en 1979, chapitre 3 "L'évolution récente de la situation économique en Europe occidentale et en
Union Soviétique. ONU 1979, ECE Genève.

* / Current prices

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TABLE 6 - G.D.R. : SELECTED ECONOMIC GROWTH INDICATORS 1971-1980
(percentage increase over preceding year)

	1971 Act.	1972 Act.	1973 Act.	1974 Act.	1975 Act.	ANNUAL AVERAGE		1976 Act.	1977 Act.	1978 Act.	1979		1980 Plan
						Actual 1971-75	Planned 1976-80				Plan	Act.	
Net Material Product(Utilized)	4.0	5.8	6.4	6.7	4.8	5.4	5.1	3.7	5.2	3.8	4.3	4.0	4.8
Total Industrial Production	6.0	5.7	7.2	6.7	7.0	6.3	6.0	5.9	5.4	5.4	5.5	4.8	4.7
Industrial Labor Productivity	5.0	4.8	5.4	6.0	5.2	5.4	5.4	4.9	4.4	4.2	4.6	4.4	4.5
Agriculture	0	11.0	-0.9	8.1	-4.2	2.6		-5.3	6.8	1.4	1.3	0.8	-
Foreign Trade													
Imports */	3.0	8.7	19.6	23.1	16.9	14.0		17.0	8.7	1.7	-	13.0	-
Exports	11.0	11.7	9.7	16.2	15.8	12.8		12.6	5.8	10.3	-	11.0	-
Industrial Investments	3.0	6.8	10.0	-1.7	2.5	4.1	-	9.0	6.0	6.4	7.7	4.0	2.4
Gross Investments	1.0	4.0	7.6	4.4	5.9	4.6	5.9	8.8	4.4	2.9	5.6	2.4	0

*/ Current prices.

Sources : Statistisches Jahrbuch 1979 der Deutschen Demokratischen Republik, Staatsverlag der Deutschen Demokratischen Republik, Berlin 1979.

Statisticheskii Iezhegodnik Stran-chlienov Sovieta Ekonomicheskoi Vzaimopomoschi Moskva Statistika 1978, 1977, 1975, 1974.

L'économie européenne en 1979, chapitre 3 "L'évolution récente de la situation économique en Europe orientale et en Union Soviétique, ONU 1979, ECE Genève.

Deutsches Institut für Wirtschaftsforschung "Aussenwirtschaftliche Belastungen minderen Wachstumschancen fürhage der DDR.

DIW - Wochenbericht 6/80, 8 Februar 1980, Berlin.

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TABLE 7 - HUNGARY : MAIN ECONOMIC GROWTH INDICATORS, 1971-1980
(Percentage change over preceding year)Annex II to
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	1971 Act.	1972 Act.	1973 Act.	1974 Act.	1975 Act.	ANNUAL AVERAGE		1976 Act.	1977 Act.	1978 Act.	1979		1980 Plan
						Actual 1971-75	Planned 1976-80				Plan	Act.	
Net Material Product(Utilized)	5.9	6.2	7.0	5.9	6.1	6.3	5.4-5.7	3.0	7.8	3.9	3.4	1-1.5	3.0-3.5
Total Capital Investments	10.5	-1.8	4.0	8.9	13.2	7.0		-1.1	13.0	4.2		0	-4-5
Real per Capita Income	4.2	3.3	4.7	6.2	4.4	4.5		0	4.9	2.9	2	0	0
Retail Trade Turnover	7.4	3.3	5.8	9.2	5.4			1.4	6.2	3.9		1.7	
Retail Prices	1.7	3.1	3.5	2.1	4.4			5.3	4.0	4.9			
Foreign Trade Turnover	13.9	8.1	13.9	23.4	16.1	-	-	-2.3	16.3	7.1			
Exports	7.9	21.2	18.1	11.6	11.2	13.9	8.1	3.1	16.5	0.9	11.0	13.0	
Imports	19.3	-2.9	9.4	36.8	20.6	15.9	8.1	-3.1	16.2	12.6	6.0	-0.3	
Industrial Production	5.0	3.2	6.8	7.0	4.2	6.4	5.9-6.2	4.8	5.2	5.2	4.0	2.8	3.5-4.0
Industrial Labour Productivity	5.3	4.2	5.6	6.2	4.5	6.2	5.8-6.2	5.6	5.3	5.5-6.0	4.0		
Agricultural Production	7.6	2.6	6.3	3.2	3.7	3.5	3.0-3.2	-2.7	10.3	1.8	3-3.5	0	5-5.5

Sources : Statistical Yearbook 1977, Budapest, Statistical Pocketbook of Hungary 1979, Budapest, DIW - Wochenbericht Vol 46 No 20, 17 May 1979, West Berlin. Report of the Hungarian Central Statistical Office, Népszabadság, February 3, 1980. RFE Situation Report 23, 19 December 1979.

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TABLEAU 8 - POLOGNE : PRINCIPAUX INDICATEURS DE L'ÉVOLUTION ÉCONOMIQUE

Annex II to
C-M(80)31

(Pourcentages de variations par rapport à l'année précédente)

	1971	1972	1973	1974	1975	Taux d'accroissement annuels moyens		1976	1977	1978	1979 plan	1979	1980 plan
						1971-75 réalisé	1976-80 plan						
Revenu national (optique production)	8,1	10,6	10,8	10,4	9,0	9,8	7,0/7,3	6,8	5,0	3,0	2,8	- 2	1,4/1,8
Production industrielle	7,9	10,7	11,2	11,4	10,9	10,5	8,2/8,5	9,3	6,9	4,9	4,9	2,8(1)	3,0/4,2
dont:groupe A	8,3	10,6	11,6	12,0	10,7	10,6		9,7	6,4	4,4			-8,0
dont:groupe B	8,2	11,0	10,8	10,6	11,4	10,4		8,8	7,3	5,3			5,0
Productivité du travail dans l'industrie						7,7	7,4/7,8	8,6	5,3	4,7	5,3	3,3	4,4
Production agricole brute	3,6	8,4	7,3	1,6	-2,1	3,7	4,3	-1,1	1,4	4,1	3,9/4,8	-1,4	5,8
Formation brute de capital fixe	7,5	23,6	25,0	22,5	14,2	18,4		2,2	4,3	1,6	-9,3	-8,2(2)	
Salaires réels par salarié	5,7	6,4	8,7	6,6	8,5	7,2	3,0/3,4	3,9	2,3	-2,7	1,5/2,0	1,8	1,0
Commerce extérieur (volume)	10,2	18,8	17,3	13,6	6,4	13,2	8,5	8,1	4,0	3,4			
dont:exportations	6,5	15,2	11,0	12,8	8,3	10,7	11,8	5,4	8,8	5,7			
dont:importations	13,8	22,1	22,6	14,2	5,0	15,4	4,6	10,3	0,4	1,5			
Balance commerciale avec les pays de l'OCDE (3)	71	-269	-1207	-1905	-2542			-2163	-1418	-1539		-1158(4)	

(1) Ventes industrielles

(2) Secteur socialisé seulement.

(3) Estimation FOB-FOB à partir des statistiques occidentales publiées par l'OCDE; les données se rapportent aux valeurs absolues exprimées en millions de US.\$.

(4) Sauf pour le commerce avec l'Amérique du Nord, extrapolation linéaire sur les 11 premiers mois de l'année.

Sources : Rocznik Statystyczny 1978 et 1979, Varsovie

-Étude de l'ECE Genève sur la situation économique de l'Europe en 1979 (Annexe statistique du chapitre III. Évolution récente de la situation économique en Europe orientale et en Union Soviétique).

-"l'évolution économique de la Pologne en 1979" et "Pologne : une économie en crise" ; "Le Courrier des pays de l'Est", mars 1980, Documentation française, Paris.

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TABLE 9 - ROMANIA : MAIN ECONOMIC GROWTH INDICATORS, 1971-80
(percentage increase over preceding year)

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	1971 Act.	1972 Act.	1973 Act.	1974 Act.	1975 Act.	ANNUAL AVERAGE				1976 Act.	1977 Act.	1978 Act.	1979 Plan (11)	1979 Act.	1980 Plan (11)	Directives FYP 1981-85
						1971-1975		1976-1980								
						Planned	Actual	Planned	Actual							
AGGREGATE VARIABLES (1)																
Net Material Product (Utilized)	13.1	10.6	10.4	12.3	9.8	11-12.0	11.3	11.0	8.3	10.5	8.6	7.6	8.8	6.2	8.8	6.7-7.4
Fixed Investments(1)	10.1	11.0	8.2	13.3	15.0	...	11.5	12.8(2)	10.2	8.2	11.5	16.2	9.1	5.1	4.9	5.4-6.2(2)
Real Incomes(3)	13.0	7.1	5.0	7.8	6.5	7.0-7.9	7.9	...	6.5	9.5	4.5	8.9	7.5	3.1	...	4.2-4.6
Retail Sales(4)	8.7	6.4	7.8	9.6	7.7	7.0-8.0	8.2	8.7	8.2	8.6	6.7	11.5	8.5	5.8	9.3	5.4-6.2
Retail Prices(5)	0.6	0.0	0.7	1.1	0.2	...	0.5	1.0-1.2	1.5	0.9	0.5	2.2	...	2.5	...	1.0-1.2
Foreign Trade Turnover	10.3	14.3	24.8	38.3	6.6	10.0-11.5 (2)	15.6 (2)	15.9 (2)	18.1 (2)	14.5	14.8	11.0	16.6	19.1	14.8	8.5-9.5(2)
Exports	13.5	14.0	29.2	30.4	9.6	...	16.3(2)	17.1(2)	17.2(2)	14.9	14.4	5.5	...	18.0	...	9.9-11.3(2)
Imports	7.3	14.7	20.4	46.8	3.9	...	14.8(2)	...	18.9(2)	14.1	15.1	16.5	...	20.1	...	...
Hard Currency Debt (\$b)	...	...	...	2.6	3.0	...	1.8(6)	...	...	3.3	3.8	4.5	...	...	...	...
SECTORAL VARIABLES																
Industrial Output	12.0	11.6	14.4	14.7	12.4	11.0-12.0	12.9	11.5	10.2	11.5	12.5	9.0	11.3	8.0	11.4	8.0-9.0
Labor Productivity in Industry	4.9	4.8	8.2	6.7	7.1	7.3	6.4	9.2	7.6	8.8	9.8	7.1	10.2	6.4	8.5	7.0-7.5(7)
Agricultural Output	19.1	9.2	0.8	1.5	2.5	6.3-8.3 (2)	4.6	6.9-9.0 (2)	7.4(2) (14)	17.2	-1.3	2.4	5.1-5.6	5.0	4.7-6.0	4.5-5.0(2)
Freight Transport(10)(15)	9.0	-2.0	7.0	11.0	21.9	14.2-16.1	9.1	5.4-6.0	4.6	5.2	3.6	5.9	7.6	3.7	3.7	...
Tourism (millions)	...	...	...	...	3.7	...	...	...	4.8(12)	3.5	4.0	5.7	...	6.0	...	...
Oil extraction (m.tonnes)	13.793	14.128	14.287	14.486	14.590	(14.3)(10)	14.257 (12)	...	13.849 (12)	14.700	14.650	13.724	14.800	12.323	15.000	(12.5)(10)
New Dwellings (ooo)	147.0	136.0	149.1	154.3	165.4	...	150.4 (12)	201.0 (12)	160.6 (12)	139.4	145.0	166.8	(248) (13)	191.1	250.0	240.0 (12)

Sources : Official Communiqués ou plans and performance published in *Scinteia* (Organ of the Romanian Communist Party), taking account of revisions as from *Anuarul Statistic* (Official Yearbook), 1976 and 1979.

NOTES:

- ... = not available.
- (1) Net Material Product (NMP) and Fixed investments are the closest Marxist equivalent to Western GNP and Gross Fixed Investment, respectively. However, it is recalled that NMP is less than GNP by the value of Depreciation and Value Added in non production services, whilst Fixed investments are less than Gross Fixed Investment by the value of capital repairs.
- (2) With respect to the average of the preceding FYP and therefore not comparable with other entries in this row.
- (3) Total Real Incomes of the population are the best approximation to Western total consumption by the population, although the former include the (somewhat marginal) values of private investment (housing) and personal savings (unspent incomes).
- (4) Socialist network only (i.e. excluding private trade, mostly agricultural produce).
- (5) 1971-1975 : Socialist network; since 1976 : overall retail sales. The difference is slight, although not insignificant.
- (6) Increase during the period 1971-1976 (\$1.2b in 1970).
- (7) On the basis net output. Other entries in this row refer to gross output (1980) planned growth : gross 8.7%, net 8.5%.
- (8) Four years (1976-1979).
- (9) FYP 1971-1975 : total freight; other entries : internal freight (i.e. excluding maritime and air). On the period 1971-1975, internal freight grew by an average 7.0 per annum.
- (10) At the end of the period.
- (11) Not comparable, because annual plan percentages are calculated on the basis of plan targets for the preceding year.
- (12) Annual mean of absolute values in the given period.
- (13) Excluding dwellings privately built (12.3th.m.1979, actual).
- (14) Three years (1976-1978).
- (15) Calculated on the basis of tonne/km.
- (16) Calculated on the basis of 1980 planned targets.

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ANNEX II to
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SOVIET AND EAST EUROPEAN ECONOMIC AID TO NON-COMMUNIST*
DEVELOPING COUNTRIES (LDCs)

(Million of current US \$)

TABLE 10

	GROSS DELIVERIES									1979			
	1970	1971	1972	1973	1974	1975	1976	1977	1978	GROSS DELIVERIES	Capital reimbursements	Interest payments	NET DELIVERIES
<u>SOVIET AID</u>													
Middle East	157	190	216	182	165	159	182	177	180	137	-	-	-
North Africa	78	96	102	97	93	91	81	68	72	66	-	-	-
Sub-Saharan Africa	14	22	25	27	58	28	29	26	22	14	-	-	-
South and East Asia	116	81	99	245	349	101	118	138	165	172	-	-	-
Americas	4	3	14	25	18	23	24	27	23	28	-	-	-
TOTAL	369	392	456	576	683	402	434	436	462	417	379	68	-30
<u>EAST EUROPEAN AID</u>													
Middle East	56	62	58	40	60	85	90	77	76	77	-	-	-
North Africa	27	40	42	41	45	38	39	39	37	39	-	-	-
Sub-Saharan Africa	2	4	1	2	7	13	1	2	5	7	-	-	-
South and East Asia	42	35	35	21	22	30	29	29	29	29	-	-	-
Americas	24	29	19	15	5	21	17	14	8	11	-	-	-
TOTAL	151	170	155	119	139	187	176	161	155	163	134	24	5
Pro-memoria													
Total Western aid (net)	7,703	8,607	9,535	10,559	12,406	14,452	14,744	15,886	19,508	-	-	-	-
Soviet arms deliveries	995	865	1,215	3,130	2,310	1,845	2,575	3,515	3,825	-	-	-	-
East European arms deliveries	80	120	70	120	165	255	315	325	325	-	-	-	-

* Aid to Cuba, Mongolia, North Korea, North Vietnam and (since 1975) Vietnam, Laos and Cambodia is therefore excluded.

Sources: AC/127-D/634; CIA, Handbook 1979; OECD, Examen 1978

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