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A NEW LOOK AT TRADE POLICY TOWARD THE COMMUNIST BLOC

The Elements of a Common Strategy for the West

MATERIALS PREPARED FOR THE

SUBCOMMITTEE ON FOREIGN ECONOMIC POLICY

OF THE

JOINT ECONOMIC COMMITTEE

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A NEW LOOK AT TRADE POLICY TOWARD THE COMMUNIST BLOC

By

SAMUEL PISAR

LETTERS OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
November 10, 1961.

Hon. WRIGHT PATMAN,
Chairman, Joint Economic Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: At the beginning of this Congress the Subcommittee on Foreign Economic Policy was asked to make a broad-scale study of our foreign economic policy which the subcommittee has been doing from three points of view: (*a*) A better order of economic relations among the industrialized nations of the free world; (*b*) the cold war; (*c*) development assistance to the underdeveloped countries.

In order that the subcommittee might have authoritative studies for its consideration—and for the consideration of other Members of Congress, the public, and particularly the witnesses which will participate in the subcommittee's hearings—I have invited a number of scholars and distinguished experts to prepare study papers for this purpose.

One such study paper prepared by Mr. Samuel Pisar, titled "A New Look at Trade Policy Toward the Communist Bloc: The Elements of a Common Strategy for the West," is transmitted herewith.

Mr. Pisar is an international lawyer, now in private practice, with past service on the legal staff of the United Nations. He has recently been an adviser to the State Department in the general field dealt with in this report; he was a member of President Kennedy's preinaugural Task Force on Foreign Economic Policy; has served as consultant to the Committee on Interstate and Foreign Commerce of the U.S. Senate; and was a Fellow of the Russian Research Center of Harvard University.

Mr. Leon Herman, Senior Specialist of the Library of Congress, has made a large and valuable contribution to this report, having supplied much of the factual and analytical materials and given expert advice.

Several of the Federal agencies, including the Departments of State, Commerce, and Defense, have been most cooperative in providing background information for this report.

Sincerely,

HALE BOGGS,
Chairman, Subcommittee on Foreign Economic Policy.

NOVEMBER 10, 1961.

To the Members of the Joint Economic Committee:

Transmitted herewith for use of the Joint Economic Committee and other Members of the Congress is a study paper prepared for the Subcommittee on Foreign Economic Policy entitled "A New Look at Trade Policy Toward the Communist Bloc: The Elements of a Common Strategy for the West."

It is hoped that this paper will be especially useful to the members of the subcommittee and to the witnesses who will be testifying before the subcommittee later this year.

WRIGHT PATMAN, *Chairman.*

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Our recent policies and practices in trade with the Communist bloc have been marked by a notable lack of vigor, clarity, and consistency. At home as well as abroad, the dominant impression created has been one of drift in several directions at the same time. As a consequence, U.S. economic policy toward the U.S.S.R. and its satellites has become isolated from that of the other members of the Atlantic Alliance.

Objectives and policies conceived at the time of the Export Control Act of 1949 and the Battle Act of 1951, have become too narrow and plainly inadequate to the changed conditions which have emerged over the past decade. They no longer represent an effective response to the dynamics of the East-West confrontation: the bloc's active return to world markets since the death of Stalin in 1953; the new Communist strategy of aid and economic penetration vis-a-vis underdeveloped countries; the U.S.S.R.'s demonstrated thermonuclear and technological capability; the emergent economic specialization and cohesion within the bloc; the incipient competitive pressures and shifting alinements within the Western Alliance; the new course of post-Berlin diplomacy.

MAJOR ISSUES

The question of East-West trade, understandably enough, is fraught with moral and emotional issues and cannot be discussed in purely economic terms. This is an unavoidable fact, for such issues have a rightful place in any debate on a subject as controversial as that of commercial intercourse with an avowed enemy. At the same time, however, it is necessary to bear in mind that gross oversimplification of Communist aims and methods in the field of trade tend to hinder rather than aid in the formulation of an adequate Western response.

Whether the United States should expand or contract its trade with the Soviet Union is not nearly as large an issue as to warrant the controversy it generates from time to time. Even under the most favorable conditions no dramatic expansion in U.S.-Soviet trade can be expected. The United States has over the past dozen years largely dispensed with the Sino-Soviet bloc as a source of supplies traditionally imported from that area. Our own unique value to the Soviet Union as a supplier of industrial equipment has also diminished over the years. Most of the goods the U.S.S.R. has been interested in buying here, and a good deal of the enabling credits it has sought, have become readily available to it from other industrialized Western countries. Thus, even if the United States were suddenly to cut off all of its deliveries to and purchases from the Soviet bloc, the resultant impact in terms of the total East-West contest would be minimal.

The line of defense against the Communist thrust is not here. Experience with the limited strategic embargo enforced on an allied basis in the framework of COCOM (which includes all NATO countries and Japan), indicates that the objectives of a more restrictive U.S. policy could not be effectively achieved unless such a policy were pursued on a consistent, multilateral basis, embracing all of the highly industrialized, rapidly advancing Western nations. Anything less broadly conceived would merely perpetuate the situation in which American exporters are placed at a disadvantage vis-a-vis their European competitors, while many types of goods proscribed by our Government continue to find their way into the bloc. In psychological and emotional terms alone, a curtailment of the current trickle of U.S. trade with the bloc would certainly help to express and dramatize our public indignation at an opponent whose behavior is becoming increasingly threatening. The far more practical problem for our policy, however, is how to restore an effective measure of NATO-wide coordination for the type of economic impact we really want to achieve.

The broad objective of U.S. foreign policy is to protect and improve the free world's position in the constant interplay of political, military, scientific, cultural, moral, psychological, and economic aspects of the long-range contest with communism. In this framework, the issue of direct U.S. trade with the bloc in general, and the explosive question of what constitutes strategic materials [illegible], cannot be divorced from the broader issue of the general role and impact of our leadership in the free world.

Among the nations of the West, the United States has indicated the least interest in the trade overtures of the Soviet bloc, for good and sufficient economic and political reasons. However, while our own interest in trading with Communist states is peripheral, we need to bear in mind that other countries derive considerable short-term advantages from such trade. This is no less true of industrialized nations like England, Germany, Italy, and Japan than of underdeveloped areas like India, Egypt, Guinea, and Brazil. Herein lies the true, economic source of the slow erosion of allied controls over the outflow of strategic materials to the bloc since the end of the Korean war. Furthermore, the unilateral policy that evolved from our indifference toward such trade, and the resultant frictions with some of our closest allies, has undermined our position of leadership in this area. Declared U.S. policy on import, export, and export credit restrictions against the bloc is patently out of alinement with that of the other trading nations of the West. In addition, the U.S.S.R. is being increasingly successful in its drive to enlarge the bloc's commercial arrangements with individual countries on its own terms.

Joint U.S. and allied export controls of the recent past have not been aimed at a target as broad as the Soviet economic position as a whole. Beyond the specific and narrow area of strategic materials, no general effort has ever been made to treat the provision of Western goods, credits, and ocean-shipping facilities on the basis of the contribution they may make toward the bloc's economic and industrial power base, or toward its program of aid to underdeveloped areas. NATO countries which reject the broader U.S. approach to strategic trade, tend to rationalize their growing sales to the bloc on the ground that modern plants, machinery, and technology expand consumer goods production in bloc countries, whet the appetite of the consumer for more of the same, and thereby advance the long-term interests of the free world. The notion apparently is that "a fat Russian is likely to be a harmless Russian." Even if the bulk of expanding imports into the U.S.S.R. were to be used for the benefit of the forgotten Russian consumer, there is still, it seems, a strong likelihood that a larger supply of consumer goods would go to the biceps rather than the midriff of Communist society.

Beyond that, we can do little more than speculate as to the restraints on the ruling power which greater availability of such goods may engender in Communist regimes: (*a*) Would it minimize the need for external saber-rattling diversions on the part of governments which put the consumer last? (*b*) Would it foster a widespread quest for creature comforts within the bloc, accompanied by a reluctance to support foreign policy adventures likely to lead to another devasting war? (*c*) Would it sharpen ideological conflicts between a comfortable Soviet society and a Chinese society which is being pushed in the direction of rigorous quasi-military discipline? (*d*) Would it have the effect of impressing the people of the bloc in general, and the dominated satellite countries in particular, with the variety, superiority, and abundance of material goods available in the Western environment?

Unless the deteriorating international climate brings a major crisis, East-West trade will probably retain its current patterns and tempo of growth. The immediate problem to which we must direct our attention, therefore, is how to extract the economic advantages from such trade and to confine the disruptive incursions of Communist bilateralism to its legitimate scope within a stable, open, and multilateral framework of world commerce.

Soviet activity in world trade reflects a web of economic and political motivations which cannot always be clearly disentangled. There are, however, many types of trading situations where the Soviets can be dealt with in essentially normal commercial terms. In such cases, trade between East and West represents an area of contact between the two worlds which, in addition to its short-term benefits, may hold some long-term usefulness. In other situations, particularly in regard to vulnerable, underdeveloped economies, where specific political or propaganda objectives are pursued in the guise of trade, joint action by the Atlantic Allies would provide the most effective response. It is the trading community of the West rather than the bloc that has the capability as well as the responsibility for providing the emerging nations with a channel of trade broad enough to expand their sources of earnings, along with a flow of production equipment on a scale sufficient to support their economic development within a framework of social and political institutions of their own choosing.

To counter the Soviet gambit of expanded trade in a framework of "peaceful coexistence," it is no longer sufficient to proclaim to the free world that economic intercourse with Communist countries is dangerous, immoral, and one-sided in its benefits. In a world of developing nations in which the search for social and economic models to emulate works as a powerful political force, the United States can ill afford the consequences of its present posture of vacillation at home and isolation abroad in regard to a vital component of our foreign economic policy. The best way to promote United States and free world interests would not be by deepening this isolation through unilateral action.

Our objectives in this area must be pursued in a balanced setting that will reconcile the whole complex of economic and noneconomic factors that enter into the formulation and execution of an integrated foreign policy.

The dangers which accompany the bloc's growing intervention in world trade are not apparent from the limited volume of its trade on a worldwide basis. It would be foolhardy indeed to measure the long-range problems it poses for the free world in these limited terms, and to expect such problems to resolve themselves spontaneously, through normal operation of the international market. The ability of the Soviet bloc to influence the trade climate around the world, out of all proportion to the size of its trade performance, stems from the basic condition of this type of society—a society that is in a permanent state of mobilization. The tight control which Communist states exert over their national means of production, distribution, and exchange goes far to compensate for inferior resources and intrinsic inefficiencies in a competition for power and influence that transcends the area of both commerce and economics. Today this is particularly evident in underdeveloped areas where Western positions are being undermined by means of a flexible combination of state trade and state aid, well integrated and cleverly attuned to the mood of Asia, Africa, and Latin America. The open and competitive economies of the West are not well suited to the adoption of Machiavellian practices in their trade operations or to the pursuit of objectives which are intrinsically noncommercial.

While the total fusion of government and business in the hands of one monolithic authority gives a Communist state greater facility in maneuvering for political advantage, it is well to remind ourselves that in terms of diversity of material resources and economic vigor, the overwhelming advantage remains firmly on the side of the West. In recent years we have been more prone to brood over our weaknesses in isolated spots than to recognize our strengths in the areas where they obviously exist. The opportunities which have opened up for the West as a result of the bloc's expanding economic commitments abroad, seem all too often to have been neglected along with the dangers. That the Soviet leaders are in the process of adding to their power arsenal a system of economic and commercial weapons with which to overwhelm the free world is now a matter of record. For some time to come, however, the bloc will still be trading with the industrialized West from weakness rather than from strength: it must continue to acquire advanced Western technology, to procure commodities in short supply, to compensate for faulty central planning, to obtain scarce foreign exchange, to dispose of Soviet and satellite surpluses. The Communist nations have no substitute for the economic resources of the West within their empire. As regards the Western side of the equation, while Communist markets hold certain marginal advantages, they are not indispensable.

The present period of extreme tension, if it were to continue, would require a basic change in an allied trade policy which up to the present continues to reflect long-term assumptions of East-West relations based on the pre-Berlin pattern. Of special interest for us should be the extent of economic leverage which could be brought to bear with a view to inculcating restraints upon Soviet foreign policy in general and upon specific contingencies such as Berlin in particular.

The value of the bloc as a source of supply to the free world countries is marginal. For the highly industralized as well as for the less-developed countries, bloc goods are easily replaceable from other world market sources. The main attraction of the bloc to outside traders is as an export outlet, and in recent years this attraction has been most potent in the case of nonmembers of the European Common Market in need of alternative export possibilities.

As regards the Soviet economy, it has by now developed sufficient momentum to overcome independently most of its industrial bottlenecks with an appropriate allocation of resources. Nonetheless, the economic value of extra-bloc trade to the Communist countries, particularly in terms of time and effort saved, is substantial at present and promises to increase steadily in the foreseeable future. For the U.S.S.R. in particular, there is no alternative within the bloc to the reservoir of technological innovation created by the energy of competitive economic enterprise in the West. This is evidenced by the currently massive procurement of modern technology from the industrialized countries of Western Europe. Considered against the background of Mr. Khrushchev's proclaimed schedules for Soviet industrial development these new factors help to lend a degree of practicality to the concept of economic leverage which did not exist in the past. The time is therefore propitious for serving notice that the United States and its industrially advanced and prosperous Western allies will do whatever is deemed necessary in terms of cost and effort in order to establish a standby structure for bringing into play on the side of our strategy hitherto dormant forces which unquestionably favor the West. Both, the stick of an effectively coordinated economic constraint and the carrot of economic concessions will be proper and useful tools of foreign policy, provided we can find a way to aggregate the currently dissipated elements of Western economic bargaining power.

POLICY IMPLICATIONS

If we are to blunt the mounting Communist drive designed to divide the industrialized countries and to win the underdeveloped world, the West will have to extend its strategy from a narrow concern with the issue of export control to the wider objectives of concerted economic defense and initiative. This is the primary challenge to our foreign economic policy. It is a conspicuous fact that economically the Western World is not organized to wage the intense, drawn-out contest with communism which lies ahead. Internally, our free economies are not geared to respond readily to the policy purposes of the state. Externally, the alliance functions in a state of economic fragmentation. While we possess the overwhelming superiority in terms of material and industrial resources, we lack the high degree of coordination present within the bloc and the tools needed to apply the energy of our diffuse, competitive economic systems to the achievement of common goals.

The key to an effective strategy is the coordination of allied economic policies toward the Communist bloc. The present patchwork of individual and contradictory national policies cannot possibly yield the necessary response. In the first place a new and imaginative U.S. approach to the alliance is indicated, reflecting a more genuine concern with the requirements of military and economic security on the one hand and the legitimate needs and interests of our allies on the other. Fundamentally, the strategy must be broadly based on a foundation of vigorous economic momentum and collaboration within the Atlantic Community, and a liberal foreign trade climate within the free world with ample alternatives to the more hazardous varieties of trade entanglement with the bloc.

If the United States should fail to make the correct policy choice in this area at the present juncture in the world struggle, and retreat before the forces that seek to clog the channels of free world trade, we may witness a competitive scramble for Communist markets which would play havoc with the entire fabric of the Western alliance. Perhaps more than anywhere else, the quality of our response on this fundamental issue may determine whether time is running in our favor or against us. It is time to stop playing at cold war and face up to the deadly business that the confrontation with communism represents. The present course of this confrontation dictates a bold move onto higher ground to mobilize intelligently the skills and energies of free societies for economic progress and security. It is in the economic arena more than anywhere else that the contest with communism is likely to be resolved in our favor.

The findings of the present report point to four major problem areas which urgently require a determined U.S. effort to obtain an alinement of economic policy on the level of the Atlantic Community:

1. Coordination of security measures in East-West trade, including the reestablishment of effective multilateral controls on the shipment of strategic goods and extension of export credits which help to build the bloc's military and industrial power base. Given an approach along the lines suggested earlier, even the more gullible business lobbies within the alliance will not close their minds to the fact that the task of those who sympathize with the continuation of liberal trade policies in this country is seriously handicapped by the absence of adequate cooperation in an area where U.S. and free world security is manifestly at stake.

2. Formulation of a set of common ground rules designed to expose and remove (*a*) the distortions and inequalities which arise in commercial relations between free market economies on the one hand, and the closed, ultraprotectionist Communist economies on the other; and (*b*) the disruptions and dislocations which increasingly accompany the massive intervention of total state trading monopolies in world markets. The great trading nations of the West which are at the core of world trade have the responsibility and the means to compel adequate observance of established norms of commercial behaviour.

3. Immunization of the more vulnerable free world economies against the danger of selective trade and aid penetration aimed at building politically motivated dependence on bloc markets and supplies. The effort in this direction must be multilaterally coordinated. The necessary framework must be provided to utilize the existing large potential of private industry, and in general enlist the productive capacity, the trading experience and the plurality of means available in the free economic systems of the industrialized West.

4. Coordination of contingency planning designed to muster maximum economic leverage against the bloc with a view to inculcating

restraints in its general foreign policy and in specific East-West encounters. What is envisaged here is not a trade rupture but a state of allied readiness to face emergencies and exploit opportunities. Rather than continue the monotonous pattern of reaction to Soviet initiatives, our economic and industrial superiority should be employed to shape events in support of Western objectives. In particular, economic tools should be utilized for dealing in a flexible manner with individual countries within the bloc.

It is obvious that no effective effort can be made to achieve a common Western strategy abroad without first eliminating the uncertainties and inconsistencies of policy at home. While the present report is not the proper place for specific recommendations, it is believed that, domestically, a total policy package needs to be considered, composed of a number of new administrative and legislative devices.

As an urgent preliminary step on the administrative level, to cite one example, the various responsibilities pertaining to economic relations with the bloc, now dispersed in a number of departments and agencies [1] must be drawn together within a single point of command. Specifically, the vantage point of the Department of Commerce is too limited to enable effective leadership in export control policy with its complex political and diplomatic ramifications. Experience indicates that the major problem in export licensing has not been in the area of intelligence gathering but in the evaluation of this intelligence and the resultant action taken upon it. The impact and feasibility of effective denial of strategic goods are largely technical and diplomatic questions. The key issue today is how to restore a coordinated multilateral front on these questions within the Western alliance. While the Department of Commerce alone has the necessary link with the business community to supervise the enforcement of export controls, it seems hardly fair to force upon it the additional task of presiding over policy formulation in an area in which it lacks the necessary strategic expertise and the appropriate international orientation.

On the legislative level, by way of another example, a number of obstacles must be removed for the discharge of executive responsibilities in an area where economic and foreign policy are closely fused. Thus, the power to withdraw trade privileges, or extend normal trade concessions in regard to the bloc, which is now reserved to Congress under the terms of the Trade Agreements Act, remains largely dormant. Removed from the sphere of executive discretion it is devoid of the leverage needed to bolster the U.S. position in trade or other negotiations with the U.S.S.R. Clearly, under present limitations there is little the President can give and little he can take away; nor is he in the best possible position to coordinate action with our allies. In order to establish the requisite conditions for maximum impact on both sides of the Iron Curtain, a change in pertinent laws should be considered with a view to investing the executive branch with greater bargaining power and more flexibility of action than it now possesses in matters of trade and economic competition with the Communist bloc.

[1] E.g., export licensing—Department of Commerce; COCOM controls and Battle Act functions—State; foreign assets control, China origin imports, access of Communist shipping—Treasury; other responsibilities in the Department of Defense, Agriculture, Interior, the Central Intelligence Agency, Atomic Energy Commission, Office of Civil Defense Mobilization, etc.

I. Soviet Motivation in East-West Trade

The course of international relations that followed the end of World War II proved extremely unfavorable for East-West trade. The Soviet Union became heavily involved in the task of reshaping, in its own image, the economic institutions of the countries of Eastern Europe that have fallen under its massive political influence. In its external aspect, this economic transformation involved the task of reorienting the foreign commerce of the adjacent countries away from their former trade partners in the West toward the economy of the U.S.S.R. By all signs, this task, though quite difficult, was rated as highly strategic. The U.S.S.R. did not, however, limit its attention to the consolidation of its newly won empire. Heavy Soviet pressure began to be exerted systematically against other areas, such as Iran, Greece, Turkey, and allied-occupied Berlin. Sharpened by a hate campaign against its former allies in the West, Soviet policy was building up the kind of climate of mounting hostility that usually precedes the outbreak of open warfare.

Against this international background, the Western allies had no choice but to adopt a number of strategic safeguards over the flow of trade between their countries on the one hand and the U.S.S.R. and the nations under its domination on the other. In general, however, the commercial door to the East was kept open, in the hope that sooner or later the Soviet Union might adopt more peaceful policies toward its neighbors in the world. In Western Europe, in particular, there was a strong continuing interest in maintaining the commercial link with the East, in continuing to cultivate the familiar sources of supply and markets of the eastern half of the Continent. The continuing interest in obtaining supplies from the East was clearly reflected in the requirements studies made by the West European nations in connection with their program of economic cooperation under the Marshall plan. In particular, these economic forecasts made provision for substantial quantities of imports from Eastern Europe of such basic traditional import commodities as grain, cola, timber, and fertilizers.

A. The Commercial Strategy of Stalin

In the years that followed, however, Eastern Europe failed to live up to these expectations. The reasons were as much economic as they were political. Agriculture in Eastern Europe was extremely slow in recovering from the effect of the war. The domestic economic policies of the new Communist regimes, with their bias in favor of heavy industry, did not help matters, either. The continued exploitation of the countryside for the benefit of rapid industrial growth was not conducive to raising ample food surpluses for international trade, even within the Continent of Europe.

The poor performance in trade on the part of the eastern half of Europe may be illustrated by comparing the volume of trade flowing each way during the early postwar period with the last normal year (1938) before the outbreak of the war:

TABLE 1.—*Volume of East-West Trade in Europe: 1938 and postwar*

	1938	1948	1949	1950	1952
Index of Volume of Trade: [1]					
Imports into Western Europe (East European goods)	100	31	29	28	22
Exports from Western Europe (West European goods)	100	59	72	63	57

[1] Based on annual trade figures in dollars expressed in constant prices.

Source: Economic Bulletin for Europe. Geneva. October 1951. p. 49; August 1956. p. 43.

Serious as they were, however, the economic shortages were not the whole story. A Soviet-type economy, controlled from a single political center, can generate "surpluses" for export under almost any conditions of domestic scarcity, when the political stakes are high enough. A case in point, during the early postwar years, was the export by the Soviet Government of 400,000 tons of wheat to France in the spring of 1946, the first lean year of the postwar period. It soon became quite clear, however, that the commercial apathy of the Soviet Union toward the West during early postwar years was induced in the main by political considerations. In his last published essay,[2] Stalin confirmed the general impression that he was engaged at that time in testing a bold political theory. This was his favorite theory of the "parallel market" which runs as follows:

As a result of the Second World War and the civil war in China, Communist power had chipped away, and isolated from the rest of the world, a large block of territory inhabited by nearly 1 billion people. This vast area was no longer freely accessible to the commerce of the capitalist nations. Stalin was strongly persuaded that, by the very act of denying them free access to a "market" containing one-third of the world's population he had permanently and seriously undermined the economic position of the nations of the West. A shrunken market for their goods, he predicted, would "inevitably" bring in its wake two grave consequences for the principal Western powers: a lower level of economic activity, accompanied by social discontent at home, and a fierce commercial rivalry abroad over access to a reduced world market. Beyond that, he saw the beginning of a grim race between two catastrophes—for the West—social revolution and internecine war.

On these assumptions, the late dictator was disposed to bide his time. He was willing to leave the reduced area of commercial contact with the West at a magnitude sufficient to meet the minimum current economic requirements of the Soviet bloc from the outside. Time, he was quite certain, was a working on his side. He felt no strong urge to rescue the hard-pressed commercial powers of the West from the fate prescribed for them by Communist theory and Soviet strategy.

B. THE NEW COURSE

With the death of Stalin, however, this comfortable theory, as well as the policy based on it, was quickly discarded. Within the first 3 months after his demise, the commercial policy of the new regime began to seek the reestablishment of active contacts with the West, in bilateral deals as well as in international forums. Following the

[2] Economic Problems of Socialism in the U.S.S.R.

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conclusion of the Korean armistice in July 1953, a series of pronouncements began to be issued from Moscow calling for "free and unhampered trade." In some segments of the Western press this drastic shift was characterized as a new campaign of pressure against the West by economic rather than military means.

However, before the area of trade contact with the outside world could become an important avenue of pressure, the trade itself had to assume increased significance. The downward drift of the Soviet bloc as a factor in world trade had to be halted. In 1952, for example, the Communist group of nations, the entire "parallel market," excluding its internal operations, accounted for 2 percent of world trade. Clearly, the trading nations of the world were gradually becoming accustomed to getting along without Soviet bloc trade.

During the second half of 1953, the Soviet trade ministry moved vigorously to conclude a large number of new bilateral trade agreements. In this spate of new pacts, most countries of Europe, including those that had incurred the wrath of Stalin, were signed up. As a new departure, the Soviet trade monopoly concluded formal trade agreements with a number of new, geographically remote, trade partners such as India, Indonesia, and Argentina.

Actual Soviet trade outside the bloc in 1953 was roughly at the level it was in 1949, approximately $400 million of goods moving in each direction. From there on, however, the process of expansion proceeded rapidly. The dollar value of Soviet imports, for example, doubled between 1953 and 1956. During the next 4 years, between 1956 and 1960, the dollar value of merchandise imported by the U.S.S.R. from outside the bloc expanded at the same steady pace, rising in value from $800 to $1,500 million. At the same time, the trade of the Soviet bloc as a whole with the outside world advanced to a point where in 1960 it contributed 4 percent to the total trade of the non-Communist market. Measured by the dollar yardstick, therefore, its significance has doubled in the 8 years since the death of Stalin.

C. THE STRONG PULL TOWARD WESTERN MARKETS

As the channels of trade with the West were opened more widely by the shift in official policy, the procurement agencies of the Soviet Government promptly proceeded to take advantage of their new opportunities. It was abundantly clear, on the basis of the renewed activity of the Soviet trade monopoly, that the reduced commercial contact with the industrial West had been a rather costly experience for the Soviet economy. In some types of equipment, contact with Western technology had been lost for about 15 years.

1. *Early pattern of imports from the West*

Under the new policy, the state trading corporations began to place orders for custom-built industrial equipment, especially ships. Between mid-1953 and mid-1954, a total of 220 vessels of many types were ordered by the Soviet Union from Western shipyards. Among the ship orders, fishing trawlers ranked high on the Soviet shopping list. West European shipbuilders who obtained such orders from the U.S.S.R. soon became aware, on the basis of the specifications they received, that the Soviet specialists in the field seemed to have no concept of a modern fishing trawler. Similar impressions were reported for other types of civilian equipment. In the West, in general, the resumption by the Soviet Union of an active exchange of goods with the outside world was accepted as evidence of more peaceful intentions. As a result, the enforcement of collective controls over the export of equipment to the bloc were considerably reduced in stringency.

Imports of industrial machinery remained rather stable during this period, somewhere below $80 million worth yearly, presumably for the want of adequate foreign exchange. During these exchange lean years, the bulk of Soviet purchasing power was devoted to the procurement of deficit raw materials required to keep the Soviet industrial plan adequately supplied. Heavy Soviet buying was concentrated on such items as ball bearings, industrial diamonds, copper, lead, steel, sulphur, molybdenum, and oil pipe.

2. Stalin's strategy repudiated

Several years after the resumption of active trade exchanges with the West, Stalin's policy on East-West trade was repudiated in public by his successors. The most conspicuous of the public disavowals of the late dictator's economic forecasts was delivered by Mikoyan in his address to the 20th party congress. Speaking as an experienced practitioner in world strategy, Mikoyan ventured the judgment that Stalin did not fully understand "the complex * * * manifestations of modern capitalism." In particular, he went on record, on behalf of the new regime, as accepting "the fact of the growth of capitalist production" and the political implications that go with it.

His carefully weighed statement reads as follows:

> In our analysis of the state of the economy of contemporary capitalism we can hardly find helpful, or hardly correct, the well-known assertion of Stalin in his "Economic Problems of Socialism in the U.S.S.R.," concerning the United States of America, England, and France, to the effect that following the split of the world market "the volume of production in these countries will shrink." This formulation does not explain the complex and contradictory manifestations of contemporary capitalism and the fact of the growth of capitalist production in many countries after the war.[3]

Of immediate interest to the Soviet authorities, from the standpoint of trade, was the all-important fact that the growth of industrial production in the West during that period was accompanied by a demonstrable advance in technological innovation.

3. The stabilized commodity pattern

The Soviet return to the markets of the West, it may reasonably be assumed, was prompted by the hard fact that it could find no substitute for the region's dependable reservoir of industrial production, either within or outside the Communist camp. Broadly viewed, the more recent flow of trade between the U.S.S.R. and the West reveals the following main features:

(*a*) The bulk of Soviet purchases in the markets of the West, about 70 percent of the total, fall within three broad categories, namely crude materials, metals, and machinery.

(*b*) In the procurement of raw materials and foodstuffs from this sector of the world market, the Soviet trade monopoly concentrates on the following: crude rubber, synthetic rubber, synthetic fibers, bauxite, heavy chemicals, plastic materials, fish, fruits, fats, and oils.

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[3] "Twentieth Congress of the Communist Party of the Soviet Union" [in Russian], Moscow, 1956, vol. I, p. 323.

(*c*) The metals of principal interest to the U.S.S.R. in recent years may be identified as: steel plates and sheets, structural shapes, pipe and tubes, copper and nickel semimanufactures.

(*d*) In the large and highly diversified machinery category a few types of standard production equipment recur prominently: machine tools, textile machinery, heating and cooling equipment, electrical equipment, rubber-processing machinery, and a wide variety of chemical installations.

(*e*) The two prominent categories of transport equipment in recent years have been railway locomotives and cars as well as ships and boats.

4. Massive buying of new plants

One significant development in recent Soviet trade practice has been the procurement of complete new plants embodying the latest technology known in the West. Typically, an important contract of this sort requires the cooperation of several Western firms. On occasion, too, the equipment comes from one firm while the technological data is provided by another. In one typical recent deal, reported in the commercial press of London in May 1961, an order valued at $25 million received from Eastern Europe for the design and construction of several high-pressure polythene plants was divided as follows: $20 million to Simon-Carves, Ltd., for design and machines; $5 million to Imperial Chemicals for the technical data.

This methodical procurement by the U.S.S.R. of advanced equipment and know-how, which has not been in use since the prewar period, received its official unveiling in a speech made by Premier Khrushchev, on March 6, 1959, on the premises of the Soviet exhibition at the Leipzig Fair. Addressing an audience of Western businessmen, Khrushchev pointed with pride to the fact that 2,800 firms from the West were taking part in the fair. In this fact alone, he said, he saw evidence of the "endeavor of the business circles of those (capitallist) countries to do business with the Socialist countries." By way of helping to promote this endeavor, Khrushchev speaking for the occasion "as a representative of Soviet business circles," significantly disclosed the names of a list of Western firms, located in six countries, that have signed large contracts to deliver complete modern plants to the U.S.S.R. The industries covered by these large "package deal" contracts included: pipe welding, coal beneficiation, synthetic fibers, acetate silk, cord fibers, auto and truck tires, pulp and paper and automate lines.

The Soviet Union, he stressed, is anxious to place more, similarly large orders, but on certain conditions:

> If some firms or governments are interested in securing big new orders from us to help keep their industry going and provide employment for their workers, we can place such orders on the condition that we are granted credits.

He did not, he said, want to leave the impression that he was pleading for such credits. This was strictly a take-it-or-leave-it proposition: no credits would simply mean no large orders.

> If you do not want to grant us any credits, if you do not need this trade, then leave it alone. It does not matter to us.

He was thinking, he told his listeners, only of the good of the capitalist countries:

It is of advantage to you to conduct extensive trade with us, because it is advantageous for your countries to use your industries to capacity, to reduce unemployment, and to obtain normal income and profits. If you do not understand this today, you will understand it tomorrow, and you will enter into comprehensive economic relations with the Socialist countries.

5. Tied import-export deals

In connection with the large orders recently placed in the West, the Soviet trade monopoly has tried, wherever possible, to attach a barter trade arrangement. In such cases, the selling firm undertakes to accept a quantity of Soviet raw materials in partial payment for the order. This type of barter has been worked out as a routine especially in Italy, among other countries, where some of the large firms involved in selling chemicals and synthetic fibers are also interested in Soviet crude oil, cotton, coal, and other standard Soviet export merchandise.

6. Credits from the West

Since it has become a substantial buyer of industrial equipment, the U.S.S.R. has been pressing the Western sellers for substantial credits to help finance its extensive purchases. In October 1959, Prime Minister Antonio Segni, of Italy, reported in Rome that "the Soviet Union has asked members of the Atlantic Alliance for credits totaling hundreds of millions of dollars." Italy, in particular, was asked for credits amounting to 62 billion lire, he disclosed, the equivalent of $100 million.[4] In all such cases, the Soviet representatives associate the extension of credit with the prospect of increased Soviet purchases from the country advancing the credit.

The most spectacular of these bids for credits came from Premier Khrushchev in a letter addressed to President Eisenhower on June 2, 1958. This message, written against the background of the American recession of 1957–58, held out the prospect of a vast movement of trade between the two countries which, as he vaguely put it, "could amount to several billion dollars in the next few years." He was fully aware of the basic facts in the United States-Soviet trade picture; namely, that the demand for Soviet goods in the United States is extremely low, as compared with the Soviet appelate in American industrial equipment. The only way to make this into a two-way trade, therefore, was for the United States to provide not only the goods but also "long-term credits on normal conditions of repayment."[5] This letter received a curt and unenthusiastic reply which stated that there were adequate private commercial channels for the conduct of trade with the United States, but that the State Department was always available to talk to Soviet officials on any subject.

In several West European countries, the trading agencies of the Soviet Union are at present obtaining credit facilities from private banks to help finance the purchase of large orders of industrial equipment. Under this kind of financing, the Soviet buyer pays 20 percent of the cost during the period between the placing of the order and the conclusion of the first tryout of the installation in the U.S.S.R. The remaining 80 percent of the purchase value is paid over a period of from 5 to 10 years.

[4] New York Times, Oct. 15, 1959.
[5] New York Times, June 5, 1958.

In connection with a visit to the U.S.S.R. by an Italian delegation of prominent businessmen in August 1961, the Soviet press announced a new major credit offer from Italy. This offer, reportedly made by the head of the delegation, consisted of a $75 million credit over the course of a 10-year period.[6] It is too early to say whether this development is likely to set a new pattern for European export promotion to the bloc.

D. THE DRIVE TOWARD THE LESS DEVELOPED REGIONS

1. *Trade with less developed nations*

Since the death of Stalin, Soviet trade policy has been consciously directed toward the objective of extending the political influence of the U.S.S.R. into important new territories. Like its foreign policy, the commercial policy of the U.S.S.R., under Khrushchev has assumed worldwide dimensions. In practical terms, the Soviet trade monopoly was authorized to gain a firm foothold on the commercial territory of the less developed nations of Asia, Africa, and Latin America. Beginning in the middle of 1953, selected countries in this group began to be approached with offers of bilateral trade agreements, which usually included provisions for a Soviet export credit. Prior to that year, the Soviet Union had formal bilateral pacts with only three nations outside the Western industrial group; namely, Iran, Egypt, and Afghanistan. This list began to grow rapidly, and by 1955–56, included 12 new trade partners among the raw materials exporting nations. Now, for the first time in its history, the Soviet Government boasts among its leading trade partners outside the bloc such countries as India and Egypt, nations that formerly lay beyond the orbit of Soviet Russia's commercial interest.

The flow of trade grew rapidly as a result of the new approach. In 1955, merchandise shipments from the U.S.S.R. to all underdeveloped countries accounted for only 3.7 percent of total Soviet exports. Five years of active trade promotion in these areas has changed the picture considerably, raising the share of the nonindustrialized nations in total Soviet exports to 7.2 percent. In terms of total trade turnover, that is, exports plus imports, this group of trade partners now account for 9.2 percent of the foreign commerce of the U.S.S.R.

While the industrialized nations are still the larger element in Russia's trade transactions outside the bloc, accounting as they do for a stable 15 percent of total Soviet foreign trade, the emerging nations are steadily increasing their importance as trade partners of the U.S.S.R. as may be seen from the following table:

[6] Tass, Moscow Radio, Aug. 31, 1961.

TABLE 2.—*Trade of the U.S.S.R. with the less developed countries*

	1955	1956	1957	1958	1959
Value in millions of rubles:					
Trade turnover	1,386.9	2,370.8	3,369.4	3,885.7	3,852.1
Export	504.2	994.4	1,420.1	1,758.4	1,556.6
Import	882.7	1,376.4	1,949.3	2,127.3	2,295.5
Balance	−378.5	−382.0	−529.2	−368.9	−738.9
Percent of total trade:					
Turnover	5.4	8.2	10.1	11.3	9.2
Export	3.7	6.9	8.1	10.2	7.2
Import	7.2	9.5	12.4	12.2	11.3
Index of growth:					
Turnover	100.0	170.9	242.9	280.2	277.7
Export	100.0	197.2	281.6	348.8	308.7
Import	100.0	155.9	220.8	241.0	260.0

NOTE.—In the above trade values, 1 ruble equals $0.25.

Beginning with Jan. 1, 1961, the value of the ruble was raised internally tenfold. At the same time, its value vis-a-vis foreign monetary units was increased only 4.4 times. As a result, the official value of the ruble is now equal to $1.1.

Source: "The Geographic Pattern of Soviet Foreign Trade," U.S. Department of State. B.I.R. I.R. 327, Oct. 4, 1960.

One evident weakness of the Soviet exchange with the less developed countries as may be seen from the above table, is the chronic lag on the export side of this trade. In this regard, the situation has changed little in the past 5 years. Annual Soviet purchases from the raw-material producing countries in 1959 still exceeded the value of exports to the same group of trade partners by about 50 percent. It is fair to assert, therefore, that the ability of the Soviet trading agencies to provide enough exports of the type required by these economies has been to date, the retarding factor in this exchange.

In absolute terms, however, the flow of Soviet industrial exports, to the less developed countries, chiefly machinery, has been rising steadily. Most of this flow, it should be noted, has taken place in connection with the growing Soviet program of economic aid to selected countries in Asia, the Middle East and Africa.

2. The political attraction of the emergent nations

The strenuous effort which the Soviet Union has made in recent years to entrench its position in the trade of the less developed countries may be more easily traced to political rather than economic motives. To the power-conscious leadership of the U.S.S.R., on whose behalf the Soviet trade monopoly operates in these countries, the former colonial territories are not just so many markets endowed with particular commercial resources. For doctrinal reasons of their own, the Soviet leaders are attracted to these countries because they are "transitional" political communities. As such, they hope to be able to influence them to choose, before it is too late, the totalitarian rather than the democratic road to social and economic development. More specifically, these countries seem to have all the ingredients necessary for a Communist seizure of power: a large impoverished mass of people, a small wealthy class, an unstable economy, a low educational level, lack of experience in self-government, and a Communist fifth column, legally or illegally in operation.

The Kremlin's experts on world policy, in fact, predict nothing but growing economic and political frustration ahead for the less developed countries. "As the masses become disillusioned with bourgeois leadership," one leading Soviet expert predicts, "the power and the influence of the Communist parties will increase." [7]

Khrushchev himself has stated publicly on a number of occasions that he considers the emergent nations to be a vast political no man's land, belonging neither to the capitalist nor to the socialized system. He considers their leaders to be well-intentioned but lacking in a sense of direction. Furthermore, he draws comfort from the observation that "they are well disposed towards the Socialist countries * * * are striving to build a new life without capitalism." For the Communist leadership, therefore, it becomes a matter of "historic duty" to help these countries "bypass the capitalist stage." As Khrushchev has recently expressed it:

> Our very world outlook and the interests of working mankind, for which we fight, urge us to do everything we can so that these (former colonial) peoples follow the right road to progress. * * * By our policy we must strengthen the confidence of these peoples in the socialist countries.[8]

To accomplish this aim, Soviet strategists must intervene more actively in the economic affairs of the non-Communist world. They must try, by all means possible, to prevent the firming up of a pattern of economic collaboration between the capital-deficient underdeveloped nations and the surplus-producing industrial countries of the West. The Soviet leaders are fully aware that such collaboration, already underway on an impressive scale, is rooted in the strong soil of economic motivation. In his own fashion, Khrushchev has recently acknowledged real concern over this manifestation of growing economic reciprocity. "If one looks facts in the face," he asserted in his policy speech of January 16, 1961, "it cannot be denied that the imperialists possess strong economic levers for influencing the liberated countries." [9] It is, therefore, a matter of great urgency for the Soviet Union and the rest of the Communist camp, for these negative reasons, to continue to expand the scope of economic contacts with the less developed countries. These exchanges must be made as attractive and as economically profitable as possible. But they must be valued and exploited primarily for the opportunities they offer to drive home to the former colonial areas the following political propositions: (1) that the Western nations are unstable, profit-hungry, and selfish trade partners; (2) that rapid industrialization can be achieved only under a totalitarian system of economic organization and control; (3) that the U.S.S.R. is the sole disinterested supporter of the industrialization of the emergent countries.

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[7] Arzumanyan, A. A., in World Economics and International Relations (in Russian) No. 2, 1961, p. 12.
[8] Speech of January 6, 1961, in Kommunist No. 1, 1961, p. 28.
[9] Ibid., p. 27.

II. Organization and Techniques of Bloc Trade

A. THE STATE TRADING MONOPOLY AS A TOOL OF NATIONAL INTEREST

Foreign trade was one of the first economic functions nationalized by the Soviets under a special decree signed by Lenin in April 1918. While the level of such trade has been low, its importance to Soviet plans has at times been substantial and Soviet writers have repeatedly referred to the state monopoly of foreign trade "as one of the most important conditions for the development of the nation along Socialist lines." Following the advent of Communist regimes in Eastern Europe after World War II, these countries also abolished private export and import activity, vesting policy, regulatory, and operational functions, in the hands of the state.

With the Government monopolizing the conduct of foreign trade, ordinary commercial considerations, as well as local or individual industry interests, can be subordinated to broader, more fundamental concepts of national interest. Decisions as to the volume, direction, and composition of Soviet trade have traditionally been made in the context of supporting plan goals and reducing dependence on the "hostile" West. In recent years bloc trade—together with credits, grants, and technical assistance—has also been employed increasingly as an instrument of foreign policy to enhance bloc influence, notably in the less developed countries of the free world.

B. EXPORT AND IMPORT PLANNING

Foreign trade is an integral part of the overall economic plan in every bloc state. Each year the types and amounts of goods needed from abroad to meet domestic production targets are calculated in advance. Thereafter, planners determine which goods can most appropriately be exported to provide payment for these imports and other foreign financial commitments. In recent years the plan has also had to cover exports needed to fulfill aid commitments and will increasingly reflect repayments (a major part probably to be received in goods) under credits extended in earlier periods. In addition to scheduling these "material balances," the foreign trade plan is also formulated in terms of foreign currency.

While import requirements and availability of salable export goods in physical terms dominate the overall planning of the bulk of the trade with the free world, efforts are made to secure imports from the cheapest supplier or on credit and to sell in the highest market so that undue amounts of gold need not be sold. A large number of apparent exceptions to this rule in the past 5 years reflect clear political motivation, but even some of these cases upon closer examination reveal terms of trade favorable to the bloc, as might be expected in the case of a huge state monopoly dealing with competing individual private firms or weaker state organizations abroad. In the case of the U.S.S.R. this bargaining power is further enhanced by the large degree of basic economic independence the country enjoys. This may be obfuscated by bloc offers to pay premium prices, but such offers have sometimes been followed by the demand for even higher relative prices on bloc goods or pressure to accept unwanted types of goods in exchange. Moreover, tactically the bloc can shift its purchases on short notice, ignoring commercial considerations to punish or reward countries for their political behavior. This partially explains the erratic course of trade with some countries but the more fundamental reasons are to be found in the planning process and the goal of reducing dependence on the industrial West.

Typically the bloc has conducted a large part of its trade under bilateral trade agreements, some of which cover or are accompanied by collateral pacts which contain provision for barter, swing credits, or the equivalent. Lists of goods to be offered by each party are usually included. Formerly these trade pacts were in effect for 1 year, but bloc pressure has lately resulted in a substantial number being concluded for periods of 2, 3, or more years. The advantages to a planned economy of knowing in advance what will be available from imports and what must be provided for dispatch abroad are immediately apparent. To their trade partners the bloc has argued with some success that these arrangements provide assured markets and help less developed countries with their development plans.

In practice bilateral trade agreements merely provide a framework within which trade is conducted. They assure that a government will issue necessary export and import licenses for specified goods but are otherwise statements of goals whose realization depends upon subsequent contracts between buyers and sellers in the signatory countries. Quotas are now less frequent than in earlier years, and there has been growing resistance to payments features which at times permitted the bloc to build up substantial and persistent deficits. However, these agreements still have some economic significance and are highly useful to bloc propaganda. The initial pact as well as annual protocols often receive extensive publicity, extravagant trade goals attract favorable attention, and both the negotiations and final communique are utilized by bloc spokesmen and the leftist press to repeat and sometimes secure endorsement for the current Communist propaganda line, including a wide range of items completely unrelated to trade.

The monopoly of trade in the hands of the state and its close integration with other controlled aspects of economic and political life yields advantages in terms of its use as an instrument of national policy. However, the massive bureaucracy and redtape involved show up with many of the same defects and inefficiency as appear in other fields. The artificial, administered price system in the bloc makes it exceedingly difficult to determine the comparative profitability of various items for trade purposes. Bloc economists and planners are giving the problem major attention but still admit the lack of satisfactory answers. Aside from planning, which is far from perfect, the execution of the trade plans also runs into many difficulties. The Soviets, for example, can effectively sell in Western markets bulk commodities with which they have had long experience, but their state trading organizations have had very limited success, despite considerable effort, in marketing many types of manufactured goods. Even in less-developed countries, most consumers strongly prefer American or Western European products. To break down this resistance the Soviets have been carrying on a large program of trade fairs and have sought contacts with established local representatives offering price inducements, favorable credit terms, and advertising allowances, but results are still limited. An answer has occasionally been found in selling to other Government bodies or public corporations abroad, notably in neutralist countries. A notable gambit in the petroleum field has been to offer sales at cut prices and for local currency and thereby to encourage governments to pressure Western-owned refineries and distribution companies to accept the Soviet produce. Additionally, aid is offered to promote public sector development of refineries, which would generally increase Soviet crude sales.

C. THE MINISTRY OF FOREIGN TRADE

At the apex of a complex bureaucratic pyramid handling Soviet foreign commerce is the Minister of Foreign Trade who is also a member of the Central Committee of the CPSU. The central organization of the Ministry (MFT) in Moscow is divided into geographic and functional administrations and a number of trade organizations. These groups have large staffs within the country performing a wide range of functions connected with foreign trade (e.g., planning, procurement for export, customs, inspection of goods, etc.). The Ministry also has numerous representatives abroad, some in resident trade delegations, some on temporary missions, others serving as commercial counselors or attachés in the embassies, and a number detailed from the various trade associations.

Four geographic divisions—two covering the bloc and two the free world—plan and supervise trade on a country basis. Several commodity divisions supervise exports and imports of particular groups of goods and coordinate preparation of the commodity plan. Other divisions handle overall trade planning, customs, finance and currency, treaty-legal matters, quality inspection, transport, research, protocol, and personnel.

The actual conduct of trade is carried on by some 25 Government-operated corporations which for the most part deal with groups of commodities but in a few cases handle trade for specific areas. While state monopolies, these organizations are legally independent and the U.S.S.R. does not accept liability for their actions at home or abroad. Virtually all trade transactions by foreign firms and individuals must be effected through these associations or trade delegations. The latter, however, often deal on an official government-to-government basis, transacting their business in the name of the state. In either case the operations are strictly controlled by the Ministry of Foreign Trade.

There are also many import-export booster associations, auxiliary but not directly subordinate to the Ministry of Foreign Trade. The All-Union Chamber of Commerce and the export conferences are the most important of these. They are intended to promote and service all foreign trade operations.

Thus, it is interesting to note that the bylaws and activities of the Soviet Chamber of Commerce show little apparent divergence from its American, English, or French counterparts. One important example of its seemingly conventional functions is the maintenance of specialized arbitration facilities for the litigation of commercial and maritime disputes with foreign concerns.

Abroad the Ministry is widely represented by trade delegations, which are part of the Soviet Embassy and whose principal officers carry diplomatic status. These groups, organizationally paralleling the Ministry, regulate and conduct trade in their respective countries of assignment. In particular, they evaluate economic trends, conduct market analyses, supply information on Soviet import needs, and act as the sales or purchasing agents for the foreign trade corporations.[1] In the absence of a resident delegation, trade representation is undertaken by missions, commercial officers in the Embassy or special agencies.

The organizational structure in the Eastern European bloc countries is broadly similar to that of the U.S.S.R., the size and complexity of the ministries varying somewhat with the amount, type, and diversity of their trade. Representation abroad varies extensively and since there are a number of countries in which not all the bloc states have missions, one member will often assist another in the trade field.

D. THE STATE COMMITTEE FOR FOREIGN ECONOMIC RELATIONS

In the U.S.S.R. a state committee with ministerial rank (GKES) is charged with expanding economic contacts with foreign countries, including supervision of economic cooperation agreements, scientific collaboration, construction of aid projects abroad, and technical assistance and training programs. At least some aspects of military assistance also appear to come under the jurisdiction of this group.

The committee has both functional and geographic divisions, a number paralleling those in the Ministry of Foreign Trade. There are also trade associations, one of which handles construction of projects in nonbloc areas.

While technically on the same level in the bureaucratic hierarchy as the Trade Ministry, the state committee would appear to have somewhat greater initial responsibilities for broad policy and strategy formulation, particularly with respect to the use of economic relations to bolster political objectives abroad. Once groundwork for expanded relations has been laid, the actual operations under, say, a trade agreement will be effected by the Ministry. However, operations falling under assistance agreements and hence ordinarily having a heavy political coloration are carried out under the jurisdiction of the committee.

Comparable governmental bodies in the other members of the European bloc have not been identified. Coordination of policies and activities in the foreign economic field is one of the functions of the Council of Mutual Economic Assistance (CEMA—see below) and the major Soviet role in the Council is probably carried out by GKES.

The countries comprising the Sino-Soviet bloc do not have operative commercial tariffs because all foreign trade has been nationalized and is a monopoly of the State. In lieu of tariffs, however, there exist national quotas which almost entirely control the volume of foreign trade. This control of foreign trade by the bloc countries is necessitated by the requirements of their economic plans. Instead of a multilateral approach, the bloc countries have resorted, wherever possible, to bilateral trading arrangements. In doing this they strive to obtain an exact balancing of their trade, a practice which differs little in principle from barter arrangement.

1 The organization in the United States is atypical. Amtorg, which performs many of the duties of a trade delegation, is legally a regular New York commercial corporation, whose stock is owned completely by the Bank for Foreign Trade in Moscow. Its officers are registered as agents of the U.S.S.R., but they do not have official or diplomatic status. Most Soviet commercial transactions in the United States are carried out by this group.

E. INTRA-BLOC COORDINATION AND THE COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE (CEMA)

Coordination of economic policies of the European Communist bloc is undertaken on a consultative basis in CEMA. This group has a plenum whose members are chairmen of their state planning commissions and high party officials, a conference of deputies consisting of permanent country representatives who meet weekly in Moscow, a secretariat usually headed by a Soviet official, and a number of permanent committees of a functional nature. The latter committees are the principal working bodies of CEMA and since they have high-level representatives in their respective fields they tend to serve in practice as a direct link between CEMA and the competent ministries of the participating countries.

The great bulk of CEMA work involves intrabloc economic relations but in recent years growing attention has been given to consultation, cooperation, and exchange of information on economic relations with nonbloc countries. Some coordination of aid plans seems to be undertaken, and progress is checked on implementation in areas where more than one CEMA member has projects underway. Market research and data on trade opportunities is shared, and an effort has been made to eliminate competition between bloc suppliers in selling to free world countries. Through this machinery, the members of the bloc with a limited range of foreign trade experience—and this includes the U.S.S.R.—also receive valuable know-how from those with longer and more varied knowledge of tastes, quality requirements, promotional methods, distribution, and sales techniques in the free world. This is particularly important in industrialized countries where most bloc-manufactured products except those from Czechoslovakia and East Germany have had little appeal to consumers.

CEMA members are nominally equal and no group recommendations are legally binding unless confirmed in subsequent bilateral agreements. Nationalism still persists to limit effective implementation of many recommendations among the Eastern European satellites. Problems with intrabloc trade, for example, are a chronic source of debate. Nevertheless, this body has tacitly accepted Soviet "guidance," and through direct representation as well as the Communist Party machinery the U.S.S.R. has used its dominant position to induce or enforce cooperation on matters of particular importance to Soviet interests.

III. Inadequacy of Conventional Methods in Commercial Dealings With the Bloc[1]

Aside from being an increasingly effective and potentially dangerous political weapon, the Communist system of monopolistic state trading poses long-range problems of a commercial and institutional nature. These problems do not always emanate from a deliberate attempt to disrupt the normal course of international commerce. Often they are a byproduct of entirely conventional commercial arrangements when such business is conducted between two fundamentally different social and economic systems.

Basically, the distortions described hereafter are attributable to the peculiar status of the Communist state as exclusive buyer, manufacturer, seller, distributor, banker, insurer, shipowner, legislator, adjudicator, and treaty negotiator, all in one. Conventional ground rules generally observed in trade conducted on the basis of normal business principles are often inadequate in regulating the dislocations and peculiarities which arise when commerce is carried on between a totally planned economy and a market economy.

A. DIFFICULTY OF TRANSACTING BUSINESS WITH COMMUNIST ENTERPRISES

To acquire respectability in the preponderantly capitalist scheme of world business, the Communist State monopolies have made an attempt to adapt themselves to the great body of commercial law and practice which has been the common heritage of capitalist traders throughout the world. Communist trade officials speak normal commercial language and employ most of the standard devices to which private businessmen are accustomed. Undeterred by Marx's dogma that "business is theft", the Russians and their imitators have found it expedient to adopt many normal institutions, laws, and practices devised and perfected by private merchants since time immemorial. This is true not only of trade with the free world, but also of intrabloc trade where again Marxist doctrine has proven too sterile to inspire much improvement on time-tested, capitalist inventions used in the international exchange of goods.

In practice, the Communist adaptation to orthodox trade standards and practices has been more apparent than real.

In its overtures for expanded trade with the West the U.S.S.R. obscures the fact that a totally planned economy derives maximum advantage from the free, open, and competitive conditions prevalent in market economies, without providing any corresponding degree of access to its closed, state-operated system. The same problem runs through the entire field of East-West relations. Thus, in the propaganda struggle, Soviet leaders enjoy almost unlimited access to the minds of American citizens. Mr. Khruschchev's pronouncements are invariably given wide television, radio, and press coverage. Soviet

[1] See U.S. Senate, staff report to Committee on Interstate and Foreign Commerce, ch. IV, Apr. 14, 1961.

publications enter the country freely through the mails. The United States, on the other hand, has virtually no scope for presenting its point of view to the Russian people.

A private foreign firm seeking to trade with a Communist country is sealed off from direct contact with domestic consumers, producers, or distributors. It is denied the possibility to advertise, supervise the servicing of its product, insure the effective protection of its patent and know-how, or establish any local facilities conducive to stable and normal trade relations.

The national plan for exports and imports being secret, the foreign firm has no way of gaging potential supply and demand; it cannot estimate price levels in a system which is devoid of normal market forces and which fails to publish reliable economic and statistical data.

A Communist country affords none of the competitive conditions of the open market. The private firm venturing into business contacts with a Communist economy has no choice of trading partner. Its contacts are limited to the particular export-import monopoly which specializes in the product it may wish to buy or sell. The state monopoly, on the other hand, can select its business partner and exploit to full advantage the intense competition among private foreign competitors.

The monopolistic character of Soviet trading corporations gives them an unusual degree of bargaining power. In business negotiations with these monopolies, insistence on special protective terms in a contract may lead not only to the failure of a particular transaction but also to automatic exclusion from the Russian market; for there is no one else with whom to trade. Traders who have misgivings about certain unusual conditions in dealing with state trading organizations, such as the danger of being faced with a plea of sovereign immunity in the event of litigation, frequently succumb to an offer of more attractive price terms for the merchandise they wish to buy or sell. A state enterprise is in a position to make such offers primarily because profit margins are not an overriding consideration in its business decisions. This helps to explain why an ever-growing number of capitalistic traders are accepting contractual clauses for the arbitration of disputes with Communist enterprises before Communist Chambers of Commerce in Moscow, Prague, or Peiping. The ever-growing number of such submissions has enabled the Soviet Union to remove most of its foreign trade litigation from the jurisdiction of mistrusted capitalistic courts and arbitrators.

One example will help to show how a total-state trader can take unfair advantage of orthodox commercial laws and practices applicable in the normal course of international trade. During the Suez conflict, in a move obviously designed for political impact on Arab opinion, the Soviet oil corporation informed its Israeli customer that the Ministry of Foreign Trade had prohibited further deliveries. The Moscow arbitration court, in which the Israelis had to sue because of an arbitration clause, ruled in favor of the Soviet company on the ground that the prohibition by the Soviet Government made performance of the contract impossible. Judged by conventional arbitration standards, the proceedings revealed no manifest unfairness. Litigation in America of a similar dispute between two private companies might have produced the same ruling; namely, that in the absence of a contractual provision to the contrary, the risk of government cancellation of an export license is on the buyer rather than the seller. But the sensible operation of accepted rules of commercial law and practice—such as the basic rule that a corporation is separate and distinct from its shareholders—breaks down when the government itself, acting through one of its integral agencies, is a party to all business transactions. For what is there to stop the president of a Russian corporation from requesting the Minister, by whom he was appointed and to whom he is responsible, to prohibit performance of a contract no longer deemed desirable for the state enterprise?

B. DIFFICULTY OF REGULATING TRADE RELATIONS WITH COMMUNIST ECONOMIES

Growing experience in trade relations with Communist countries is showing with increasing clarity the inadequacy of conventional institutions, laws, and procedures in the regulation of business activities in this area.

The bloc economies need not, for example, resort to tariffs, quotas, exchange controls or other unpopular devices to limit the flow of imports. The nature of the economic system permits implementation of discriminatory, ultraprotectionist policies, by means of secret administrative directives. Since it is the state alone that decides what is to be bought or sold, exclusion of foreign competitors is the general rule in a Communist economy, and admission of foreign goods is the rare exception. No economy can, therefore, be more protectionist than a totally planned economy functioning in the monolithic scheme of Communist state authority. Its protectionism is, however, by its very nature, invisible. The type of irritating restrictions and discriminations which often strain economic and political relations among Western countries are entirely absent. Nonetheless, the Russians, whose import duties are held out to the world as minimal accounting devices, do not hesitate to point in self-righteous indignation to tariff walls and other trade limitations governing American trade and the trade of the emerging European customs unions.

By the same token, tariff negotiations with a Communist country tend to be largely one sided. While the mutual concessions normally extended under a reciprocal trade program operate to increase Communist exports, no corresponding quid pro quo accrues to the exporters of the market economy. For in a Communist trade system tariff reductions do not automatically increase the volume of imports, just as increases do not automatically reduce it. Similarly, purchases and sales can be increased or decreased and switched from one country to another whenever the political authority so chooses.

Not having any need for antidumping legislation, Soviet trade officials are indignant when suspected of dumping cheap school equipment or small cars in the United States, and large stocks of aluminum, tin, diamonds, benzene, or oil in sensitive world markets.

The Russian or Chinese markets are protected against dumping by the automatic operation of their Government-run economies, regardless of any antidumping legislation. Western antidumping laws, on the other hand, cannot adequately cope with the possibility of Communist dumping or underselling. For example, there is no effective way of determing the "fair value" of Communist products under the present terms of our Antidumping Act as amended in 1958. "Foreign market value" is a useless criterion because there is no free home market in a Communist country. "Constructed value" is equally useless because Communist cost of production is an outlandish notion which has no relation to normal Western cost accounting or pricing principles.

Most-favored-nations treatment, whether extended under reciprocal trade program legislation, or under multilateral treaty arrangements such as the GATT, has little meaning in commercial relations with a totally planned economy. Traditionally, the significance of such a commitment is that one state accords another terms no less less favorable than those accorded in like situations to nationals, companies, products, shipping facilities, etc., of third countries. In the case of an open market economy, the commitment produces the normal effect for which it was designed. In a totally controlled economy it fails to assure nondiscriminatory treatment for the firms or nationals of the foreign country to which the counterconcession is made.

The entire concept of reciprocity, or mutuality of obligation, is without validity in arrangements with a planned economic system. To take one example, the United States permits the Soviet Union to conduct export-import activities in this country through the Amtorg Trading Corp. of New York. Soviet export-import combines dealing in lumber, furs, chemicals, or machinery, can accredit a representative to Amtorg, and be thus supplied with all kinds of commercial data, information on latest industrial know-how, salesmen with direct access to consumers, interpreters, secretaries, bookkeepers, banking facilities, etc. The American trader has no corresponding access to business facilities in the Soviet market. In general, he can enter into a transaction only if approached in the United States by Amtorg or some other Soviet export-import combine. Any attempt to establish a branch or office in Russia, to appoint an agent, or to solicit business on the spot would be impossible. Even if such facilities were allowed, their practical purpose would be frustrated since it is the Soviet Government that prescribes all demand and supply, as well as the channels through which foreign business interests should be approached. Consequently, any plan to regulate access to market on the same basis of formal reciprocity as that used in commercial relations among free enterprise countries would be wholly unsuited in this area.

Following the Soviet example, each of the Communist countries maintains a special foreign trade arbitration tribunal for the settlement of disputes with foreign enterprises. These tribunals have enabled the respective trade monopolies to shift to Communist territory a significant portion of the foreign trade litigation which was formerly settled by Western courts and arbitration panels. American, English, or French traders who have often submitted their disputes to this type of adjudication have not always realized that they were accepting as binding proceedings in which the Communist side sits in judgment of its own cause. Because the arbitral submissions are voluntary and the procedures seemingly conventional, American courts, along with courts in other capitalist countries, applying time-honored rules of Western arbitration law, have consistently compelled their nationals to abide by decisions emanating from these tribunals.

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In the enactment of domestic laws and regulations pertaining to foreign trade, and in the negotiation of international treaties, Western governments are often at a disadvantage vis-a-vis the Communist state. In Russia the total unity of commercial and political interests are expressed in policies, laws, and treaty negotiations without any of the conflicting pressures which Congress and the administration in this country must constantly accommodate. In contrast to our own situation, the interests of Soviet enterprises or business associations, such as the Soviet Chamber of Commerce, are never in conflict with Government policy, not even in matters of tariffs or taxation. In negotiating with a Communist government or legislating with regard to its commercial activities, the U.S. Government, owing to the diversity of internal interests from which it draws its mandate, cannot present the same united front.

In the case of economically weaker countries, the problem is even more acute. Soviet efforts to conclude, wherever possible, bilateral agreements with individual countries and to avoid negotiations in a multilateral context where free enterprise countries are united by common interests have been conducive to an extension of East-West trade on Communist terms.

The steady proliferation of bilateral agreements and barter arrangements constitute an increasing obstacle to the assimilation of Communist trade into the multilateral framework of world commerce. Existing arrangements such as the GATT, the International Monetary Fund, various trade associations and commodity exchanges, as well as more specialized international conventions (e.g. arbitration, patents, copyright), cannot in general be expected to cope with the peculiar phenomenon of Communist trade. Either Communist countries refuse to adhere to such established "gentlemen's agreements" or, if they do adhere, their obligations assume a distorted meaning in the context of a state-operated market.

IV. Character of Sino-Soviet Bloc Aid to Less Developed Countries

A. EMERGENCE OF BLOC'S AID PROGRAM

In the immediate postwar period, Moscow tried to use the lingering atmosphere of wartime collaboration to extend its trade and diplomatic relations with less developed areas. In fact, it had little to trade and its reputation as a trading partner suffered accordingly.

The possibility of extensive trade relations, and certainly of even token economic assistance, was removed as the "cold war" intensified from 1947 to 1950. During this period, Moscow encouraged or permitted Communist parties in the less developed countries to try and seize power from local nationalist governments, which were denounced as "tools of imperialism." Beginning in 1951, however, the bloc attitude toward "bourgeois-nationalist" governments in the underdeveloped areas began to become more nuanced, and, at the Moscow Economic Conference in 1952, Soviet spokesmen talked of "international cooperation" to achieve the "rapid industrialization" of less developed areas, and offered technical assistance and "whole factories." It required Stalin's death, however, for this more flexible approach to evolve.

A variety of factors contributed to the Communist change of strategy toward the less developed countries. The more important considerations were probably the evident failure and adverse repercussions of militant tactics, and a growing realization that opportunities existed in the less developed countries to weaken the West and promote communism through the use of more subtle, long-term methods. Moscow presumably saw in foreign aid programs both the price which it would have to pay as a great power in courting economically poor countries, and a useful means whereby it might strengthen its presence and influence, as well as strike at the West.

Economic and technical assistance programs are, of course, only one of many means being used by the bloc in its efforts to undermine the strength of the free world and to win the "cold war."

The expansion of bloc aid programs has been accompanied by a general increase in bloc activity in less developed areas; reflected in diplomatic moves, in exchanges of official and unofficial delegations, in attention to the less developed countries by spokesmen in official and unofficial forums, in radio and written propaganda directed to the underdeveloped areas, and by increased study within the bloc of the social, economic, and political conditions which affect the vulnerability of specific countries, and accordingly the choice by Moscow of appropriate policies.

B. MAGNITUDE OF THE BLOC ECONOMIC OFFENSIVE

Beginning with a Soviet grant to Afghanistan in January 1954, bloc programs of economic penetration have expanded in scale and geographic scope, so that by mid-1961 the bloc had extended a total of $5.9 billion in economic and military aid to 26 less developed countries. Of this sum, $4.1 billion was in the form of economic assistance to 24 states. Since the first arms agreement of September 1955, a total of $1.8 billion in military assistance has been extended to 10 states (plus the Algerian FLN). In 1960 alone, the bloc offered a record $1.5 billion worth of economic and military aid.

By mid-1961 the bloc had obligated 75 percent of its economic aid offers for specific projects, but had actually expended only 22 percent or $891 million. By contrast, it had delivered 67 percent or $1.2 billion worth of military aid. Drawdowns on bloc economic assistance have sharply increased in 1961, however, suggesting that many bloc projects are now moving from the survey to the actual construction phase.

There has been a steady rise in the number of bloc technicians abroad, to a point where about 9,750 bloc technicians—8,200 economic and 1,500 military—were stationed for periods of at least 1 month in 1961 in the 26 countries with which the bloc has aid agreements. This represented an increase of 1,800 technicians—25 percent more economic technicians and 10 percent more military technicians—over the December 1960 level.

Bloc trade with the free world has almost doubled since 1955, but trade with the less developed areas has increased substantially faster (127 percent) than with the Western industrialized states (76 percent). In 1960, 46 percent or $2.7 billion worth of bloc trade (exports and imports) was with the economically underdeveloped countries. Although only 9 percent of the total trade of less developed countries is with the bloc, the bloc share of trade has risen steadily, and with particular countries like Afghanistan, Guinea, or the UAR, it assumes great importance. Part of this trade can be directly traced to the existence of aid agreements.

A good proportion of the 14,800 students who had received, or were undergoing training in the bloc by mid-1961 were also there as a direct result of aid agreements. This is particularly true of the technical and military students. The arrival of 3,200 academic, technical, and military trainees since 1960 has increased enrollment by some 25 percent.

The Communist bloc states have continued to provide substantial assistance to one another, since they began their aid programs in non-Communist countries. Thus, they extended some $5.2 billion in intrabloc aid between 1954 and mid-1961, making a grand total of some $13 billion in foreign aid to countries inside and outside the bloc during this period.

C. THE NATURE OF BLOC AID

In free world countries, Communist foreign aid is regarded as primarily an instrument of political penetration and not of economic development. Bloc officials are more willing, therefore, to provide visible impact projects of little intrinsic economic worth than their Western counterparts. They cannot afford, however, to jeopardize their reputation by undertaking what they cannot perform, or by giving bad advice for which they are likely to be blamed. In practice, Communist officials find it not too difficult to appear responsive to the wishes of the local government, while selecting projects from shopping lists of the local government, or surveys which they may undertake, which will satisfy their criteria of feasibility and political utility.

In its negotiations and public statements regarding foreign aid, the bloc tries to appear generous, undemanding and motivated by "brotherly" concern for less fortunate human beings. It also tries to discredit Western aid by charging that it is intended to perpetuate Western domination, and is essentially a "cold war" effort to prevent the spread of communism.

In its operating procedures, the bloc shows considerable flexibility and an ability to move rapidly to take advantage of targets of opportunity. Negotiators arrive hard on the heels of bloc offers to work out the details, and token shipments or technicians are quick to make an appearance, even if the completion of projects may be fairly slow.

A variety of considerations, other than the desire to appear responsive to requests from the local government, can be detected in the selection of projects and the handling of the donor-recipient relationship. Among the more important considerations are the desire (1) to develop a continuing relationship with key officials, important ministries, and sensitive groups in the country (e.g., trade unionists, students); (2) to reorient trade, cultural and other relationships from the West to the bloc; (3) to encourage "socialist" patterns of development and state organization.

The evident preference of bloc planners for industrial projects is explainable on a combination of grounds: their "visible impact" character; the fact that they dramatize the Communist claim of offering a shortcut to economic independence and development; the evident Marxist hope that, by reducing the demand for Western products through competition, over the long run they will be encouraging a "crisis of overproduction" in the West; their effect of strengthening a state enterprise at the expense of local and foreign private enterprise.

Bloc aid funds are allocated in the following manner, reflecting an obvious preference for the "impact" type project: industrial projects, 41 percent; multipurpose power and irrigation projects, 21 percent; transportation and communications, 17 percent; mineral exploration and exploitation, 10 percent; trade and finance, 6 percent; health, education, and technical assistance to government ministries, 3 percent; agriculture 2 percent.

D. INTEGRATION OF TRADE AND AID

Bloc officials would appear to regard the promotion of trade and the extension of aid as being, in many regards, complementary aspects of its politico-economic policy. It is frequently a trade delegation visiting an area where the bloc lacks relations which first makes generalized offers of economic assistance. The conclusion of an economic agreement, in turn, opens the door to the entry of bloc equipment and goods, building up dependence on spare parts, breaking new ground in consumer habits, and encouraging what amounts to bilateral barter trade. In some cases, e.g., Afghanistan, the shipment of consumer goods has been used to generate the local currency necessary to pay for bloc projects. The reverse process also occurs. To pay for its credits, the recipient government sells goods normally disposed of in the West to the bloc—in some cases thereby jeopardizing its Western markets and forcing continued dependence on the bloc as a market outlet. In general, the bloc has more leverage to buy what it seeks and to dispose of items which it as difficulty selling in the West, in countries with which it has concluded aid agreements. The proportion of bloc trade with the less-developed countries which can be directly traced to shipments or repayments connected with aid agreements has run as high as 20 percent.

E. THE BLOC AS CREDITOR

In addition to obvious economic considerations, the tendency of the bloc to extend credits rather than grants is also probably due to a desrie to force recipient countries into new trading patterns, since the majority of credit agreements provide for repayments in goods. Some 95 percent of all bloc aid is now in the form of credits. Communist China, which originally showed a preference for grants, is now extending in most cases interest-free credits.

The terms and methods of extending credit are obviously designed for maximum effect. The bulk of bloc credits are at 2.5 percent interest, repayable over 12 years. The European satellites have recently lowered the high interest rates which they charged in some earlier transactions.

The bloc is also generous regarding the terms of repayment, usually providing for a 1-year or even longer grace period, from the time of delivery of equipment or the beginning of production. Sometimes, particularly where military equipment is concerned, the Communist countries rediscount the cost to reduce the repayment burden. The annual negotiations to determine the quantities of goods and prices of goods to be delivered in repayment offer the bloc an opportunity to be tough or conciliatory, depending upon the past behavior of the recipient country, or to press for specific goods required by the bloc economy.

The offer of an impressive long-term credit (with the period of usage sometimes specified) has been the major device used by the bloc to dramatize its aid. The general credit agreement may contain a tentative allocation of types of projects, but specific projects require separate negotiation and detailed project agreements. These project negotiations, and the fact that the bloc uses its own equipment and technicians for all projects under its credits, constitute the basic means used by the bloc to control the use of its credits.

F. RECIPIENTS OF BLOC AID

While the bloc appears prepared to buy a foothold in any country willing to accept its aid, it has concentrated its aid in certain key countries. In order of amounts of economic aid extended, the principal recipients have been (in millions of dollars): India ($945); the UAR ($802); Indonesia ($544); Cuba ($357); Afghanistan ($217);

Iraq ($216); Ethiopia ($114); Guinea ($113). As one can see, India, the UAR, Indonesia, and Cuba alone account for $2.6 billion or 64 percent of total bloc economic assistance.

Indonesia, UAR, Iraq, and Afghanistan are also the primary recipients of the $1.8 billion in military assistance divided among 10 countries (and the Algerian FLN).

The pattern of concentration varies somewhat in the case of bloc economic technicians. The primary hosts of the technicians (in order of numbers present for at least 1 month during the first half of 1961) were: Afghanistan (1,910 technicians); Guinea (1,200); Yemen (1,180); the UAR (1,045); India (640); Cuba (500); Iraq (480). As one can see, the first four mentioned countries accounted for 65 percent of 8,220 economic technicians abroad. The 1,530 bloc military technicians were concentrated in the UAR (480), Cuba (300), Iraq (285), and Afghanistan (260).

Of the 5,270 military personnel who underwent training in the bloc between 1955 and mid-1961, 2,075 officers and men were from the UAR, 1,910 from Indonesia, and 710 from Afghanistan. The pattern shifts slightly in the case of some 9,600 academic and technical students who received, or are undergoing training in the bloc. The bulk of these come from the UAR (1,830), Iraq (1,610), Cuba (1,535), and India (1,350).

Of the $5.2 billion in credits and grants extended by bloc states to one another since 1954, the European satellites have received 60 percent, the Asian satellites some 30 percent, and Communist China less than 10 percent. Peiping has received $495 million from the U.S.S.R. only, or less than that extended by the bloc to either the UAR, Indo, nesia, or India, during the same period.

G. BLOC CONTRIBUTORS TO THE AID PROGRAM

The Soviet share of bloc credits and grants to free world countries has risen to 75 percent ($3.1 billion), the European satellites have provided 15 percent ($0.67 billion), and Communist China some 10 percent ($0.36 billion). Reflecting in part the fact that the U.S.S.R. undertakes larger projects than other countries of the bloc, only 21 percent of Soviet credits have been drawn down as against 38 percent of Eastern European satellite credits and grants.

Despite its economic difficulties, Communist China increased greatly the magnitude of its economic aid offers during the year ending in June 1961. This reflected an apparent effort to improve its strained foreign relations in southeast Asia, and generally to extend its influence. The establishment of a Bureau for Economic Relations With Foreign Countries is an indication that Peiping regards foreign aid as a permanent feature of its policy, although it may differ with Moscow as to which countries deserve assistance.

Communist China has also contributed close to $1 billion, or 19 percent of the aid extended to fellow Communist States since 1953, more than double the amount it has extended to non-Communist countries. The U.S.S.R. contributed $3.2 billion or 64 percent of total intrabloc aid during this period.

TABLE 3.—*Sino-Soviet bloc credits and grants extended to underdeveloped countries of the free world,*[1] *Jan. 1, 1954–Dec. 31, 1960*

[Millions of U.S. dollars]

Area and country	Total	Economic [2]	Military [3]
Total	$4,809	$3,611	$1,198
Latin America	322	322	0
Argentina	104	104	0
Brazil	4	4	0
Cuba	215	215	?
Middle East	1,972	1,286	686
Afghanistan	255	217	38
Iran	6	6	0
Iraq	404	216	188
Pakistan	3	3	0
Turkey	17	17	0
UAR—Egypt	919	604	315
UAR—Syria	307	179	128
Yemen	61	44	17
Africa	284	278	6
Ethiopia	114	114	0
Ghana	50	50	0
Guinea	108	107	1
Morocco	4	0	4
Sudan	(4)	0	(4)
Tunisia	8	8	0
Asia	2,115	1,608	506
Burma	12	12	0
Cambodia	55	55	0
Ceylon	58	58	0
India	933	933	0
Indonesia	1,016	509	506
Nepal	41	41	0
Europe	116	116	0
Iceland	5	5	0
Yugoslavia	[5] 111	111	0

[1] Because of rounding, figures may not add to totals.
[2] Including about $221,000,000 in grant aid to Afghanistan, Cambodia, Ceylon, Ethiopia, Guinea, India, Indonesia, Nepal, Pakistan, the UAR (Egyptian sector), and Yemen.
[3] Including about $6,000,000 in grant aid to Guinea, Morocco, and Sudan.
[4] Less than $1,000,000.
[5] Not including about $353,000,000 in credits extended in 1956 and subsequently either canceled or allowed to expire.

V. The Worldwide Impact of Bloc Trade and Aid

Except for a few isolated cases there is little evidence to suggest that the bloc has deliberately set out to upset Western markets. Its limited resources will prevent it from becoming a major source of competition to the West for some time to come. Nonetheless the techniques and policies of total-state trading countries have a potential for disrupting world trading patterns and exploiting for political purposes the economic vulnerabilities of individual countries. This incipient threat will become more formidable as the Communist countries acquire an ability to divert more resources to international economic activities.

A. THE MARKETING POWER OF SOVIET FOREIGN TRADING ORGANIZATIONS

The monopolistic nature of the trading monopolies of the Soviet bloc gives them a degree of marketing power that in some cases has a counterpart only in the largest corporations of the free world. The fact that Soviet trading companies dispose of the entire export supply of a large nation and have the financial backing of the Soviet state means that these organizations have great competitive power in world markets.

Private firms frequently experience serious disadvantage when competing with Communist enterprises, particularly when such competition takes place in the markets of underdeveloped countries. Organs of the Soviet state monopoly seeking to establish an economic and political foothold in an Asian, African, or Latin American country are not inhibited by the profit and cost considerations which are paramount in the business operations of a private concern. Their bargaining position is bolstered by invisible, but virtually unlimited, state subsidies whenever the decision to penetrate a market is made for political reasons. In addition, Communist states are in a position to provide technical assistance through quasi-conscripted, government-employed advisers, managers, engineers, agronomists, and other experts, at salaries which are a fraction of those paid by private companies.

The Soviets often compete in world markets by offering a package deal which affords the buyer an opportunity to sell commodities to the U.S.S.R. at the same time that he purchases Soviet products. And the Soviet export-import combines sometimes receive favorable quota consideration for their exports of such commodities as petroleum, because the government of the importing country believes that, unless this is done, the U.S.S.R. will limit its buying of the country's goods. These are noncommercial conditions which private investors or exporters cannot be expected to match without some form of organized action or government assistance.

Soviet trading organizations generally, however, are circumspect in applying their full market power, limiting its use usually to situations where they have an overriding economic or political objective to attain. Prevailing prices have so far been accepted as the current norm, and the devices of competition have in general been applied to the nonpricing aspects of commodity transactions. Where the Soviet bloc trading agency is the seller, in particular, it has no motive, under normal conditions, for deliberately setting out to upset the commodity market and thereby depress its own earnings.

The U.S.S.R. is more inclined to apply the full weight of its economic power in situations where countervailing economic and political power are absent or where the prospective political gain outweighs the cost. The conditions under which this will happen are not possible to define precisely. Large bilateral clearing imbalances may encourage the U.S.S.R. to use its market power. Market imperfections also sometimes provide a favorable environment, in particular the disturbances existing when commodity markets are temporarily depressed. The possibility of adverse use of Soviet market power in any given country is closely correlated to the importance of Soviet trade to that country.

However, the Communist system of trading generates many abnormal types of behavior. Trading units are generally few in number and large in size. Transactions are, therefore, usually large, and the rate at which purely commercial deals are transacted is abnormally slow. Since all trading units are state-operated, there is a strong tendency toward linked transactions, including barter deals, at catch-as-catch-can prices. Above all, the element of continuity in trade is lacking, as is the "cushion" effect of the warehousing trade. Hence, state trading agencies often come into the world market to deal with an unexpected and unhedged surplus or shortage. In a selling operation, if the amount is large, as it usually is, and the market is soft, the Soviet decision to sell at that juncture can be carried out only at dumping prices.

On the question of Soviet machinations to disrupt world trade, the case is still moot. There is no doubt that Soviet trading organizations are hard competitors, which pursue sales prospects with great zeal. But the only clear charge that can be made so far is that the Soviets have shaded prices in commodity markets which were otherwise characterized by regularized if not administered prices. This is a not-unheard-of technique in the case of capitalist countries which are interested in entering an established market. In any event, it is too early to generalize in this matter and it is safer to look at commodity situations on a case-by-case basis.

In the case of oil, the Soviets act as might be expected in obtaining the best possible trading bargain in return for what is the principal Soviet foreign exchange earning commodity. At the same time, there is no question but that the U.S.S.R. is using its oil marketing as a means of stirring up confusion among Western suppliers and is using "oil diplomacy" whenever possible to weaken the Western position in Middle Eastern oil-producing countries.

The two classic examples of disruptive Soviet competition in the basic commodity markets are the cases of tin and aluminum.

During the closing months of 1957 and the early months of 1958, pressure began to be felt on the world tin price and on the ability of the International Tin Council to maintain the floor price of £730 sterling per ton. The Soviet Union, which had entered the world tin market as a substantial exporter for the first time in the latter part of 1956, steadily increased its sales. Heavy Soviet sales of tin in September 1958 added to the difficulties which the tin market had experienced since 1957, finally causing the International Tin Council to announce the suspension of buffer stock purchases for support of the floor price for tin. The price dropped sharply to £640 sterling although it subsequently recovered to a point well above the floor price. On January 26, 1959, the Soviet Union announced its decision to limit 1959 exports to the free world to 13,500 tons as compared with shipments of 19,000 tons in 1958. The main economic advantage to the Soviets in making large tin sales was to augment needed foreign currency earnings. This economic advantage was balanced to some extent by the political disadvantage in appearing to such less developed countries as Bolivia and Malaya to be the cause of disruption in world markets essential to the welfare of such less developed countries.

Soviet bloc production of aluminum increased threefold between 1950 and 1957. The bloc became a net exporter of aluminum to the free world in 1955. Soviet bloc exports in that year amounted to 12,000 metric tons, more than doubled in 1956 to about 29,000 tons, and was well above 31,000 tons in 1957. During the last half of 1957, Soviet bloc aluminum was offered in Western European markets at a discount of about 2 cents a pound below the prevailing price of principal suppliers. This Soviet action forced a matching price cut by principal suppliers. When the Soviet bloc was successful in capturing a significant part of the British aluminum market, the question was raised of applying an antidumping duty on imports into the United Kingdom of aluminum from the U.S.S.R. Such action has not been taken because the Soviets have since 1958 limited their sales in the British market. In the case of aluminum, the main economic advantage to the Soviets appears to have been their entry on a competitive basis into what had been a Western-dominated market.

The analysis of Soviet behavior in these instances fails to establish a clear case of deliberate dumping designed to disrupt world prices. There is reason to believe that the Soviets were motivated by a need to raise foreign exchange in a hurry. The basic cause of the disruptions is to be found in the fact that prices at which Communist enterprises compete abroad have no relationship to normal costs and margins of profit. If the export-import plan established by the Ministry of Foreign Trade calls for the disposal of certain commodities, either because they are available in surplus or because there is an urgent need for hard currency, the disposal takes place regardless of the type of cost-and-profit considerations which motivate a private firm. Whether the ensuing market disruption is deliberate or merely a byproduct of total state trading is, however, irrelevant. The relevant question is whether or not the disruption occurs in fact. It is the natural propensity of planned Communist economies to undercut established price patterns, without reference to the normal forces of supply and demand or the gentlemen's agreements in force among traditional suppliers, that constitutes the intermittent threat to orderly commerce. In the future, the rapidly growing economies of the Sino-Soviet bloc, with labor costs comparable to or even lower than those of Japan, could make this propensity a deliberate and dangerous threat to the West.

B. BILATERALISM—A DISRUPTIVE FACTOR IN INTERNATIONAL TRADE

The insistence of the bloc on carrying out its trading relations on a bilateral basis and the conclusion of more than 200 bilateral commercial treaties with individual free world countries, has had a deleterious effect both on the efforts of members of GATT to strengthen a multilateral trading system, and, quite often, on the trading partners of the bloc. Many of the countries trading with the bloc, and even some bloc officials, notably in Poland, appear to be increasingly aware of the drawbacks to bilateral trade.

Among the several important reasons why the bloc continues to develop its trade on virtually a barter basis is the difficulty which the bloc encounters in selling abroad the same value of goods as it wishes to import. The quality and variety of bloc products, notably from traditional trading areas like Czechoslovakia and Eastern Germany, have improved, but bloc goods are not yet fully competitive, and they continue to encounter consumer habit and market barriers.

Bloc planning officials prefer the simplicity and certainty of the bilateral system, which generally assures them of the disposal of their goods and the import of needed commodities and equipment, to more flexible multilateral methods. In the case of its trading relations with selected less developed countries, the bloc also appears to regard bilateral agreements as a useful politico-economic lever for changing the traditional pattern of trade. Some less developed countries are naturally attracted to the bilateral system, particularly where they have established a trade monopoly themselves. It is a simpler system for countries with a limited number of officials who understand the complexity of international economics, and it appears to assure them that they will be able to dispose of their few vital export products.

Bilateral arrangements are well suited to the operation of a planned economy. Specified types and quantities of merchandise earmarked for export or import over a determined period of time afford an effective instrument for external adaptations to the internal economic plan. Even more significant is the fact that bilateralism makes possible a balancing of trade with foreign countries without important transfers of scarce foreign exchange or gold on either side. During the postwar shortage of hard currencies bilateralism has been an important factor in making trade with the Soviet Union attractive to many free enterprise countries. Since then, the industrialized countries of Western Europe which have a stronger bargaining position vis-a-vis the Soviet Union than agricultural countries, have been able to force the bloc to pay for portions of its imports in convertible currencies. Unstable prices of commodities available for export from underdeveloped areas and the unavailability of dollar currency for the purchase of needed capital equipment make bilateral exchanges and barters acceptable despite the economic advantages which normally flow from trade in an open world market.

In the early postwar years, bilateral trade agreements had the general effect of increasing the low level of trade between the signator countries. Under the current conditions of expanding world trade, however, the net effect of such agreements is to depress the level of trade, and in the case of less developed countries in particular, to narrow the range of their trading relations and hence their choice of imports and markets. The weaker and more one sided the economy of the underdeveloped country, the more difficulty it has in breaking out of an established bilateral pattern of trade. Having agreed to sell the bulk of its export crop (e.g., Malian peanuts) to the bloc, the less developed state lacks the alternative commodities with which to earn the foreign exchange on the world market necessary for trade elsewhere, and it is usually unwilling to sell its main export crop below world market prices in order to force its way back into its former market.

Communist states are sometimes the victims of their own system. In order to dispose of their products, or to develop trading relations for political reasons, they are forced to take commodities for which they have no real need. Communist officials apparently believe, however, that the balance of advantage for them still lies with a bilateral trading system.

C. STATE TRADING AS POLITICAL-ECONOMIC WEAPON

The decentralized nature of economic and political system in the West does not provide an ideal framework for the waging of so-called "peaceful competition" with the Sino-Soviet bloc on equal terms. To take one example, if the Soviet Government considers it expedient to demonstrate the alleged superiority of Communist industry and economics by building a model steel plant in India or a sugar refinery in Morocco, the necessary appropriation follows automatically and state business enterprises proceed to do the job regardless of profit or loss. In our own system, constitutional appropriation procedures and the need to rely on unsubsidized private companies guided by the profit motive and responsible to their private shareholders constitute obstacles to competition in matters of propaganda and ideology. Although we possess a range of material resources and means not available to Communist economies, our business system is not organized to pursue objectives which are inherently noncommercial.

Since the early days of the Soviet state, Soviet officials have been alive to the possibility of using their state monopoly of trade to influence Western action. They have done so by manipulation of their purchases, the application of economic pressure to achieve economic or political objectives, or simply by the lure of profitable trade with one of the world's greatest potential markets.

Numerous instances can be cited where the bloc has made sudden large-scale purchases in countries where it sought to establish a foothold (e.g., Egyptian and Sudanese cotton, Ghanian cocoa, Ceylonese rubber). The number of such cases need not be very great to have an impact upon particularly those countries with periodic surplus problems. Both countries with close trading relations with the bloc, and those which would like to be able to turn to the bloc in case of necessity, are encouraged by this evident ability to shift markets rapidly to stay on the right side of bloc trading officials. A number of countries apparently discriminate in favor of purchasing from the bloc where possible, out of fear of losing a customer. Such considerations would appear to influence, for example, the trade policies of such countries with surplus problems as Colombia (coffee), the UAR (cotton), Greece (tobacco), and Iceland (fish).

Several countries have had reason to regret the extent of their economic dependence upon the bloc, or at least their reliance on the bloc for certain products or markets. Moscow has used the threat of a curtainment of trade, along with other pressures, to influence Finland and to a lesser extent Iceland during crucial election campaigns in those countries. In 1958, it succeeded in toppling the Finnish Government. In the case of Yugoslavia, Moscow cancelled two credits in the spring of 1958 and sharply curtailed trade to show its political displeasure at Tito's independent line. Israel lost a suit brought before the Soviet Foreign TradeArbitration Commission for reimbursement in connection with losses suffered when the U.S.S.R. cut off shipments of oil following the Suez crisis of 1956, despite a trade agreement. More recently in 1960, the U.S.S.R. ceased its extensive purchases of Uruguayan wool in an effort to induce the Uruguayans to accept Soviet petroleum.

Since the early 1920's, the Soviet leaders have sought to make the promotion of East-West trade synonymous with a policy of peaceful coexistence. They appear to believe that they can use the lure of profitable trade to encourage business circles in the West to bring pressure to bear in favor of political and economic concessions toward the Soviet Union—which they, of course, equate with a desire for peaceful coexistence. As part of this tactic, the Soviet leaders have repeatedly put forth proposals which would have the dual effect of advertising the alleged Soviet interest in peace and protecting themselves against Western economic policies. We find, for example, that as far back as 1931, at a time when there was concern over Soviet "dumping," the Soviet Union was proposing in an international commission on Western union that a treaty of economic nonaggression be concluded which would affirm the possibility of peaceful coexistance and pledge its members not to discriminate against one another in trade relations. The Economic Commission for Europe has been the major forum for similar, if less sweeping, proposals in the postwar period, designed in one or another way to break down COCOM controls, and to inhibit the development of Western European unity, which could harm the Communist states economically and generally strengthen the West to communism.

As demonstrated by the behavior of Mr. Mikoyan during his visit to the United States in 1958, the theme of profitable trade remains a key element in any political offensive against the West. Sweeping offers of trade from a group of states which are growing dramatically in economic power cannot help but appear attractive, particularly when they are put forward vigorously in periods of unemployment and economic difficulty in the West, and are directed at specified depressed industries. They serve to stimulate dissatisfaction with Western policies which appear to inhibit the promotion of trade and to encourage sympathy for the view that he who is for unrestricted trade is for peace.

D. THE BLOC RECORD AS TRADER

Although bloc trade with the free world has almost doubled since 1955, countries trading with the bloc have not been entirely satisfied with bloc performance, either from the standpoint of size and stability of the bloc as a market, or the quality and variety of its goods.

The conclusion of an apparently large and attractive overall trade agreement has proved on occasion to be deceptive. Thus, the value of goods bought by Poland, Czechoslovakia, and the U.S.S.R. from Brazil in 1960 was little more than 55 percent of the figure agreed upon in the trade agreements. This was not an isolated case. In more than one year, Argentina and Burma have also sold much less than was specified in their trade agreements.

The bloc has also been fickle in its buying patterns. Syria, Burma, Ceylon, and Uruguay have all had the experience of very sharp fluctuations in the level of trade. Purchases by the bloc in Burma dropped from $26 million in 1957 to $3 million in 1959. Syrian exports to the bloc rose from $1 million in 1954 to $37 million in 1958, dropped to $12 million in 1959 and rose again in 1960. Sellers are faced, therefore, with a serious choice of accepting spectacular but very possibly short-term markets or continuing to sell at a perhaps lower profit in their established markets. Both Egypt and Guinea have had difficulty reentering markets which they left to sell to the bloc.

There have been several complaints that the bloc has been buying more for political reasons that it could or wished to absorb, reselling the surplus. This charge has been made in the case of Ghanaian cocoa; Greek tobacco, cotton, sultanas, currants, and skins; and Egyptian cotton. What is more, the resales have sometimes (e.g., Greek products) been below the normal selling price, thereby forcing down the price received by the original seller for the same products.

Only some of the industrial countries of Europe have been able to induce the bloc to pay for part or all of its purchases in convertible currencies. It is very difficult for the other countries which have to buy bloc goods with the ruble credits acquired by the sale of their products, to determine their value of the transaction. Official exchange rates mean little in the case of trade with the bloc. The country which has negotiated the sale of, for example, an agricultural crop is forced to try and measure the relative benefit of sale by payment in goods whose delivery in the future remains to be negotiated. The deal will be satisfactory only if the goods to be delivered are moderately priced in terms of cost and quality, or if the seller has found it impossible to dispose of his export crop in Western markets at a reasonable price. This has not always been the case.

The customer buying a standardized bloc product like wheat or cotton has had no great problem, provided appropriate delivery times and penalty clauses were written into the purchase contract. There have been a variety of complaints, however, regarding other bloc products, that is, of Soviet sugar in Iraq, Czech radios in Uruguay, Brazil, the United Arab Republic, and Ceylon, Communist Chinese textiles; and bloc clothing generally. Some countries have complained regarding shipments of partially processed raw materials such as cement (poor packaging), gas coal (high ash and sulfur content), coking coal (impurities in the shipment), and timber (not to specification).

In the case of Moscow's major effort to break into the world petroleum market, it would appear that the U.S.S.R. still lacks the transportation and storage facilities and know-how to insure regular shipments to its customers, who are finding the situation often one of feast or famine.

Purchasers are also finding it difficult to evaluate Soviet offers of capital goods. In some cases, the products are inferior, and sometimes they are simply not adapted for service under very different climatic and other conditions than those to be found in the bloc. Thus, there have been complaints about the quality and design of machine tools in Western Europe, Soviet oil-drilling bits in India and Argentina, and Hungarian locomotives in Yugoslavia and Egypt. Indonesia has had a particularly trying time with an East German sugarmill, Soviet jeeps, and Czech agricultural machinery.

The U.S.S.R. has been promoting the sale of civil aircraft at discount prices and on more favorable credit terms than those available in the West, but experience is showing that the aircraft have higher maintenance costs and a number of technical defects which make them compare unfavorably with Western aircraft from both an operational and safety viewpoint. Both the TU–104 and the IL–18 were denied certificates of airworthiness by the International Civil Aviation Organization (ICAO) during the past year. Finally, a lack of spare parts has aggravated deficiencies in the products themselves.

It would be an exaggeration to say that the bloc record is entirely bad as a trader, but it remains sufficiently spotty to encourage any country trading with the bloc to be very careful to protect itself against the sorts of deficiencies cited above. Bloc officials are, themselves, quite aware of these deficiencies and are making an effort to overcome them. A higher priority is being given to items for export, and, in some cases, factories are producing products specially tailored to foreign demand. An effort is also being made to improve the packaging and servicing aspects of trade. In short, as the bloc expands its role in international trade, it is being forced to conform to international standards in order to become competitive. For traditional traders like the Czechs, the adjustment is not too difficult. It will be some time, however, before the bloc as a whole will be able to compete in other than a few products in the more sophisticated markets of the West.

E. THE IMPLICATIONS OF BLOC-AID PROGRAMS FOR WESTERN POLICY

The availability of the Sino-Soviet bloc as an alternative source of economic and military assistance, has inevitably affected the dimension of the problems faced by the West in the underdeveloped regions, and correspondingly the nature of the Western response. The possibility of being able to turn elsewhere for aid and advice has set in motion within underdeveloped countries a whole complex of political forces which were hitherto held in leash. It is not possible, therefore, to measure the meaning of bloc assistance simply in terms of the added resources now available for economic development. Bloc-aid programs need to be evaluated from the standpoint of their effect upon the recipient country's foreign political orientation, its internal resistance to communism, and its rate and route of social and economic development.

Just by offering aid, the bloc has furthered its initial objective of encouraging the underdeveloped states to be more independent of the "NATO bloc." Supporters of a more neutral or bloc-oriented policy push their leaders to accept bloc-aid offers as a means of demonstrating national independence, and stimulating a flow of aid from both sides. The bloc is quick to identify these more radical nationalist elements and to court them. To protect themselves, moderate officials are inclined to quicken their criticism of the West, and develop contact with bloc representatives.

Without the incentive of bloc aid, local governments would not be so willing to sign the many different types of agreements—for trade, cultural exchange, education and training, et cetera—which the bloc promotes along with its aid programs. The bloc would also find it more difficult to establish large missions or gain entry for their miscellaneous "front" organizations and propaganda materials. The bloc appears confident that, once it has established a strong presence and close contact with key persons in the local society, there will be ample opportunity to nibble away at the roots of Western influence, and to create over time a political atmosphere in which Western officials will find it difficult to operate effectively. They base their confidence on the certainty that social ferment induced by modernization will increase, and governments will be unable to satisfy inflated expectations. They also are alive to the opportunities offered by an environment where prejudice and suspicion of the West are deep seated, and the Communist countries are widely regarded as offering more appropriate models for rapid economic development. Communist penetration can obviously proceed with greater ease once states have been maneuvered into a posture of hostility toward the West and dependence on the bloc.

The Communist Chinese have questioned whether much of the assistance being given by the bloc to non-Communist governments may not have had the opposite effect on strengthening rather than weakening a "capitalist" form of government. In fact, some Western observers have argued that where there is strong, sophisticated leadership and well-established economic and political institutions, bloc aid may serve a useful developmental role, and trade with the bloc could provide needed outlets for local produce. In many less developed countries, however, there are great opportunities to exploit factional frictions in the leadership and deep-seated social malaise. Even if the nationalists are able to crush a local Communist challenge to their authority, the effect of a strong bloc presence, facilitated by an aid program, may be to hamper local governments in their efforts to plan rationally for development and to build cooperative relations with other free world countries.

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VI. Extent of Sino-Soviet Bloc Interest in East-West Trade

A. THE PRIORITY OF INTRABLOC TRADE

The Sino-Soviet bloc as a whole constitutes a formidable and largely self-sufficient economic unit. The combined population of this unit is more than 1 billion, and its gross annual output is now over $400 billion. The primary objectives of economic activity are the development of maximum military strength and rapid industrial growth. Aggregate industrial output in the bloc is currently increasing about 10 percent a year.

The leaders of the Soviet bloc, whose authority prevails over all phases of Communist economic activity, follow a firm doctrinal approach to the subject of foreign trade. While they are now more favorably disposed toward the benefits to be derived from a more active participation in world trade, they continue to believe firmly that trade within the Communist camp of nations or, as it is officially known, the "international socialist division of labor" represents a superior form of commodity exchanges, on economic as well as political grounds. On the basis of this working principle, all the Communist countries reserve the bulk of their commercial resources for intrabloc trade. In each country, only a "safe" proportion of total trade is allocated to exchanges with the outside world.

Since 1952, there has been a shift away from intrabloc autarky in its most extreme form, with the result that the controlled Communist market now devotes about 25 percent of all transactions to trade with the outside world. During the early 1950's, the extra-bloc proportion of trade was below 20 percent of all transactions. But even after the marked expansion in commercial contact with the outside world which has occurred since then, the commitment to intrabloc trade by the individual member countries remains substantial, as may be seen from the following percentage figures for 1960:

TABLE 4.—*Commitment to intrabloc trade by individual Communist countries (1960)*

	Percent
Bulgaria	84. 2
Czechoslovakia	70. 2
Hungary	70. 5
Poland	60. 8
Rumania	72. 1
U.S.S.R.	71. 6
GDR	74. 6
China	75. 0

The fact that the pattern of high commitment to intrabloc commodity exchanges has been relatively stable since 1956 tends to imply that the political authorities of the bloc regard it as an optimal distribution in the flow of trade across the political boundary. It may therefore be assumed that any growth in trade with the West would have to come about as a result of the expansion of the overall volume of trade conducted by countries of the Sino-Soviet bloc.

TABLE 5.—*Intrabloc trade as percent of total trade, by countries of Sino-Soviet bloc, selected years*

[In percent]

Country	1938	1948	1953	1957	1958	1959
Albania	19.0	38.3	99.0	96.0	96.0	95.0
Bulgaria	31.0	78.0	87.0	84.5	86.0	82.4
Czechoslovakia	18.0	32.0	78.4	67.0	67.0	72.1
Hungary	23.0	34.1	77.0	70.0	73.0	70.7
Poland	12.0	41.0	70.4	59.0	56.0	60.5
Rumania	27.0	70.6	84.4	75.0	73.0	79.3
U.S.S.R	5.2	42.0	83.0	72.0	73.0	74.3
Soviet Zone of Germany	--------	75.0	86.0	73.0	72.0	76.1
China (mainland)	9.4	1.6	76.0	75.0	70.0	70.0
Total, Sino-Soviet bloc [1]	12.0	41.0	80.0	72.0	72.0	74.3

[1] Computed.

NOTE.—The percentage statistics shown in this table were, for the most part, obtained or derived from official Soviet bloc sources. It is not possible to examine or to test the reliability of these data; the countries of the Soviet bloc have not published detailed statistics, that would permit independent construction of the percentages, or explanations of the statistical methodology employed in obtaining these figures. In addition to the countries listed in this table, the Soviet bloc includes the Korean People's Republic, the Democratic Republic of Vietnam, and Outer Mongolia.

Source: U.S. Department of Commerce

B. BLOC INTEREST IN TRADE WITH THE INDUSTRIAL WEST

In pursuit of effective economic independence from the West the Communist-ruled countries have consistently sought to satisfy the major share of their import requirements through intrabloc trade. Nevertheless, trade with the free world retains significant advantages, and bloc economic planners, therefore, continue to regard the industrial nations of the West as an important reservoir of goods required to supplement domestic and blocwide resources, to provide prototypes of advanced industrial technology, and to compensate for unforeseen contingencies or for miscalculations of the planning mechanism.

Currently accounting for more than 20 percent of total Sino-Soviet bloc trade, the industrial West is an important supplier of advanced machinery and equipment and of manufactured goods, particularly iron and steel products, which together account for almost two-thirds of total bloc imports from this area. Bloc exports to the industrial West consist primarily of industrial raw materials, fuels, and food.

TABLE 6.—*NATO (including Japan) trade with Sino-Soviet bloc—1959*

[Millions of U.S. dollars]

NATO IMPORTS

	Bloc	Percent	European satellites	Percent	U.S.S.R.	Percent	Percent of total NATO imports
Total	1,981.0	100.0	1,023.7	100.0	711.6	100.0	3.1
Food, beverages, tobacco, fats and oils	494.7	25.0	316.9	31.0	116.0	16.3	3.2
Of which—wheat	(81.4)	(4.1)	(26.7)	(2.6)	(54.7)	(7.7)	(10.0)
Crude materials, inedible, except fuels	518.1	26.2	121.8	11.9	280.6	39.4	4.0
Mineral fuels, lubricants and related materials	355.5	17.9	180.6	17.6	164.1	23.1	4.6
Of which—Coal and coke	(150.6)	(7.6)	(98.7)	(9.6)	(41.4)	(5.8)	(13.2)
Petroleum and petroleum products	(204.9)	(10.3)	(81.8)	(8.0)	(122.7)	(17.2)	(3.2)
Chemicals	118.5	6.0	78.5	7.7	31.9	4.5	3.9
Manufactured goods	375.6	19.0	226.3	22.1	107.4	15.1	2.5
Machinery and transport equipment	98.1	4.9	88.1	8.6	9.9	1.4	1.0
Other merchandise and miscellaneous transactions	20.7	1.0	11.5	1.1	1.8	.2	2.5

NATO EXPORTS

	Bloc	Percent	European satellites	Percent	U.S.S.R.	Percent	Percent of total NATO exports
Total	1,874.0	100.0	1,080.0	100.0	447.0	100.0	2.9
Food, beverages, tobacco, fats and oils	250.7	13.4	198.0	18.3	51.9	11.6	2.7
Crude materials, inedible, except fuels	197.5	10.5	134.0	12.4	43.9	9.8	3.5
Mineral fuels, lubricants and related materials	30.4	1.6	30.1	2.8	--------	--------	1.0
Chemicals	243.1	13.0	119.8	11.1	22.8	5.1	4.6
Manufactured goods	739.6	39.6	359.4	33.3	184.1	41.2	3.5
Of which—iron and steel	(393.9)	(21.0)	(190.0)	(17.6)	(116.9)	(26.1)	(9.4)
Machinery and transport equipment	393.0	21.0	226.1	20.9	140.0	31.3	2.1
Other merchandise and miscellaneous transactions	19.7	1.1	12.7	1.2	4.2	.9	3.1

NOTE.—Figures may not add to totals because of rounding.

Source: U.S. Department of Commerce, country by commodity series 1959; U.N. Commodity Trade Statistics, January-December 1959.

In the case of the U.S.S.R. in particular, machinery and equipment have been the largest single category of imports from the industrial West, in recent years accounting for almost one-third of total imports from this area. The principal commodities imported are transportation equipment, notably ships and marine equipment, specialized machine tools, rolling mills, electric power generating equipment, construction machinery, wood processing equipment, and, particularly of late, chemical equipment. Other Soviet imports include finished and semifinished steels, large-diameter pipe, and nonferrous metals and products, especially copper and copper wire. In exchange, the U.S.S.R. exports primarily crude materials, fuels, and semimanufactures—petroleum and petroleum products, coal, lumber, cotton, and grain constituting the most important export products.

Although only marginal in terms of aggregate Soviet output of machinery and equipment, the imported prototypes from the West are of substantial importance to selected key industrial sectors of the U.S.S.R. This is particularly true in the case of the chemical and petrochemical industry where bloc technology and productive capacity lag significantly behind the West. Without substantial imports of chemical equipment and technology from the industrial West (such imports have already increased more than tenfold since 1956), prospects for fulfillment of planned output in fertilizers, plastics, synthetic fibers, and synthetic rubber are doubtful. Khrushchev himself has admitted that imports from capitalist countries, primarily from the

United States, the United Kingdom, and West Germany, would provide the U.S.S.R. with "quicker fulfillment of its program for the construction of new chemical enterprises without wasting time on creation of plans and mastering of the production of new types of equipment."

To meet the planned increases in consumer goods production, an area of chronically low standards, the U.S.S.R. has also turned to Western suppliers to provide key plants and equipment. Substantial orders have already been placed for textile plants and machinery—particularly for the processing of synthetic fibers—food processing plants and equipment, refrigeration equipment, sugar refineries, and other light industry plant and equipment. Similarly, the lagging wood processing and paper manufacturing industry in the U.S.S.R. is to be modernized and expanded through the import of advanced Western equipment.

The modernization and expansion of the Soviet transportation network—particularly maritime and pipeline—also envisage continued imports from the industrial West, and substantial orders have already been placed for the supply of additional tanker tonnage, pipeline equipment, and large-diameter pipe.

High-quality special purpose machine tools, electronic equipment, metallurgical equipment—particularly highly instrumented rolling mills—and other types of advanced machinery and equipment are also important Soviet imports from the industrial West.[1]

Satellite trade with the industrial West consists primarily of imports of industrial raw materials, semiprocessed goods, and specialized machinery and equipment in exchange for agricultural and industrial raw materials, foodstuffs, and consumer manufactures. Approximately 50 percent of satellite imports from the industrial West are industrial raw materials and semiprocessed goods, the most important of which are high quality rolled steel, steel products, pipe—in short supply throughout the bloc—and chemicals, including chemical fertilizers. Agricultural raw materials and forestry products, including wool, hides, fats, animal feed, lumber, and lumber products represent close to 20 percent of satellite imports from the industrial West and account for a substantial portion of total satellite imports of such products.

Machinery and equipment represent about 20 percent of satellite imports from the industrial West and account for only a relatively small share of total satellite imports of engineering products, the bulk of which is supplied by the U.S.S.R. Nevertheless, advanced Western technology and specific types of complex machinery and equipment are essential to the fulfillment of key satellite production goals. This is particularly true in the case of chemical and specialized metallurgical equipment, areas in which bloc technology and productive capacity are insufficient to meet blocwide requirements.

Communist China's trade with the industrial West consists primarily of Chinese imports of industrial raw materials and semiprocessed goods in exchange for which China has traditionally exported large quantities of agricultural products, minerals, and metals. Chinese textiles and other light industry manufactures are, however, becoming increasingly important foreign exchange earners. Principal imports from the industrial West include chemicals, metals, and metal

[1] An extensive list of recently reported major transactions relative to the systematic acquisition of Western plants and general technology is set out in appendix B.

manufactures, commodities which are in limited supply within the bloc. In 1959 Western industrial countries supplied more than 80 percent of Chinese imports of chemicals, including virtually all of chemical fertilizer; 70 percent of Chinese imports of iron and steel products; and nearly all imports of copper wire and rolled copper. In contrast, imports of machinery and equipment from the industrial West accounted for less than 10 percent of total Chinese imports in this category. Nevertheless, certain advanced types of Western engineering products, including precision instruments and apparatus, complex machine tools, and electrical machinery are sought to augment imports from bloc sources. The current food shortage has visibly affected the patterns of Chinese trade. In particular, increasing imports of grain have made it necessary to cut down on other imports, including imports from Eastern European Communist countries.

C. BLOC INTEREST IN TRADE WITH THE LESS DEVELOPED AREAS

Bloc interest in underdeveloped countries of the free world has been reflected in the rapid increase in its trade with these areas. The ulterior, noneconomic aspects of this interest are traced in a prior section on Soviet foreign trade policy and in a subsequent section on the Sino-Soviet aid program.

During the period 1955–59, bloc trade with underdeveloped countries increased from $1 to $2 billion, exhibiting an average annual rate of growth substantially greater than that of bloc trade with the industrial West or indeed in trade among the members of the Socialist camp. By 1959, about 10 percent of bloc foreign commerce was directed to underdeveloped countries, accounting for about 6 percent of the total trade of these areas.

The Soviet Union itself has had a strong traditional interest in markets of the former colonial countries. In these countries, the U.S.S.R. usually procured most of its requirements for tropical goods. High on its regular import list were such commodities as crude rubber, wool, jute, spices, tea, cocoa beans, coffee, rice, cashew nuts, cotton, mica, shellac, and hides. In particular, the Soviet Union is normally a heavy buyer of natural rubber from southeast Asia.

A salient fact in Soviet trade with the less developed economies is the concentration of its import procurement in several countries for which it seems to have very little to offer in exchange. This is true in particular of the following trade partners.

TABLE 7.—*Comparison of Soviet import and export trade with selected less-developed countries (1958–59)*

[In million rubles]

	Export		Import	
	1958	1959	1958	1959
Malaya	0	4	472	510
Pakistan	8	4	38	18
Ceylon	2	2	20	21
Ghana	-------	0	11	33
Cameroon	0	0	26	34
Rhodesia	-------	-------	-------	114
Cuba	-------	0	62	30
Brazil	0	4	4	19

NOTE.—Cipher equals less than 0.5 million rubles.

The commodity composition of overall bloc trade with underdeveloped countries has been characterized largely by an exchange of bloc machinery and equipment, crude petroleum and petroleum products, and ferrous metals and food for agricultural commodities and raw materials, particularly raw cotton, wool, and natural rubber. Among bloc exports to the area, Soviet exports of machinery and equipment have registered the most substantial increase, from only $5 million in 1955 to $118 million in 1959, when they accounted for more than 30 percent of total Soviet exports to these countries. The satellites appear to have built up a significant export trade in consumers' manufactures, and such goods greatly exceed their exports of equipment to these areas. On the import side, the bloc has represented primarily a market for exports of agricultural raw materials and foodstuffs from the underdeveloped countries. In 1959, bloc imports of natural rubber, cotton, wool, hides, coffee, cocoa, sugar, fruits and vegetables, tea and tobacco, accounted for more than 70 percent of its total imports from the area.

TABLE 8.—*Underdeveloped countries' trade with Sino-Soviet bloc* [1]

IMPORTS FROM SINO-SOVIET BLOC—1959

[Millions of U.S. dollars]

	Bloc	European satellites	U.S.S.R.	Communist Far East
Total	839.1	402.0	223.9	213.2
Machinery and transport equipment	133.8	110.0	18.1	5.6
Petroleum and petroleum products	80.2	15.0	65.2	
Iron and steel	83.3	41.5	35.8	6.1
Wheat	36.4	3.1	33.3	
Rice	64.3	.2		63.8
Other merchandise and miscellaneous transactions	44.1	232.2	71.5	137.7
EXPORTS TO SINO-SOVIET BLOC—1959				
Total	1,018.6	433.9	402.0	182.7
Food, beverages, tobacco, fats, and oils	144.2	93.7	48.3	2.2
Sugar	14.5	.3	12.9	.5
Coffee, tea, and cocoa	63.0	36.3	26.5	.2
Textile raw materials	300.4	142.0	113.8	44.6
Cotton	236.4	109.2	89.2	38.0
Wool	37.9	18.1	16.6	3.2
Rubber, crude	275.4	36.9	133.7	104.8
Hides and skins	52.9	29.5	23.4	
Other merchandise and miscellaneous transactions	245.7	131.8	82.8	31.1

[1] Excluding Iceland, Greece, Portugal, and Turkey.

Source: U.S. Department of Commerce, Country by Commodity, series 1959.

In commercial dealings with underdeveloped economies, as distinct from dealings with the highly industrialized West, Communist motivation has been predominantly political rather than economic. Nonetheless, it would be misleading to dismiss Sino-Soviet investments and exchanges of goods in this area as politically inspired and economically unsound propositions. So far there is little evidence of inordinately costly state subsidies to obtain the net noncommercial advantages which have accrued to the bloc as a result of these exchanges. The Soviet Union and particularly Czechoslovakia and East Germany have shown increasing willingness to offer currency saving barters of capital and consumer goods for useful surplus commodities in what might well become a growing pattern of bloc complementarity with underdeveloped countries.

VII. Extent of Free World Interest in East-West Trade

A. Western Europe

While the Sino-Soviet bloc regards the industrialized West primarily as a source of essential imports, the Western countries look to the bloc mainly as a market for their exports. Although the share of the Sino-Soviet bloc in the total trade of the industrial West is little more than 3 percent, such trade acquires a greater degree of importance when viewed in terms of the additional market it provides for the traditional exports of these Western countries. Trade with the bloc is substantially less important to the West as a source of imports inasmuch as products imported from the bloc are, with few exceptions, readily available in the free world.

The relative importance of trade with the bloc varies considerably among individual Western countries and perhaps can be gaged most clearly in terms of the losses which each would incur should this trade be curtailed. The extent of the losses would, of course, be determined by such factors as the general level of domestic economic activity, the current balance of payments, position, and the availability of alternate markets. Thus while the bloc claims a considerably larger share of the trade of West Germany than that of the United Kingdom, West Germany would probably be able to adjust to the loss of trade with the bloc more readily than could the United Kingdom, already deeply concerned with growing problems in its balance of payments.

Exports to the bloc in 1959 constituted 7 percent of total West German exports and involved significant portions of its exports of certain steel products, selected machinery and equipment, copper,and insecticides and fungicides. In the absence of substitute outlets for some of these products, a cessation of trade with the bloc could have serious depressant effects on the export branches of these industries. On the import side, West Germany relies on the bloc to a significant degree for manganese ore, certain fuels and chemicals, wood, soybeans, platinum, tin, and antimony. However, in view of the current prosperity and diversity of the West German economy, coupled with the extraordinary surplus of about $2 billion in its balance of payments in 1960, the outlook for West German ability to adjust to losses involved in a cessation of trade with the bloc is remarkably good.

In 1960 trade with the bloc accounted for an insignificant portion—3.6 percent—of the total trade of the United Kingdom. The main commodities imported from the bloc were fur skins, wood and wood manufactures, meat and meat preparations, dairy products, pulp and waste paper, and chemicals. With the exception of some of the fur skins, it appears that all of these imports are readily obtainable in the free world, though perhaps at higher prices. Principal exports to the bloc in recent years have been nonferrous metals, nonelectrical machinery, iron and steel, chemicals, and rubber, accounting for approximately 4 to 8 percent of total United Kingdom exports of these types of commodities.

The United Kingdom would undoubtedly view with some seriousness, however, the effects of the loss of such sales to the Soviet bloc and the difficulties involved in fully replacing this market. The balance of payments position has been especially unsatisfactory in recent years, particularly in 1960 when a deficit of $963 million was incurred on current account. In order to cover obligations in the areas of defense and foreign aid, it is essential that the United Kingdom generate substantial surpluses in its trade in goods and services. Therefore, current sales to the Soviet bloc—coupled with the promise of perhaps a larger market in the future—hold a particular appeal to the United Kingdom in its efforts to improve its balance of payments.

For the remaining industrialized Western countries the importance of trade with the bloc retains a generally consistent pattern. With few exceptions, most of their current imports from the bloc can be obtained from alternate sources. The primary incentive to trade with the bloc lies in the desire to take advantage of the existing—or potential—market it presents for the industrial products of Western Europe. In particular, nonmembers of the European Economic Community have been looking to the bloc as a promising outlet for their goods.

For the most part the industrialized Western countries export products of the manufacturing industries and have been actively seeking new opportunities for increased sales particularly of products of the iron and steel and capital goods industries. More serious problems, however, would be faced by those countries which have developed a dependence on the bloc for sales of a particular commodity. Loss of bloc markets could, for example, have a considerable impact on employment in the Danish shipbuilding industry and might create severe difficulties in the agricultural sector. Also, serious repercussions could occur in the fisheries industry of Norway should there be an interruption in sales to the bloc. Both of these countries have been experiencing increasing difficulties in selling to their more traditional markets since the advent of the European Economic Community (EEC).

The less developed countries of NATO would by far be those most seriously affected by a loss of the opportunity to export to bloc markets. Iceland, in particular, would be faced with serious economic effects should it be unable to dispose of its fish in bloc markets in exchange for ships, metal and electrical machinery and other manufactures. The reorientation of Iceland's bloc markets for fish might involve some initial commercial accommodation by Western countries. Iceland's exports to the bloc in 1959 represented almost 34 percent of its total exports. Since 1960, determined efforts have been made to reduce its dependence on trade with the bloc, but Iceland's domestic difficulties, coupled with increasing trade distortions resulting from the development of the EEC, threaten once again to increase significantly its dependence on the bloc.

The effects of any cessation of trade with the bloc would have less serious effects on the other less developed countries of the Western alliance although difficulties would be encountered in arranging alternate markets for some of their more important exports. The bloc currently buys approximately 20 percent of total Greek exports and 12 percent of those from Turkey. A major portion of Greek exports of citrus fruits, hides and skins, cotton and bauxite, and almost one-fourth of Turkish exports of tobacco currently go to the bloc. Inasmuch as some of these products are items for which the current world market is "soft," producers could be affected seriously should they be forced to find other outlets for their goods.

B. THE LESS DEVELOPED WORLD

While the bloc accounts for a minor share of the underdeveloped countries' aggregate trade, it is considerably more important in the trade of selected countries. In Africa, bloc trade is particularly important to Guinea and Ghana. The bloc supplies about 45 percent of Guinea's imports and purchases about 25 percent of its exports. The bloc is now virtually the sole supplier of Guinea's requirements for petroleum products. Although bloc trade with Ghana is not yet crucial to the Ghanaian economy, it is expected to rise significantly over the next year as a result of recently concluded trade and payments agreements. Ghana currently is experiencing balance-of-payments difficulties, mainly due to the depressed world market prices for cocoa. Reorientation of the trade of these countries back to Western Europe might well require some commercial sacrifice by the industrialized NATO countries.

Both countries are dependent upon the bloc as a major source of capital for their development programs. Bloc credits of $113 million account for about two-thirds of the foreign exchange financing of Guinea's 3-year development plan. Bloc credits of about $110 million to Ghana also account for an important share of the foreign exchange requirements of that country's development program.

In the Middle East, the United Arab Republic has the most extensive economic relations with the bloc. In 1960, 45 percent of the Egyptian region's exports and 25 percent of the Syrian region's exports went to the bloc. Of particular importance are the bloc's purchases of cotton, the UAR's chief export. During the current marketing year, 60 percent of Egyptian and 40 percent of Syrian cotton exports were purchased by the bloc. Western demand for Egyptian cotton already is low, due to the UAR's policy of maintaining high prices for that commodity, and the UAR would have to lower its cotton prices substantially to market additional offerings on nonbloc markets.

The UAR's development program, too, depends to a considerable extent on the bloc. About one-third of the UAR's foreign exchange requirements for the second 5-year plan consists of bloc credits.

Although the bloc accounts for a minor share of India's total trade (about 5 percent in 1960), the bloc is scheduled to play a significant role in the Indian third 5-year plan (1961–66). Bloc credits of $775 million constitute about 12 percent of the foreign exchange requirements of the plan. Implementation of development plans in a few key sectors of the Indian economy are substantially dependent on bloc aid. The major share of bloc aid is concentrated in the fields of steel, heavy machine building, petroleum, and power. Bloc countries are the principal source of external assistance for development of the heavy machine building and petroleum industries in the public sector of the Indian economy. Moreover the availability of bloc assistance on a rupee-repayment basis makes aid from this source particularly valuable to India, which faces chronic balance of payments difficulties in the face of extensive development expenditures.

As regards the Soviet Union, its importance to the less developed countries as a source of industrial development goods and enabling export credits, has risen steadily in the last 4 years. A recent Soviet review of the subject, published in the official foreign trade journal, provides the following figures in Soviet exports of "complete sets of equipment" to underdeveloped countries:

TABLE 9.—*Soviet exports of complete sets of equipment to underdeveloped countries (1955–60)*

[In millions of rubles] [1]

	1955	1958	1959	1960
Total	1.0	101.1	62.4	61.7
Afghanistan	.9	8.8	13.2	15.7
Guinea				.1
India	.1	88.4	30.8	16.3
Indonesia				4.5
Iraq			.2	3.8
Yemen		.45	1.8	1.9
United Arab Republic		2.8	15.0	16.1
Turkey		.2	1.1	3.3
Ceylon		.4	.003	

[1] Ruble equals $1.1.

Source: Vneshniaia Torgovlia. June 1961, p. 11.

Three countries in this group, it may be noted, account for the bulk of the integrated machinery shipments. These are: Afghanistan, India, and the United Arab Republic. The same three countries are also the largest recipients of industrial equipment from the Soviet Union as well as the three leading trade partners of the U.S.S.R. among the underdeveloped nations.

In Cuba, of course, the bloc has played an increasingly important role both as an export market and as a source of imports. The current importance of bloc trade for Cuba's export earnings may be measured primarily by the extent to which sugar and nonsugar exports could find alternative markets in the West. As the sugar market is already weak and prices have been declining such a diversion could not take place without a sharp drop in sugar prices or a sharp cut in sugar export quotas or some combination of the two. Either result would mean a loss of $30 to $40 million in sugar export earnings for the rest of 1961.

The bloc has also become an important market for Cuban minerals. These products were formerly sold primarily to the United States While nickel and other minerals could probably find markets in Western Europe, this would mean the development of a new market which probably could not be exploited by Cuba without some difficulty and loss of exchange earnings. On the import side, the bloc currently supplies Cuba with all its petroleum requirements.

C. THE UNITED STATES

Despite the large volume of orders which the U.S.S.R. has placed with West European, British, and Japanese firms during the last few years, there is essentially little change in the list of items the U.S.S.R. would like currently to purchase from the United States as compared with the "shopping list" in Khrushchev's letter to President Eisenhower in mid-1958. The Soviet Union, like the European satellites, is primarily interested in buying the most highly developed machinery and technology available in the West, and in which bloc technology currently lags behind the West. Frequently, this means U.S. equipment. These fields are mainly the chemical, textile, food-processing, and metallurgical industries. In addition, Poland's interest in U.S. agricultural products is well known.

While the U.S. producers' goods industry has much to offer to the bloc, the output of the bloc is of a rather limited interest to the United States. In addition, the bureaucratic foreign trade monopolies of bloc countries are better adapted to negotiating large purchases of equipment and whole plants than to the painstaking job of marketing a large number of articles in sophisticated markets. Consequently, it must be expected that U.S. exports would greatly exceed U.S. imports. This has in fact been the case throughout the past hundred years except for abnormal periods such as the years 1948–59 with their export controls. The poor prospects for bloc sales in the United States and the resultant balance-of-payments problems, particularly the need to make credits available to the bloc, would prevent any great expansion of U.S. exports.

Perhaps the most significant aspect of the recent, and rather erratic, course of Soviet-American trade is that this trade has remained at a relatively low level despite a lowering of the level of U.S. controls and Khrushchev's ostensibly vigorous "campaign" to increase this trade. Existing U.S. measures tending to restrict United States-Soviet trade—particularly the denial of most-favored-nation tariff treatment to the U.S.S.R., the stringency of U.S. export controls, and the provision of the Battle and Johnson Acts which prohibit governmental and private loans to the Soviet Union—do pose some formidable obstacles. Despite such limitations, however, there has remained a wide area free of restrictions in which the Soviet Union could trade, provided it had the will to do so. Despite all the Soviet talk of trade, U.S. exporters and importers have found Soviet trade officials only superficially interested in noncontrolled items. Soviet foreign trade enterprises continue to sound out U.S. firms on possible purchases of, for example, textile spindle mills for worsteds, cottons, and synthetics, polyethylene plants, transistors, pumps and compressors for the petroleum industry. In nearly every case the items sought embody the latest developments of U.S. technology.

It may be assumed that if the United States encouraged bloc trade by taking administrative action to liberalize its exports licensing policy and to minimize import discriminations, trade with the Soviet bloc could expand to perhaps $400 to $500 million annually over the space of the next few years. This figure reflects an estimate of possible bloc requirements for machinery from the United States in light of its current economic plans, alternative sources of supply in Western Europe, and a consideration of the possible magnitude of bloc exports to the United States. While the bloc would probably not be able to balance trade at this level by its own direct export of goods to the United States, it could make up the residual amount by reexports, by converting export receipts from other Western countries into dollars and by the sale of additional Soviet gold to the free world to make foreign exchange available to the European satellites. This assumption of a United States-bloc trade expanded to $400 to $500 million does not allow for an increase which might occur if U.S. long-term credits and most-favored-nation tariff treatment (already accorded to Poland) were made available to all bloc members—developments which would require legislative rather than merely administrative action.

In sum, if the United States were to modify existing administrative restrictions, the expansion of U.S. trade with the Soviet bloc to the magnitude postulated in this estimate would still have little overall impact either on bloc or U.S. economies, although it would assist the U.S.S.R. in reaching some of its industrial goals, such as those for chemicals industry. The bloc's ability to obtain from Western Europe many of the items still denied them by the United States—and often on favorable credit terms—suggests that the intensity of the bloc, and particularly the Soviet, campaign for an expansion of trade with the United States stems almost certainly from a Soviet belief that important political gains would flow from any elimination of U.S. controls. The willingness of the United States to trade freely with the U.S.S.R. would help to "legitimatize" and make respectable the U.S.S.R. and other Communist governments. This would be an important political gain, for example, in underdeveloped free world countries for the Communist nations.

D. FUTURE PROSPECTS OF EAST-WEST TRADE

1. *The industrial West*

Pursuant to the overriding policy objective of economic self-sufficiency, the Sino-Soviet bloc seeks to satisfy most of the import requirements of member countries through intrabloc trade. Nevertheless, bloc trade with the industrialized countries of the West, which in 1959 amounted to approximately $5.7 billion and accounted for 20 percent of total Sino-Soviet bloc foreign trade, may by 1965 be increased to approximately $7 to $8 billion, but its share of total bloc foreign trade will remain about the same. The importance of East-West trade in terms of aggregate free world trade is substantially less. In 1959 it accounted for about 5 percent of total free world trade, and, assuming a continued growth of free world trade at the rate experienced during the period 1956–60, East-West trade will not significantly alter its share in the total by 1965.

The commodity composition of East-West trade during the next few years will continue to be guided primarily by the import requirements of the Sino-Soviet bloc countries and by the type of goods which the West is willing to accept in payment. Principal bloc imports from the West will include, as in the past, machinery and equipment—specifically complete plant installations for the chemical and petrochemical industries, specialized machine tools, metallurgical and electronic equipment, transportation equipment, and plant and equipment for light and food industries. Most of these machinery and equipment imports are destined for the U.S.S.R. and the European satellite countries as Communist China and the Far Eastern satellites meet their import requirements from bloc production. Other important bloc imports from the West will comprise semimanufactures (primarily iron and steel products), nonferrous metals (notably copper and copper products), chemicals and fertilizers, and agricultural materials and foodstuffs.

Bloc exports to the West will continue to consist largely of crude materials, fuels, and semimanufactures, although machinery and equipment as well as manufactured consumer goods will probably play an increasingly important role. The U.S.S.R. has been a traditional supplier to the West of petroleum and petroleum products, coal, lumber, cotton, and grain, and will seek substantially to increase its exports of these products to pay for expanding imports from the West. The European satellite countries have been traditional suppliers of agricultural raw materials and foodstuffs, fuels, consumer goods, and, more recently, machinery and equipment. Great efforts are currently being made to increase and diversify satellite exports, particularly of machinery and equipment and manufactured consumer goods. Chinese exports have in the past consisted largely of agricultural and industrial raw materials, foodstuffs, and light-industry products, especially textiles. In view of increased domestic requirements for raw materials and current shortages in foodstuffs, the Chinese export effort in the West is expected to concentrate increasingly on light industry and consumer goods.

There are at least two major factors which will tend to inhibit any expansion of bloc trade with the industrial West beyond the 1965 range suggested here. First, as bloc plans for expanding purchases in the West materialize, the problem of generating sufficient quantities of marketable exports should become increasingly acute. Traditional export products (supplemented by the recurrent appearance of new commodities offered at reduced prices, exemplified by Soviet sales in 1958 of substantial quantities of aluminum and tin at below world market prices) should continue to provide the major share of foreign exchange earnings. However, rapidly rising domestic and bloc-wide requirements for industrial and consumer goods will increasingly compete with export demands, suggesting that current bloc difficulties in expanding merchandise exports will continue.

To mitigate its current export difficulties the bloc has sought—and continues to seek—extensive credits from the West. In the absence of a sizable increase in long-term commercial credits from the West, which heightened East-West tension now makes unlikely, the Soviet Union may be expected to continue to resort to its gold reserve to pay for needed imports. In the period since Stalin's death the U.S.S.R. has already sold well over a billion dollars worth of gold to cover deficits in its international accounts. With the increasing cost of producing the metal and the knowledge that most, if not all, of its current gold production may have to be exported to pay for any really ambitious import program, the U.S.S.R. will probably heighten its efforts to seek other solutions. Khrushchev himself admitted that "you won't get very far on gold reserves alone; there is always a limit to them." At best, Soviet gold reserves alone could not offer more than a temporary solution to its payments problems and to those of the chronically foreign exchange-deficit Sino-Soviet bloc.

A second factor which should limit the growth of East-West trade is the understandable reluctance on the part of free world exporters to face the instability of the bloc import pattern. Because the foreign trade of the Sino-Soviet bloc countries is essentially a function of their long-term economic plans rather than considerations of comparative costs as understood in the West, it is in large part governed by marginal needs which tend to alter quickly with changes in domestic production and plan priorities. Prewar Soviet trade testifies to how drastically Soviet imports can fall once the short-term target objectives are met. Soviet imports in 1931 totaled almost $1 billion. by 1933 such imports had dropped to $300 million. In the more recent past, the rapid increase in Soviet imports of chemical equipment and complete plants coincident with plan goals, once again suggests the nonrepetitive character of such imports. Thus bloc imports of needed machinery and equipment from the West, rather than constituting the beginnings of a fruitful international division of labor presaging substantial increases in the level of trade, may ultimately be applied toward making the bloc more independent of the needs for such imports in the future.

2. The less developed areas

Because the Soviet trade program (if not that of the more economically complementary satellites) is obviously influenced by noneconomic factors, this sector of bloc foreign trade appears to be the most volatile and projections of future trends the most hazardous to make. However, if bloc trade with the underdeveloped countries increases at about the same rate as in recent years, such trade could approximately $4 to 5 billion annually by 1965. The rate of growth implicit in this projection, although considerably less than during the period 1955–59, will be substantially in excess of the rate of growth anticipated for total bloc trade or for bloc trade with other members of the bloc or with the industrial West.

Any evaluation of the future prospects for bloc trade with underdeveloped areas must necessarily take account of the relation between current and potential bloc requirements and the resources of underdeveloped countries. Priority bloc import needs for the next several years will largely be in terms of machinery and technology for the chemical, transportation, food processing, electronics, and metallurgical industries—items for which underdeveloped countries have little export potential. Although cotton and wool imports from underdeveloped countries have risen markedly since 1955 and currently account for about 25 percent of total bloc imports from these areas, in this category, too, it is not anticipated that Soviet import requirements in 1965 will substantially exceed the level of imports in 1958. Despite ambitious goals for the output of cotton and wool fabrics, it is estimated that (barring any large-scale production shortfalls) rising domestic production of cotton and wool coupled with the introduction of synthetic fibers, could do much toward making production keep pace with consumption. Imports of jute, tea, and lead ores are other products for which replacement of imports by home production is planned by the U.S.S.R. as part of the quest for greater blocwide self-sufficiency. Bloc import requirements for natural rubber, will remain high despite efforts to develop large-scale production of rubber substitutes.

If Khrushchev is serious in his stated intention "to rapidly develop the light and food industries side by side with heavy industry," and if the U.S.S.R. turns at last to the problem of satisfying the long-suppressed desires of its people for a substantially higher standard of living, the Soviet leadership increasingly may become willing to exchange industrial equipment for such staples of underdeveloped countries as coffee, sugar, cocoa, and tropical fruits and vegetables. Indeed, for the longer run, Soviet willingness to import the products of light industry established in underdeveloped countries—in part through its own economic assistance program—could provide additional prospects for an expanding trade between the two areas.

On balance, however, it seems an inescapable conclusion that the extent to which the U.S.S.R. will be willing to absorb the major share of the exports of largely one-crop underdeveloped countries, will more likely reflect the demands of political expediency rather than the outgrowth of normal—and more predictable—economic requirements.

E. RANGE OF FREE WORLD DEPENDENCE ON BLOC TRADE

Based on data for the 3-year period 1957–59, the following countries of the free world appear to be substantially dependent upon the Sino-Soviet bloc as a supplier as well as a market: Egypt, Iceland, Turkey, Austria, Finland, Yugoslavia, and Guinea. Between 30 and 40 percent of the trade of Egypt and Iceland and about one-quarter of Finland's and Yugoslavia's trade is with the Soviet bloc. The bloc countries account for 10 to 20 percent of the total foreign trading of Austria, Syria, and Turkey.

TABLE 10.—*List of countries devoting significant proportion of total trade to trade with the Sino-Soviet bloc*

[For countries over 10 percent]

	Share of bloc in total trade (1960)
Exports:	
Austria, Turkey, Finland, Iraq, Jordan, Sudan, Cambodia, Uruguay	10–20
Greece, Iceland, Syria, Guinea, Cuba	21–30
Yugoslavia, Iran	31–40
Egypt	41–50
Imports:	
Austria, Burma, Cambodia, Indonesia	10–20
Iceland, Finland, Yugoslavia, Egypt, Hong Kong	21–30
	31–40
Guinea	41–50

Source: U.S. Department of Commerce (IEAD).

TABLE 11.—*Share of free world countries' trade with Sino-Soviet bloc in 1960*

[For countries under 10 percent]

Proportion of trade (percent)	Free world exports	Free world imports
0–1.9	United States, Canada, Ireland, Netherlands, Israel, Algeria, Cameroon, Republic of Congo, Ivory Coast, Republic of Togo, United Kingdom of South Africa, Japan, Chile, Colombia, Mexico.	United States, Canada, Ireland, Portugal, Spain, Israel, Libya, Malta, Algeria, Angola, Aden, Cameroon, Republic of Congo, Federation of Rhodesia and Nyasaland, Republic of Togo, Uganda, United Kingdom of South Africa, Taiwan, Thailand, Australia, New Zealand, British Guiana, Chile, Colombia, Mexico, Peru, Venezuela.
2–3.9	Belgium, Portugal, Spain, Switzerland, United Kingdom, Cyprus, Angola, Nigeria, Federation of Rhodesia, Tunisia, Hong Kong, Thailand, New Zealand.	Belgium, France, Netherlands, Switzerland, United Kingdom, Cyprus, Lebanon, Nigeria, Senegal, India, Japan, Pakistan, Tunisia.
4–5.9	Denmark, France, Italy, Norway, Sweden, Lebanon, Morocco, Uganda, Australia, Argentina, Brazil.	Denmark, Norway, Sweden, Ethiopia, Ghana, Morocco, Malaya and Singapore, Argentina, Brazil.
6–7.9	France, Germany, Libya, Ghana, Burma, Pakistan.	Germany, Greece, Italy, Iran, Jordan, Ceylon, Uruguay.
8–9.9	Ceylon, India, Indonesia, Malaya	Turkey, Iraq, Sudan, Syria.

Source: U.S. Department of Commerce.

VIII. Limits of Economic Leverage Available to the Western Alliance

Barring a major East-West crisis the feasibility of uniform allied adherence to a policy of total embargo is very limited. This is certainly true as long as the United States persists in its reluctance to resume the leadership in trade policy toward the bloc which it relinquished by default in the last decade. In light of changed conditions emerging from the recent upsurge in the cold war, it is, however, useful to focus attention on two important questions regarding the future course of East-West trade relations: (1) What degree of economic leverage could accrue to the West from a threat of total NATO-wide embargo on trade with the bloc, in order to mitigate the growing militancy of Soviet foreign policy? and (2) What are the prospects for broadening the concept of the currently limited multilateral embargo on the sale of strategic materials and technology to the bloc? The practicality and feasibility of policy changes implied in these questions depend on the degree of dislocation a broader embargo would entail for bloc economies and the degree of disruption it would produce in the economies of the NATO. For the basic data which enter into the answers, reference should be made to the two preceding chapters of this report.

A. Impact of a Trade Embargo on Bloc Economies

The degree of direct economic leverage vis-a-vis the bloc available to the United States itself is clearly insignificant. Unilateral severance of trade relations would have no disruptive consequences for bloc economies. As regards mainland China and contiguous Communist-dominated Asian areas, our trade embargo is already complete. As regards the U.S.S.R. and its European satellites, more than a decade of denial of most-favored-nation treatment, of export credits, and of a broad range of materials and technology considered as strategic have reduced to a minimum the Soviet Union's place and expectations in our market. Despite periodic attempts to obtain revocation of these restrictions, to all intents and purposes the United States has ceased to count as a source of unique and irreplaceable supplies for the bloc.

At the level of the Atlantic Alliance in its entirety, the picture is considerably different. Communist trade with the free world has expanded dramatically in recent years from $3 billion in 1953 to $8.7 billion in 1960. The great bulk of this trade is with the industrial West. Its industrial and technological importance to the bloc is borne out by the analysis and tables set out in the preceding chapters.[1] The total figures and composition of current bloc trade with Western Europe and Japan seem to lend substance to the concept of Western economic leverage which did not exist in the past.

[1] See also app. B: "Massive Procurement by the Soviet Bloc of Plant and Equipment Embodying New Western Technology."

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In the opinion of this writer, several working conclusions are warranted upon the impact of a uniform, total and sudden NATO embargo on trade with the Communist bloc. By way of a caveat, however, it is necessary to add that the formulation of these conclusions has entailed a considerable amount of conjecture.

1. The Soviet economy would not suffer widespread dislocation as a result of such a cessation. Despite its recent increased cultivation of world markets, the U.S.S.R. has not abandoned its traditional policy of economic self-sufficiency.

2. The Soviet Union would be hard put to fulfill its current 7-year plan (1958–65) in the form in which it is now conceived. Present schedules for industrial development are predicated on the continued availability of industrial supplies and prototypes of advanced technology from Western Europe, and on continued opportunity to dispose of surpluses abroad.

3. Mr. Khrushchev's ambitious plans and schedules for overtaking the United States in overall industrial production and for modernizing retarded Soviet industries would undergo considerable disruption. This is particularly true of the areas of petroleum, transportation, petrochemicals, chemicals, plastics, synthetic fibers, synthetic rubber, and fertilizers. While it is believed that Soviet industry and technology have developed sufficient momentum to fulfill almost any high priority tasks with appropriate allocation of resources, such solutions would take a considerable time, not to mention the additional cost and effort involved.

4. The military sector of the Soviet economy would be largely unaffected, owing to the traditional scale of Soviet priorities and the fact that 12 years of strategic embargo have produced a considerable degree of autonomy from Western suppliers.

5. In satellite countries the economic dislocation would be relatively more severe. A forced scale of trade with the U.S.S.R. is in itself a form of dislocation. Moreover, more than half of satellite imports from NATO countries consist of industrial raw materials and semimanufactured goods, particularly high quality rolled steel, various steel products, pipe and chemicals, and chemical fertilizers—all of which are in short supply within the bloc. Machinery and equipment represent about 20 percent of satellite imports from the NATO area. Economic conditions and planning would, moreover, undergo disruption not only because of the unavailability of many types of industrial raw materials and advanced technology necessary for fulfillment of production goals, but also because of the unavailability of Western markets for the disposal of surpluses. In particular, export economies such as Czechoslovakia and East Germany would be seriously affected. There are indications that the recent West German threat to cut off trade drove home to East Germany the specter of a possible collapse of its chronically unstable economy.

6. Similarly, serious impediments would arise in the coordination of intrabloc economic policies which aim at maximum national specialization and regional self-sufficiency. Indeed, increased political tensions within the bloc may also be anticipated. In this connection, it is useful to recall that Eastern European countries are compelled to pay the Soviet Union higher prices for comparable goods available outside the bloc, and to accept lower prices for goods which they can sell more advantageously in the West. A Soviet promise to eliminate

price discriminations in intrablock trade was one of the concessions made following the 1956 political upheavals within the bloc.

7. Finally, cessation of imports, exports, and export credits (which are now being liberalized by certain NATO countries) would certainly slow down the bloc's program of aid [to underdeveloped countries. From 1954 to date, the bloc has expended $5.9 billion in military assistance and economic aid (mainly credits) to 26 underdeveloped countries. This does not include intrabloc aid, which comes to an even larger sum. A total NATO-wide embargo would provoke a switch in priorities, thus making it more difficult and costly for the bloc to fulfill its commitments for long-term development projects, continued provision of low-interest loans and supply of capital equipment. In addition, China's needs and demands upon the U.S.S.R. would be seriously magnified. The impact of a denial of Canadian wheat and other food products from NATO sources in the currently threatened famine conditions is difficult to measure and should not be exaggerated. However, Chinese imports from the NATO area are heavily concentrated in the category of chemicals, metals, and metal manufactures, which are not easily replaceable within the bloc, as well as chemical fertilizers, almost all of which are supplied from the industrial West.

B. IMPACT OF A TRADE EMBARGO ON NATO ECONOMIES

Having assessed the likely impact of a NATO-wide embargo on bloc economies, the other side of the coin is the extent of the losses which would be incurred in the NATO alliance should all trade with the bloc be discontinued. It is this question which goes to the heart of the problems of leverage, contingency planning, and the feasibility of a policy of broader embargo.

The general extent of the losses and the specific areas in which they would be felt most acutely, are traced in some detail in the preceding chapter. At this point it is useful to recall that the bloc does not hold a significant place as a source of imports into NATO countries inasmuch as most of the products now imported are readily available in the free world. The United States has already removed at relatively little cost any dependence on supplies for which it had previously looked to the bloc.

More difficult problems arise with regard to exports. Communist orders placed by gigantic state monopolies often require work to specification as well as considerable tooling-up expenses. If deliveries were curtailed certain industries would experience great difficulty in finding alternate outlets, with consequent unemployment, idle capacity, and balance-of-payment implications. In addition, a number of industries have come to look upon the bloc as a promising future outlet for their goods. This is particularly true of NATO countries which are not members of the European Common Market and whose exports and sales prospects are affected by the current realignment of European customs blocs.

It has been shown earlier that only Turkey, Greece, and Iceland, whose trade with the bloc exceeds 10 percent of their total trade, would be faced with serious economic dislocation in the event of a stoppage of trade. In absolute terms their trade with the bloc, is, however, modest and the cost to more prosperous members of the alliance of compensating the resulting loss would be relatively small. Other NATO countries could expect a certain degree of natural adjustment to minimize the damage of dislocation flowing from total embargo. West Germany, for example, enjoys a balance of payments situation which would render adjustment quite painless. In the case of the United Kingdom the consequences would be more serious, while in Denmark, Norway, and the Benelux countries the impact of dislocations would be limited to one or two specific industries.[2]

In calculating the adjusted cost to the alliance, and the extent of needed trade alternatives to compensate for a renunciation of commerce with the bloc, it should be borne in mind that an actual embargo may not be needed to achieve the desired impact on the Soviet Union. But we must be prepared to travel the rocky road should the need arise. In order to achieve the optimum impact, a convincing way must be found to convey to the Soviet leadership the knowledge that a realistic estimate has been made of the damage which would be caused to bloc economies, as well as of the cost of compensation which would be incurred by the United States and its more propserous NATO allies; and that in the event of undue provocation this loss would be underwritten without hesitation.

[2] A more detailed impression of impact, by country, industry and commodity, can be obtained from a perusal of app. A: "Significance of Soviet Bloc Trade to Individual Nations of the Atlantic Community and Japan (1959)."

IX. Strategic Implications of East-West Trade

The primary objective of the restrictions placed by free world countries on exports to the bloc is to hamper the buildup of military power with particular emphasis on relevant advanced technology and related plant, equipment, and materials. It is recognized that such restrictions cannot prevent the bloc from eventually developing or otherwise obtaining such technology, plant, equipment, and materials. However, even a modest time advantage in the development and production of military and defense equipment and facilities can be highly significant in the event of a possible military contest.

It is even now frightening to envisage what might have happened in World War II had the Axis Powers been first—even by a few months—in developing the atomic bomb. The early possession of radar by the Allied Forces was put to excellent use. Many other examples could be cited where a modest time advantage in the possession of new or better weapons and facilities was critical in terms of war. In times when science and technology have made possible destruction on a scale never before envisaged, relatively small advantages take on even greater importance. Billions of dollars are spent on defense nets in order to increase attack warning time by a few minutes and on missile and other weapon systems to respond to such warning several minutes sooner. Advances in radar, computers, communication and control systems, and the weapons systems themselves are all relevant. The advantages described are important, however, not only under "hot" war conditions but can be even more significant in time of "cold" war if the "enemy" is made aware of them. Such knowledge by the "enemy" may be the critical deterrent to his aggression. Thus, the primary objective of the free world's export restrictions (described hereafter), although limited, remains significant.

A. THE MILITARY AND LOGISTIC IMPACT OF EXPANDING TRADE WITH THE BLOC

In broad strategic terms, the main significance of the rapidly expanding economy of the Sino-Soviet bloc is the fact that its power is utilized primarily to improve the Communist world's military posture and to spread Communist influence among free and uncommitted nations. The rapid growth of the Soviet Union's economy has been accomplished principally through a very high rate of capital investment in certain types of heavy industry. While Western technology and capital equipment have contributed greatly to this growth, particularly in the early stages, the present impact of imported technology and capital equipment is probably not a major factor in overall economic development. Some sectors of the economy, however, are even more significantly benefited by selected imports used to correct industrial imbalances.

Although it is exceedingly difficult to gage their impact, these benefits will become more significant if the present trend toward credit expansion and relaxed export controls continues. For under such conditions the bloc may be expected to procure a substantial volume of additional modern capital equipment and technology not otherwise available to it. This would undoubtedly be used to alleviate imbalances which have developed as the result of past differential rates of progress between high-priority and low-priority sectors of the economy. At the very least, expanded trade would ease the problem of meeting civilian economic targets and permit a greater concentration of resources on military production. Nonetheless, it should not be assumed that the bloc leaders will depart from their long-term policy of maximum independence from external sources for essential industrial supplies, equipment, and technology. This is especially true of the military sector.

Currently, the bloc appears to be largely self-sufficient in basic materials. However, significant deficiencies are known to exist, and their severity is particularly felt in the case of copper, rubber, high-grade rolled steel, boron, and molybdenum. Imports of copper constitute about 25 percent of the total bloc supply, estimated at 600,000 tons per year. Imports constitute the only source of natural rubber, which is obtained principally from Malaya and Ceylon through British channels. The special cold-rolled steels imported by the Soviet Union are an important source of essential materials, although negligible in comparison to total bloc steel production. Boron is an embargoed commodity and is shipped only in small amounts. The bloc has shown persistent interest in boron, however, and would no doubt import large quantities if available. Molybdenum is effectively embargoed by the countries of the Atlantic Community.

To what extent these material deficiencies affect overall Soviet bloc economic development is not clear. For the most part, the reliance on imports is marginal in extent, comprising a convenience or a saving in investment and development cost in relatively poor quality or remotely located natural resources. The short-term advantage to specific areas of the economy is, however, significant. Thus, the importation of copper and copper wire amounting to more than 150,000 tons per year is undoubtedly playing an important role in certain industries. Imported rubber constitutes a principal material for the tire industry and fills an essential military and civilian need pending the expansion of capacity (now being created in part with Western technology), which will not be in full-scale production for several years. The Soviet interest in boron is not fully understood, but may relate to high-priority projects over and above its standard applications in the ceramic and chemical industries. The molybdenum deficiency is not critical since alternate materials available in ample quantity serve the same purposes. Other material deficiencies, such as cobalt, are covered by the COCOM embargo because they relate directly to programs of critical strategic significance.

In the field of semifabricated and finished products, advanced-design machinery and equipment are the principal categories of Soviet bloc interest. Since 1958–59, when Khrushchev and Mikoyan visited the United States and made proposals for expanded United States-Soviet trade, the bloc has substantially increased its procurement in the West, largely in Western Europe and Japan. The main areas of interest are petrochemical and synthetic plants, electronic equipment for communications and industrial control, precision and highly automated machine tools, construction machinery, industrial handling equipment, carbon steel and alloy sheet and strip, modern cold-rolling mills for sheet and strip steel production, electric power generation and transmission equipment, precision miniature bearings, rail and ocean transport equipment, tire plants and equipment, large diameter pipe and related equipment needed for the expansion of the Soviet oil industry.

Of special significance are extensive Western European exports of high quality modern machine tools to the Soviet bloc. Indications are that these exports, particularly to Communist China, represent a good deal of the basic equipment essential to the development of a modern military-industrial economy. In addition, active procurement is taking place in areas of lesser strategic significance, for example, synthetic fibers, food processing, refrigeration equipment, sugar refineries, and other light industry plant and equipment.

Within these various groups the Soviet bloc is attempting to procure the most advanced high-productivity capital goods, in the form of complete industrial installations and associated engineering services and production technology, as a means of filling gaps in its internal development plans, with consequent time and cost savings in research and development. While there are no complete data on the total value of these transactions, it is evident that the amount is substantial. It is also clear that the qualitative contribution to Soviet bloc industry is significant, and that fulfillment of the current planning goals in some sectors is dependent on continuation of this trade.

Although there is no clear evidence that the current import activity is directed primarily toward expansion of military production facilities, it obviously provides a broadened logistic base for future mobilization requirements. In some instances, imports from the free world assist projects which have current military-strategic purposes, as well as fulfilling a general economic need. For example, plans for extending pipelines for the distribution of oil and natural gas form a pattern with obvious military-logistic implications.

The Soviets became greatly interested in free world equipment for oil distribution in 1956 or 1957 when the productive capacity in the U.S.S.R. and the satellites had begun to outstrip internal oil refining and distribution capability, as well as the planned level of civilian consumption. They have entered into extensive oil export agreements with most of Western Europe, and with such countries as Iceland, Cuba, Brazil, Argentina, and Japan. Exports increased from about 220,000 barrels per day in 1958, to an estimated 550,000 in 1961. The proceeds from these transactions are largely hard currencies. These proceeds are being used to procure the essential equipment for the development of an oil industry which will serve both internal and external requirements. Without these imports the balanced development of a modern oil industry would not be possible within the planned schedule. Soviet industry can only meet part of the equipment needs of Soviet oil production, and in some categories, such as large diameter pipe, compressors, and pumping equipment it suffers from a serious shortage of capacity and a significant lag in technology. It is estimated that the requirement for large diameter pipe alone is about 5,000 miles to complete the current 7-year plan (1958–65). The cost of this could be at least $100 million. The associated equipment would probably cost as much or more, and would be largely procured in the free world if made available. Oil tankers are also a large item. At present nearly 500,000 deadweight tons are under charter to the Sino-Soviet bloc and approximately 1.2 million deadweight tons have been purchased or are on order from the West, which is nearly equal to the present tonnage in the Soviet tanker fleet.

There are other efforts to develop a supporting structure for the oil industry through foreign procurement. Soviet interest in improved drilling components, principally rock drill bits, is well known. There are also reports of interest in refining equipment and technology, and recently an order for a rolling mill to produce plates for production of large diameter oil pipe was placed with an Italian manufacturer.

The pipeline systems within the Soviet Union were originally designed to carry crude petroleum from the southern producing fields to the industrial consuming centers of the Urals and western U.S.S.R. The present plan calls for an extension of the "center" pattern in both directions. A single line is projected to the far eastern industrial complexes with an eventual outlet to the Far East. To the west a network is planned with two terminals in the Baltic Sea, one in East Germany, and one leading through Hungary, Czechoslovakia, and Austria. Natural gas lines are planned to the Urals and industrial centers in the east. Attempts are being made to get an Italian firm to extend the Austrian pipeline to the Adriatic Sea.

This overall pattern of oil and gas lines not only serves industrial expansion plans, but is also ideally suited to provide logistic support to the most probable routes for movement of Red army troops in case of a land invasion. Concurrently, the lines will provide the basis for further expansion of exports to Western Europe and other free world markets.

The Soviets now supply more than 10 percent of the petroleum market in NATO Europe and will in all likelihood increase this to at least 15 percent within several years, if present patterns of East-West trade continue to develop. Several countries are already heavily committed to take Soviet oil. The most serious consequence of this development is the danger that dependence on Soviet supply will interfere with NATO contingency planning, for it might prove difficult to shift with rapidity from Soviet sources in an emergency. In addition, Soviet oil tends to disrupt political unity as well as Western economic equilibrium. Price inducements in the sale of Soviet oil and total disregard for established standards and practices places the free world producing and distributing organizations at a distinct disadvantage. Thus, on balance, the lower price of Soviet oil is a questionable benefit to the Western World. On the other hand, the strategic advantage of the oil trade to the Soviet bloc is clear.

Other instances could be cited where foreign procurement is designed to achieve substantial expansion in lagging sectors of the economy having broad strategic significance, if not immediate application in terms of military production and preparation. For example, urgent plans to expand and improve land transportation are at the basis of important orders placed by the bloc for manufacturing facilities of carbon black, rayon and nylon tire cord, synthetic rubber, and automobile and truck tires in a coordinated scheme designed to overcome bloc shortages of high grade tires. Similarly, logistic advantages of improved and expanded transportation facilities are implicit in bloc orders of railway locomotives, advanced signaling systems and in the overall boost to the bloc railway network as a result of growing trade deliveries to and from Western Europe. The resultant capacity for speedy transportation of troops and supplies and the general ability to switch railways from civil to military use need hardly to be emphasized.

The strictly military sector of Sino-Soviet bloc industry is governed by a highly integrated pattern. This sector is supplied almost entirely from indigenous sources. Enjoying the highest priority status in the economy, it commands available material, equipment, technology, and scientific resources in preference to all other sectors. Instances have occurred, especially in connection with advanced design equipment such as precision machine tools and electronic technology, where interest in foreign prototypes has appeared to be related to a current military production objective; in general, external resources are not, however, a significant logistic factor. Nonetheless, if the NATO countries were to seek an expansion of trade through further relaxation of the international strategic trade controls, it is probable that bloc procurement of highly selected materials, equipment, and technology having critical military applications would greatly expand. This expansion would not be likely to place the military capability of the bloc in a position of dependency, but would tend to improve its quality and supply prototypes for copying. Miniaturized electronic communications and navigation equipment are particularly critical examples in this category of products.

The compensating advantage to the West of expanding trade with the Sino-Soviet bloc are not significant from the military point of view. Years of cold war tension have led the United States and its NATO allies to develop autonomous sources of sensitive supplies, with the result that there are no raw material resources in the Sino-Soviet bloc which are not available in sufficient quantities to meet essential military and civilian production requirements in the Western World. It would, of course, be unsafe to ignore the possibility of preclusive Communist buying of strategic raw materials essential for NATO defense industries. For example, the Congo is a principal source of free world supply of such rare commodities as cobalt, uranium, and tantalum and it is not difficult to envisage circumstances in which the continued availability of such supplies might become jeopardized. However, at this time there is no indication that such tactics on the part of the Soviet bloc would be feasible or practical.

B. TECHNIQUES FOR MEASURING THE IMPACT OF RESTRICTIONS ON TRADE WITH THE BLOC

In any attempt to analyze the impact on the Sino-Soviet bloc of free world restrictions on strategic exports, it is important that the limited objective of such restrictions be clearly understood. Failure to understand the limitations often lead to analyses in terms which are entirely divorced from the present scheme of American and multilateral export controls.

Thus, the bloc's GNP and rate of GNP growth has occasionally been cited in support of the conclusion that the present control program, and indeed a total embargo, can have no more than a miniscule impact on the bloc. Of course, the control program is not and never has been aimed at the bloc's overall economic position. For this reason, the measure of impact (past, present, and future) by reference to GNP, while informative, is of limited usefulness in terms of the present program.

Leaving aside the question of reliability of basic information on which GNP estimates for the bloc are based, it is questionable whether in overall economic terms it is currently possible to measure adequately the benefits to the bloc of trade with the free world. Available techniques become increasingly difficult to apply and increasingly less reliable as they apply to production facilities, technology, research equipment, etc. For example, significant portions of the U.S.S.R.'s industry is built on technology frequently "pirated" from the free world. Such effort continues in the bloc's seeking of prototype equipment and advanced technology for import both for production use and copying purposes. How can adequate impact evaluation be made of this activity in overall economic terms? A machine tool may not see productive use in machining until it has been copied and other such machines are being produced in the bloc. A chemical plant and process may not enter effective production for a year or two after its import and within several years may have been duplicated numerous times. What is the measure of impact in such instances? It may be said that within those several years the bloc could have developed the same technology.

On the other hand the bloc has not demonstrated an overall competence in either research, development or engineering which can by any means match that of the free world and, as with individual free world countries, its capability—high in a number of respects—cannot be stretched across the industrial spectrum to achieve simultaneously a rapid pace of advancement. Again, one of the exports among free world countries is the publication and open dissemination of scientific and applied research results, engineering developments, patent information, etc. A large part of this mass of published technical data is available to bloc industries and is obtained by them. In the United States alone some billions of dollars a year are going into such research and developmental effort. In many instances in the United States this information results from efforts financed by Federal Government agencies. How can the value of this flow of technical information be evaluated in terms of economic impact on the bloc?

If the GNP approach cannot be satisfactorily used in determining the extent to which the export restriction program achieves its primary objective of imposing a delay on the bloc's military buildup, what techniques can be reasonably used?

A prime method of ascertaining impact on the bloc is evidence of bloc attempts to obtain restricted exports. In this regard evidence of attempts to obtain such restricted exports before restrictions were imposed can be indicative of bloc need and the inadequacy of indigenous bloc production. Of greater significance are the bloc attempts to obtain such exports illegally following the imposition of restrictions, the necessarily high prices the bloc is willing to pay and the length of time the bloc persists in the effort. Such evidence alone is clearly indicative of impact. When coupled with available evidence of attempts by the bloc to readjust in order to meet its needs by production or substitution, of the length of time required to make such internal adjustments or of continuing internal shortages, illegal procurement attempts represent convincing evidence of impact. If the sole use for the restricted export is strategic-military in nature, the impact can be tied directly to the objective of the export restriction program. If, as is frequently the case, the restricted export has both nonstrategic and strategic application, the relevance of the impact to the program's objective must be derived from a judgment as to whether the bloc has or has not met its strategic needs or is likely to undertake intensive effort to meet a need for the nonstrategic applications involved, many important clues to shortages may be obtained, in addition, from a close scrutiny of the economic planning targets of the bloc countries.

Available information may indicate that the bloc has an important deficiency in material, equipment or technology. In the case of items solely or primarily used for strategic purposes, the relation to the program's objective is clear. Whether, in the case of dual purpose items, the deficiency has a strategic impact is frequently indicated by the degree of bloc restriction on nonstrategic uses, evidence of lack of use in strategic applications, or evidence of extensive effort to find substitutes; in the absence of such explicit evidence, judgment factors such as those described above must be applied.

In the area of recent advances in materials, equipment, and technology it is frequently apparent from past bloc usage of similar developments for strategic purposes and/or the emphasis on present bloc research and development effort for strategic purposes that it has strategic need for certain recent free world developments and would so apply them if they could be obtained.

Particularly in areas of new developments of strategic importance to the free world it is frequently possible, in the absence of other reasonable evidence of bloc strategic need, to apply free world use by analogy. However, because the bloc's economy and emphasis on the strategic rather than the consumer portion of its economy, any such analogy must be closely examined to assure that it is reasonably applicable to the bloc. In general, overall free world usage is not so applicable because relatively few free world countries are engaged significantly in strategic efforts comparable to that of the U.S.S.R. On the other hand, in those instances where the type, character, and magnitude of the strategic problems being faced by the U.S.S.R. (or the bloc) and by the United States (or the free world) are closely comparable, it is frequently possible to conclude that the bloc's need for urgent solution to its problem would lead it to use free world developments of material, equipment, and technology for strategic purposes just as the free world had done. Since in many instances particular programs and technical requirements of comparable nature exist only in the United States and the U.S.S.R., it is frequently only the U.S. pattern of usage which can be applied in this technique.

C. THE PRESENT STATUS OF WESTERN EXPORT CONTROLS

Since January 1950, when a consultative group/coordinating committee (CG–COCOM) organization was established in Paris, the control of strategic exports to the Soviet bloc has been a recognized and consistent part of Western policy. At that time, the key countries in the European recovery program reached agreement on the basic purposes of the cooperative trade control program which has remained in active operation until the present. The number of countries participating was gradually increased until the membership reached 15—all the NATO countries other than Iceland and also Japan.

The COCOM control program as it exists today has two major aspects: first, maintenance of lists of items (arms, atomic energy materials, and other strategic items) to be embargoed or kept under surveillance; second, agreement on measures to minimize the risks of unauthorized transshipments. In addition, the organization has worked out guiding principles which are used by the committee in considering possible exceptions to the embargo rule.

The lists and the variety of ancillary controls have fluctuated over the years. During the Korean hostilities, there was a more extensive embargo which applied to Communist China and North Korea than that which applied to the European Soviet bloc, and there were additional controls on shipping and bunkering. A special committee—the China committee or CHINCOM—paralleling the COCOM was created to deal with control questions relating to the Far East. These special controls toward Communist China and North Korea came to an end in 1957, and the embargo lists as they apply to the Sino-Soviet bloc as a whole were reduced and brought up to date in 1958. An earlier major revision in 1954 had reduced the lists considerably from the scope of the early 1950's. That revision had involved essentially a reorientation of the lists to concentrate them more directly upon items of advanced technology or key materials whose denial would have an impact upon military production or preparation. Items and materials which were related in a more general sense to the industrial base were eliminated. This orientation of the lists remains today and has been maintained in annual reviews in COCOM since 1958.

The relatively flexible modification in the nature and extent of the embargo lists and the ancillary controls reflects the organization's ability to adjust to changed international situations without breaking up. The CG–COCOM–CHINCOM is an informal and almost amorphous organization having no direct relationship to any of the multilateral military or economic organizations in Europe—the NATO, the OECD, or GATT. It has no charter and is based on no treaty. Its agreements, accordingly, represent moral obligations rather than legal commitments. Despite the patchwork nature of its organization, it does fulfill its major purpose, which is to preserve a common policy on strategic trade controls among the principal Western allies. Indeed, the prime significance of the organization is its guarantee to the participating governments that they do have a common policy on trade controls and hence are according equal treatment to their respective business communities. The one exception in this respect is, of course, the United States which does not limit its controls to those agreed in COCOM and which follows a broader approach to the complex and vexing question of what constitutes strategic goods.

The United States throughout the period of COCOM has had a special interest in the enterprise. The organizational efforts which culminated in the COCOM organization in 1950 were stimulated in part at least by a succession of legislative proposals in the United States linked with foreign aid debates and looking toward the cessation of such aid to countries which traded with the Soviet bloc. The

Economic Cooperation Act of 1948 contained in section 117(d), a provision whose only practical interpretation was to require the European Cooperation Administrator to seek assurances against the export to the Soviet bloc of items which the United States considered strategic. In obedience to this requirement, the Economic Cooperation Administration and the Department of State began negotiations in the fall of 1948 to obtain such assurances. Thus began the close correlation between U.S. controls and COCOM controls which has continued to the present. The 1948 negotiations, which were initiated on a bilateral basis between the United States and individual aid recipient countries, led to multilateral talks among the European countries themselves, and then to further talks by them with the United States, and to the final negotiations at the close of 1949 which resulted in agreement on the COCOM organization. The Mutual Defense Assistance Control Act of 1951 (Battle Act) was a more carefully spelled out statement of policy on trade controls than section 117(d) and the succeeding riders to appropriation bills (such as the Kem amendment or the Cannon amendment).

Although the sanction in the Battle Act of cutting off aid has never been exercised, the act does represent a strong expression of policy which has in general strengthened the hand of the executive branch in negotiations with other countries. At the same time, the Battle Act has at times been a hindrance to actions that would otherwise have been in the national interest. The Battle Act prevented the United States from acting as quickly and decisively as it might in the events of 1957 in Poland and to this day limits the scope of economic assistance to Poland. Neutral or uncommitted nations are sensitive about appearing to take sides to the extent that is implied by the objective in the Battle Act of applying an embargo toward the Soviet bloc. Soviet propaganda makes the most of this in charging that the United States attaches "strings" in the form of Battle Act assurances to its aid.

In order to minimize these problems of Battle Act enforcement, the President recommended an amendment to the act which would provide discretion to the President, when he considers it important to the security of the United States and so informs the appropriate congressional committees, to extend economic or financial (but not military) assistance to any nation or area except the U.S.S.R. and Communist-held areas in the Far East including Communist China, North Korea, and North Vietnam. On May 11, 1961, the Senate approved this amendment; it has not yet been acted on by the House. In testifying in support of the amendment, Under Secretary George W. Ball said that "in retrospect, we can see that this flexible authority would have enabled the United States to have dealt more promptly, and thus perhaps more effectively, with the situation which developed in Eastern Europe in the fall of 1956."

While the Battle Act, however it may be amended, still stands as the legislative basis for U.S. interest in the security trade controls of other countries, and while the United States has continued to play a leading role in COCOM since 1950, there has been a persisting reluctance on the part of this Government to accept the full consequences of a negotiated multilateral system of control. Since December 1950 the United States has maintained a complete embargo on all trade with Communist China and North Korea, including full scale financial and shipping controls, and has since extended this control (except financial controls) to North Vietnam. No other country in the world of any trading consequence follows a policy even remotely comparable. Toward the European Soviet bloc the United States controls a wider range of items than does any other country, and while the severity of the denial rule has fluctuated, the denials have consistently gone much deeper into the general industrial area than has been true in any other COCOM or major non-COCOM country.

The justification for the embargo toward the Far Eastern bloc is essentially one of policy consistency, and it is proper to set it aside for purposes of this discussion. The United States has a policy toward Communist China and North Korea which differs at major points from the policies of other Western countries, and it follows that the difference would carry to the trade control field.

In the case of the European bloc, on the other hand, there is no significant difference of policy. It is customary for the ministerial meetings of NATO to reemphasize the policy unity of the NATO (and COCOM) countries, and it can safely be assumed that there is substantial agreement in NATO or any other grouping of the COCOM powers on an evaluation of Soviet long-term objectives and of necessary Western responses thereto. The principal disagreements are not on the policy but on the details of its implementation. Because of these differences in detail, there has persisted a curious dual thread of development in the trade control field. One thread is the continuation of a multilateral program and the other is the maintenance of a unilateral American program. There has been strong U.S. support for both, and the two are intertwined. It may be rewarding to look a little more closely at the principal elements in the unilateral program.

The U.S. controls as they are applied to the European Soviet bloc under the terms of the Export Control Act of 1949 are directed at keeping from the bloc strategic materials and technology which might augment its industrial-military potential. The control is thus by definition selective. It is based on the recognition that the Soviet bloc is so largely self-sufficient that it is vulnerable with respect to only a few types of materials or equipment which must come from outside the bloc. There has been a parallel consideration which has underlain the U.S. controls. That has been the recognition that the effectiveness of any control imposed by the United States would be determined by the degree of parallel action which other possible supplying countries are prepared to adopt. These two underlying principles have been the basis both for the U.S. control system and for U.S. participation in the multilateral control system.

The special problem area which has been a continuing source of difficulty relates to the commodities and technology which the United States embargoes but which are not agreed for embargo by other cooperating countries. While there is unquestionably a general view within the U.S. Government that this area of difference should be permitted only when a unilateral embargo by the United States is likely to have a recognizable impact in denying materials or technology to the Soviet bloc, there are bound to be difficult questions of technical judgment involved in deciding when to deny and when to approve. Furthermore, the decisions by the United States to embargo particular commodities or technology sometimes cause friction with other supplying countries when U.S. controls are indirectly extended to foreign corporations through the withholding of technology or components of U.S. origin.

The situation thus created represents a double standard under which traders in European countries may engage in commerce which is forbidden to American traders. Furthermore, the standard for American traders is a confusing one which varies from time to time as a result of the wide area of administrative discretion which is exercised by the Government in considering licenses. Thus the same commodity may be either approved or denied at different times depending on the nature of the presentation made before the Commerce Department. The classic recent example is the ball bearing machinery which was successively approved, suspended, approved again, and finally denied. This situation has the effect of baffling both the American exporter and the Soviet importer to such an extent that orders are not placed in this country even for items which might be approved.

Assuming that continuation of some East-West trade is desirable and that neither the Soviet economy nor its military capacity could be critically affected by any possible trade embargo, the question arises of how to coordinate NATO policy in this area and to assure the American companies a more equitable share in whatever trade takes place. There would seem to be two possibilities: First, to make the COCOM controls the standard for U.S. controls, subject to rare exceptions where unilateral denial would be desirable and effective; second, to work out some system of bilateral, intergovernmental agreements which would clarify on an annual basis what items the Soviet would agree to buy and the United States would agree to license as orders were placed. On the assumption made above, either or both of these changes would provide a more realistic method of operation than exists at this time.

Apart from the control of strategic exports and technology, there are no significant Western restrictions on exports to the European Soviet bloc and only the United States places any restriction on the extension of private credit to the bloc. Government guaranteed credits of short and medium term are customary in other trading countries. The use of credits is to be expected in the case of purchases by the bloc of plant and major capital equipment. In the United States the ban is in part a legislative matter (Johnson Act of 1934), and has the effect of assuring that the Soviet Union pays in current foreign exchange or commodities for any purchases in this country. This has the effect of minimizing outside financial assistance to the Soviet bloc economy; however, once the decision is made that sales of capital equipment to the bloc are proper, and this is current policy, it is difficult to regard the extension of private credit and even of Government guaranteed exporter credits as anything more than a logical corollary of such transactions.

It should, however, be noted that the present period of tension and the overt hostility of Soviet foreign policy might require a basic change in the assumptions on which the preceding analysis is based. The new implications for East-West trade policy in general, and export control policy in particular, have been taken up elsewhere in this report.

X. Dimensions of East-West Trade

A. PREWAR SCOPE

Prior to World War II, the foreign trade of the areas now comprising the Soviet bloc was strongly oriented toward the West. With the exception of Czechoslovakia and East Germany, these areas were lagging in industrial development. Hence they were primarily exporters of foodstuffs and raw materials which they sought to exchange for finished industrial products, largely production equipment. In an exchange of this kind, their natural trade partners were the industrialized countries of Western Europe, principally Germany, France, the United Kingdom, and Sweden. Outside of Europe, the United States was one of the major trade partners of the U.S.S.R. and the other countries of Eastern Europe.

Because economic complementarity within the group of countries that now make up the Soviet bloc was lacking, the scope of trade exchanges among them was quite limited. In 1938, for example, the Soviet Union conducted only 12 percent of its trade with the nations now ruled by Communist governments. In the case of Poland, the percentages were about the same, while Czechoslovakia directed 18 percent of its pre-World War II trade toward the countries that are now incorporated within the Soviet bloc. For the East European region as a whole, the conspicuous economic benefits of the international division of labor were found in an uninhibited exchange of goods with the industrially advanced nations of the West.

B. DOWNWARD DRIFT AFTER WORLD WAR II (1948–53)

The emergence of the Sino-Soviet bloc as a political entity shortly after World War II marked a new development in the history of international economic relations. The postwar decrease of trade between Soviet bloc countries and the free world resulted partly from the extensive destruction of industrial and transportation equipment on their territories as well as from the disruption of the institutional framework within which trade had been conducted. In addition, the deliberate policy of far-reaching economic self-sufficiency, pursued by Stalinist leaders of the bloc countries, further inhibited trade exchanges with free world countries. This trend toward bloc autarky became intensified as political relations between the Soviet bloc and the West deteriorated. The outbreak of the Korean war in 1950 further reduced the scope of economic and political relations between the East and West.

Trade between the Soviet bloc countries and the free world gradually declined from the 1948 level of $4 billion to the 1953 low of $3 billion. The free world share of the bloc's foreign trade amounted to 59 percent in 1948, declining to 20 percent in 1953. In 1938, the comparable share of the West in the foreign trade of the bloc areas was between 80 and 90 percent.

The trend toward autarky is reflected in the trade patterns of the Soviet Union, Poland, and Czechoslovakia in the early nineteen fifties. In 1953 only 17 percent of U.S.S.R. trade was with the countries outside its new political orbit, a complete inversion of its 1938 share of 88 percent. The free world trade shares of Poland and Czechoslovakia in 1953 amounted to 16 and 22 percent, respectively, as compared with the 1938 share of 88 and 82 percent.

The Federal Republic of Germany and the United Kingdom were the most important free world trade partners of the Soviet bloc countries in the period 1948–53. They were, however, joined by Finland and Sweden, countries which sharply expanded their trade with the Soviet bloc during this period.

C. ACTIVE RETURN TO WORLD MARKETS UNDER KHRUSHCHEV

After the death of Stalin, the Soviet bloc began to reverse its policy of nonparticipation in trade with the free world. This development was initiated during the brief regime of Malenkov and continued under Khrushchev. Since 1954 the bloc has increased its commercial activities in the markets of the free world and supplemented these activities by various forms of economic assistance to underdeveloped countries. It has not, however, demonstrated its commitment to the international division of labor in any serious way. The Soviet bloc continues to utilize foreign trade primarily to supplement its domestic production and to follow current developments abroad in technology. It also utilizes its foreign trade apparatus to cultivate economic dependence and to gain political influence among certain Asian, African, and Latin American nations. Wherever possible it deploys its trade resources in a way designed to obtain economic and political concessions from Western countries.

In pursuing the objectives of expanded economic relations with the outside world the Soviet bloc countries have had to introduce certain modifications into their commercial policies. Thus, state trading enterprises have taken steps to diversify the range of goods required under their import program, by including a number of foodstuffs and consumer goods not previously sought in the world market. Soviet bloc countries have also begun to offer for export larger quantities of industrial materials, equipment, and even patents. Along with this greater flexibility in the exchange of goods with established partners, such as Great Britain, the Federal Republic of Germany, France, and Italy, Soviet bloc countries have demonstrated an eagerness to conclude new bilateral trade agreements and to expand the number of their free world trade partners.

Since 1953 the turnover of Soviet bloc trade with the free world has undergone continued and fairly dramatic expansion. It rose from $3 billion in 1953 to $8.7 billion in 1960. At present, the trade of bloc countries as a group is distributed as follows: 75 percent with Communist trade partners, 25 percent with the outside world.

Among the Soviet bloc countries, Poland has emerged recently as the most important trader with Western countries. About 40 percent of Poland's total trade has been with free world countries in recent years; Hungary, with 30 percent, is second.

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TABLE 12.—*The share of the Sino-Soviet bloc in the trade of the free world: 1948, 1953, 1958, 1959, and 1960*

[In millions of U.S. dollars]

FREE WORLD EXPORTS

Year	Total to the world	To the Sino-Soviet bloc	To Sino-Soviet as percent of world	To European satellites	To U.S.S.R.	To China
1948	$53,784	$1,969	3.7	$901	$534	$534
1953	75,266	1,389	1.8	678	424	287
1958	96,216	3,426	3.6	1,634	1,013	771
1959	101,800	3,691	3.6	1,853	1,149	670
1960	113,400	4,420	3.9	2,170	1,542	688

FREE WORLD IMPORTS

Year	Total from the world	From the Sino-Soviet bloc	From Sino-Soviet as percent of world	From European satellites	From U.S.S.R.	From China
1948	$59,935	$2,008	3.4	$1,026	$494	$488
1953	76,989	1,631	2.1	808	382	433
1958	100,820	3,510	3.5	1,691	1,046	756
1959	106,200	3,726	3.5	1,771	1,237	693
1960	118,990	4,276	3.6	2,103	1,395	754

Source: U.S. Department of Commerce (IEAD).

D. PRESENT DIMENSIONS OF EAST-WEST TRADE

According to 1959 data, total Sino-Soviet bloc trade amounted to $29 billion, or 12 percent of the total world trade of $237 billion. However, three-fourths of this figure was confined to intrabloc partners. Non-Communist countries accounted for $7.4 billion or 26 percent of the total trade of the bloc. Viewed from the free world side, trade across the East-West political boundary in 1959 amounted to 3.6 percent of world trade. As indicated previously, among the bloc countries, Poland had the largest share of its total trade; namely, 40 percent, directed to non-Soviet bloc sources. With the exception of Bulgaria, the other Soviet bloc countries conducted between 25 and 30 percent of their trade with free world countries in 1960; Bulgaria's trade with the West accounted for only 16 percent of its total trade.

E. DIMENSIONS OF INTRABLOC TRADE

In 1938 the individual countries that now constitute the Soviet bloc trading area did not engage in substantial trade exchange with each other. Hungary, Rumania, and Bulgaria were the largest traders with the area because of their geographical position and of their historical trade development. Twenty years later each bloc country's trade was heavily integrated into the bloc trading area. At one extreme was Albania whose foreign trade was almost entirely, 96 percent, with members of the Sino-Soviet bloc; and at the other extreme was Poland, whose trade with bloc countries amounted to about 60 percent of its total trade. Poland's proportion of bloc trade, it may be added, began to decline before the granting of U.S. credits in 1957.

This radical transition began after World War II. Between 1945 and 1948 the small countries of Eastern Europe were absorbed into the Soviet orbit; mainland China joined the bloc in 1949 and other areas in Asia, such as North Korea and North Vietnam became attached to the bloc in the early 1950's. With the exception of mainland China, the foreign trade data for 1948 indicated that the geographic pattern of trade was substantially different from that in 1938. By 1948 about three-fourths of the total foreign trade of Rumania, the Soviet zone of Germany, and Bulgaria was with other bloc countries. The most striking change, however, was in the foreign trade of the Soviet Union; that is, from 5.2 percent in 1938 to 42 percent in 1948, an eightfold increase.

Excepting Albania, each Soviet-bloc country continued to increase its proportion of trade with other bloc members between 1948 and 1953. In 1952 the following countries attained their highest proportionate bloc trade: Bulgaria, 91 percent, and Rumania, 85 percent; for the other bloc countries, except mainland China, 1953 was the high point—coinciding with the year of Stalin's death—while the high point for mainland China was reached in 1955. A comparison between the 1959 percentage and the highest percentage of intrabloc trade achieved indicates declines from (*a*) 0 to 5 percent inclusive: Albania, Bulgaria, Hungary; (*b*) 6 to 10 percent inclusive: U.S.S.R., mainland China; (*c*) 11 to 15 percent inclusive: Czechoslovakia, Poland, Rumania, Soviet Zone of Germany.

The relative stability of the ratio (intrabloc to total bloc trade) for most countries in the Sino-Soviet bloc since 1956 implies that the bloc can satisfy its own economic needs up to a certain limit. Foreign trade expansion is probably a difficult objective to be achieved amongst countries with planned economies of the Soviet type, which differ considerably in economic development. It is to be noted in this connection that their long-term economic plans refer to trade only in the broadest generalities. Foreign trade appears to be of primary economic significance to bloc countries from the standpoint of satisfying the planned import requirements. Slightly over one-third of the total trade of the Sino-Soviet trading community is conducted by the Soviet Union. Mainland China has increased its share of total Sino-Soviet bloc trade averaging between 18 and 19 percent in recent years. Although the percentage shares of the Soviet Zone of Germany and Czechoslovakia place them behind mainland China these countries are particularly important because of the high proportion of their industrial exports. In the Sino-Soviet bloc, Czechoslovakia and the Soviet Zone of Germany have the highest per capita foreign trade.

TABLE 13.—*Soviet trade turnover, 1951–60*

[Millions of dollars]

Year	Total turnover (exports plus imports)		With other Soviet bloc countries		With free world	
	Value	Percent	Value	Percent	Value	Percent
1951	4,500	100	3,640	81	860	19
1952	5,200	100	4,160	80	1,040	20
1953	5,750	100	4,750	83	1,000	17
1954	6,250	100	4,875	78	1,375	22
1955	6,300	100	4,900	78	1,400	22
1956	7,225	100	5,350	74	1,875	26
1957	8,320	100	6,000	70	2,320	30
1958	8,647	100	6,378	74	2,269	26
1959	10,514	100	7,913	75	2,601	25
1960	11,193	100	8,015	72	3,178	28

Source: U.S. Department of Commerce.

TABLE 14.—*Foreign trade of the U.S.S.R. with other Soviet bloc countries: 1956–59*

[Millions of rubles] [1]

Country	U.S.S.R. exports				U.S.S.R. imports			
	1956	1957	1958	1959	1956	1957	1958	1959
Albania	72.9	130.6	177.2	195.5	32.6	56.4	56.2	59.0
Bulgaria	433.6	690.1	802.3	1,159.7	578.7	792.4	812.2	1,043.2
Czechoslovakia	1,494.8	2,205.2	1,787.0	2,412.0	1,585.8	1,542.3	2,048.4	2,327.6
East Germany	2,285.4	3,448.2	3,199.0	4,120.4	2,505.3	3,057.4	3,263.7	3,557.9
Hungary	507.4	998.9	802.2	1,039.3	483.3	426.9	647.7	826.2
Poland	1,429.0	1,723.4	1,507.2	1,945.5	1,133.0	1,023.6	1,060.6	1,266.3
Rumania	848.1	1,003.0	1,005.6	929.5	941.4	760.2	934.0	997.9
European Soviet bloc, total	7,071.2	10,199.4	9,280.5	11,801.9	7,260.1	7,659.2	8,822.8	10,078.1
Communist China	2,932.1	2,176.4	2,536.0	3,818.3	3,056.9	2,952.5	3,525.0	4,401.1
Mongolia	413.6	270.7	259.4	314.9	217.2	200.5	188.7	198.1
North Korea	215.3	239.9	232.2	296.5	204.8	250.2	188.2	206.4
North Vietnam	9.5	38.9	32.6	79.3	5.4	12.8	39.7	62.6
Asian Soviet bloc, total	3,570.5	2,725.9	3,060.2	4,509.0	3,484.3	3,416.0	3,941.6	4,868.2
Total bloc	10,641.7	12,925.3	12,340.7	16,310.9	10,744.4	11,075.2	12,764.4	14,946.3

[1] The data shown here are in "foreign exchange rubles." The conversion rate used by the U.S.S.R. during these years was 4 foreign exchange rubles equal $1.

Sources: Ministerstvo Vneshnei Torgovli SSSR, Planovo-Economicheskoie Upravlenie, Vneshnaia Torgovlia SSSR za 1956 Vneshtorgizdat, Moscow, 1958, Vneshnaia Torgovlia SSSR za 1958 Vneshtorgizdat, Moscow, 1959, Vneshnaia Torgovlia SSSR za 1959 Vneshtorgizdat, Moscow, 1960.

The U.S.S.R. has acquired a pivotal role in the network of Sino-Soviet bloc trade. It accounts for more than one-third of the foreign trade of its partners. Of the bloc countries in 1959, Poland had the smallest proportion of trade with the U.S.S.R. as well as with other bloc members. Approximately three-fifths of the trade of Rumania and Bulgaria and about one-third of the trade of Czechoslovakia, Hungary, and mainland China is with the Soviet Union. Between 40 and 50 percent of the trade of the Soviet Zone of Germany is with the U.S.S.R. There is no indication that the relative importance of the U.S.S.R. in the trade of the other members of the Sino-Soviet bloc will decrease in the next few years.

XI. Direction and Content of East-West Trade

A. IMPORTS FROM THE FREE WORLD

During the postwar period as a whole, the flow of exports from West to East has more than doubled in dollar value, rising from $1.97 billion in 1948 to $4.43 billion in 1960. Total free world exports in these postwar years expanded at about the same pace as exports to the bloc, leaving the share moving to the bloc virtually unchanged. In 1960, such exports represented only 3.9 percent of the free world total. This share was, however, substantially larger than that in the early 1950's when Communist armies were fighting the United Nations in Korea and the bloc countries were heavily restricting their purchases in the West in favor of intrabloc trade.

Exports from the industrialized countries amounted to $2.7 billion in 1960, or 61 percent of all shipments to the bloc by non-Communist countries. In general, its share of the total has varied between 58 and 62 percent in most of the postwar years. Exports to the bloc from countries such as Germany, France, United Kingdom, and Italy, rose steeply in the fifties, both in value and in share of total exports. At the same time, exports moving to bloc destinations from other countries in the industrially developed group—such as Denmark, Norway, Netherlands, Sweden, Switzerland, Japan, and United States—were reduced in share in the latter postwar years.

The flow of exports to the Soviet bloc from the less-developed areas has been limited to only a few countries. Moreover, sales have been concentrated, for the most part, in only one or two major commodities. There have been spectacular increases in the value of bloc purchases from a few countries, notably Egypt and Cuba. However, the content of such purchases has varied little, country by country, through the postwar years. The Communist-ruled countries have, in general, been quick to take advantage of commercial situations where the purchase of certain supplies in these countries would gain them a political advantage. Many of the raw materials which have been purchased, however, have been easily absorbed by the chronically under-supplied bloc markets, even in cases where they were not absolutely essential for the operation of their state dominated economies.

TABLE 15.—*Soviet imports from the free world*

[In millions of dollars] [1]

	1955	1956	1957	1958	1959	Index (1955=100)
Imports, total	599.4	783.1	1,017.6	1,010.7	1,149.0	198.2
Percent	100.0	100.0	100.0	100.0	100.0	
Food	126.2	119.5	189.4	126.6	125.5	91.5
Percent	21.0	15.3	18.6	12.5	10.9	
Crude materials	129.8	197.8	290.7	371.4	382.6	300.0
Percent	21.7	25.3	28.5	36.7	33.4	
Manufactured goods	101.5	191.6	254.4	246.5	303.1	300.0
Percent	16.9	24.5	25.0	24.4	26.4	
Machinery	77.7	78.6	126.8	139.5	186.4	239.9
Percent	13.0	10.0	12.6	13.7	16.2	
Transport equipment	107.0	143.6	94.9	59.8	88.7	82.9
Percent	17.8	18.3	9.3	5.9	7.7	

[1] Based on data of the Department of Commerce (I.E.A.D.)

1. Import patterns from the industrialized West

Purchases by the Soviet bloc from the industrial countries of the West increased, in terms of current dollars, from $1.1 billion in 1948 to $2.7 billion in 1960. There was a drop to a postwar low in 1952–53, when the most stringent security controls were in effect in the West and throughout the period of the Korean war. Following the armistice in Korea, bloc purchases rose steadily in Western countries, with the largest increase taking place from 1959 to 1960.

A comparison of the commodity composition of this trade in 1954 and 1959 reveals a substantial shift in the types of commodities purchased by the bloc countries. About half of the sales to the bloc in 1954 from the group of European countries cooperating in COCOM, were food, raw materials, and fuels, while the remainder consisted of various manufactured goods. By 1959, however, manufactured products accounted for at least 80 percent of the total. Some of the increase in purchases of manufactures was directly related to the relaxation of controls on certain commodities by the West. In the case of products such as copper for example, the value of shipments rose from $10 million in 1954 to $113 million in 1959. Iron and steel shipments from the COCOM countries increased by more than five times in value, while shipments of machinery almost quadrupled. Chemical exports to bloc countries expanded by 1959 to nearly three times their 1954 level.

Japanese exports, which were minor in value until 1954, rose to $75 million in the years 1957 and 1958, most of them destined for China. When trade with China was drastically reduced in 1959, the U.S.S.R. became a market for Japanese steel sheets, synthetic staple fibers, textile manufactures, and ships. From the United States, recent exports to the bloc have been largely concentrated in the direction of Poland. In 1960, approximately 75 percent of all exports to the bloc was shipped to Poland. This development is largely attributable to Public Law 480 shipments and to the easing in 1957 of U.S. export licensing policy in the case of Poland as compared with other bloc countries. Major U.S. commodities shipped to Poland and to other bloc countries in Europe consisted of wheat, barley cotton, carbon steel sheets, and textile and sewing machinery. All U.S. trade with China and contiguous, Communist-dominated Asian areas is legally embargoed.

2. Import patterns from the less developed areas

From Africa.—In 1959, Soviet bloc purchases in Africa totaled about $87 million, involving 16 countries. Nearly three-quarters of this total came from six countries—Cameroun, Ghana, Guinea, Morocco, the Federation of Rhodesia and Nyasaland, the Union of South Africa. Until 1957, Ghana was the only African country exporting to the bloc more than 5 percent of its total exports. By 1959 and 1960, several other newly independent countries had found markets in the bloc which absorbed a sizable share of their exports. Guinea shipped almost one-quarter of her total exports to the bloc; and the Ivory Coast and Cameroun sold approximately 5 percent of their 1959 exports in bloc countries.

An examination of the commodity content of bloc purchases in Africa in 1959 reveals that only four commodities were significant. Ghana shipped cocoa beans, mostly to the U.S.S.R. Nearly two-thirds of Morocco's exports were phosphate rock, primarily to China and Poland. Blister and electrolytic copper was the major export to those countries from the Federation of Rhodesia and Nyasaland. Much of this copper was purchased by the U.S.S.R.

In general, the Soviet Union accounted for almost half of all bloc purchases in Africa in 1959. Just over half of South Africa's exports consisted of wool, most of it destined for China. Other commodities of minor importance in recent years have been cork from Algeria, oilseeds and crude rubber from Nigeria, and wattle back extract from South Africa. Guinea's $12.6 million exports in 1960 consisted of bananas, coffee, palm kernels, and iron ore.

From the Near East.—Bloc purchases accounted for a significant portion of the exports of only six countries in this region in 1960. Egypt's exports to the bloc, which rose steeply since 1955, amounted to almost half of that country's total shipments abroad. From Iran and Syria, exports to the bloc absorbed about one-fourth of all foreign sales. Shipments from Iraq, Sudan, and Jordan to the bloc represented from one-seventh to one-tenth of the respective country totals. In the case of Iraq and Sudan in particular, 1960 sales represented substantial increases over earlier years.

Taken together, bloc purchases from Near Eastern countries in 1959 totaled $295 million. Of this aggregate amount, 83 percent was spent on raw or ginned cotton, largely from Egypt, but with Iran, Iraq, Sudan, and Syria providing an additional source. The principal buyers were: the U.S.S.R., followed by Czechoslovakia, China, Soviet Zone of Germany, and Poland.

No data are available from Afghanistan sources relating to that country's trade with the Soviet bloc. Official Soviet trade publications report imports from Afghanistan totaling $15.6 million in 1959. Cotton imports came to $2.4 million; wool, $9 million.

Wool from Iran and Afghanistan, cotton yarn from Egypt, and fruits and vegetables from Iraq, Iran, Israel, and Lebanon represent the remainder of the export movement from this region to bloc countries.

From the Far East.—The value of bloc purchases in Far Eastern countries totaled $457 million in 1959. Excluding Hong Kong, which enjoys the special status of an entrepôt center, trade patterns of the Far Eastern areas vis-a-vis the bloc have remained fairly standard in recent years, as far as the narrow scope of commodities and countries affected by this trade is concerned. Sixty percent of the total export flow from this region is made up of rubber, of which two-thirds came from Malaya, with smaller amounts from Ceylon and Indonesia. Typically, the latter two countries ship most of their rubber to China, while the U.S.S.R. is Malaya's principal customer. Tea, spices, cashews, coffee, goatskins, iron ore, and processed jute from India, rice from Burma, and raw jute from Pakistan make up most of the remaining value of exports from this area. Seven countries in the area exported between 6 and 10 percent of their total exports to bloc countries, with Malaya and India leading in the dollar value of their shipments.

From Latin America.—Exports to the bloc have been less significant as a proportion of total area exports in Latin America than in any other less-developed region. Valued at $156 million in 1959, they have been heavily concentrated in only four countries—Argentina, Brazil, Uruguay, and Cuba. Every year, since 1950, these countries accounted for more than 95 percent of Latin American exports to the bloc. Estimated totals for 1960 indicate a doubling of the 1959 figure on East-West trade in their region. Cuban exports of sugar to the bloc appear to have nearly quadrupled from 1959 to 1960 following the withdrawal of the U.S. market. At the same time, exports from Argentina and Brazil approximately doubled. The bloc's purchases have consisted principally of raw wool and hides and skins from Argentina and Uruguay; coffee, cocoa, iron ore, and hides from Brazil; and sugar from Cuba. Small quantities of beef, cereals, fats and oils, quebracho extract, and occasionally cotton, have also been purchased in this area from time to time.

From other countries.—There are three other countries which cannot be neatly classified with any of the above five groupings, but whose exports to the bloc are worthy of mention. In 1959, three of these countries—Finland, Yugoslavia, and Australia—exported a considerable volume of goods to the bloc, amounting to 80 percent as much as the combined exports of all four of the less-developed areas traced above.

Through the early fifties, nearly one-third of Finnish exports moved to bloc destinations, principally to the U.S.S.R. Since 1957 this share has declined, and in 1960, it came to only one-fifth of total shipments. One-quarter of Finnish exports in 1959 consisted of ships and barges, while most of the remainder was related to the paper industry—machinery for paper manufacture, pulp, paper and paperboard, and wood.

Yugoslavia, whose trade was excluded from the bloc countries between 1950 and 1953 but made welcome again in 1954, shipped nearly a third of her exports to Soviet countries in 1959–60. Shipments were widely diversified in content. Key items were meat, fruits and vegetables, woods and wood pulp, wood manufactures, leather and footwear, iron, steel, and copper semimanufactures, power cables, and ships.

Australia's exports, valued at $91 million in 1959, consisted mostly of wool, with 10 percent being iron and steel sheets and plates. In the preceding 3 years, the U.S.S.R. boycotted Australian wool for political reasons. During that period, its wool purchases were concentrated in New Zealand and the Union of South Africa.

B. BLOC EXPORTS TO THE FREE WORLD

Soviet bloc sales to the West, valued at $4.3 billion in 1960, represented 3.6 percent of free world imports from all sources. This share was an increase of only two-tenths of 1 percent over that of 1948, although the dollar value of bloc sales had doubled during this period.

Of the total volume of sales, the U.S.S.R. supplied one-third, China one-sixth, and the satellites roughly one-half. Compared with 1948, China had a somewhat reduced, and Russia a greatly improved share of the total. Shipments from the bloc as a whole to less developed countries rose from $718 million in 1948 to $1,614 million in 1960. But the expansion produced a very slight rise in proportion, namely, from 33 to 35 percent.

1. *To the industrialized West*

There was remarkably little change in the composition of Soviet bloc goods exported to West European countries between 1954 and 1959. In the latter year, about half of the total was made up of food and crude materials. Animals and meat, especially from Poland to Germany and the United Kingdom, and wood and pulp, principally from Russia, were the major commodities in these categories which continued to find a ready outlet in the Western European markets. Of the significant volume of fuel imports, coal from Poland and crude petroleum and fuel oils from the U.S.S.R. were important. Machinery imports totaled only $62 million; other kinds of manufactures were valued at $453 million. In the latter group, bloc exports of iron and steel, tin, cotton and other textile yarns and fabric, and wood and paper manufactures made up the bulk of the trade.

Japan's imports from the bloc, like its exports, represented a shift in direction from China to the U.S.S.R. in the late fifties. In 1959, coal from Sakhalin was a major import, along with logs, fertilizers, and pulses. U.S. imports, valued at $81 million in 1960, consisted primarily of Polish ham, Russian furs, benzene, platinum-group metals, and various glass products.

2. *To the less developed areas*

Imports into less developed areas from Soviet bloc countries rose to $1.6 billion in 1960 from $0.7 billion in 1948. Of the 1959 total, the latest available by area, $96 million was sold in Africa, $301 million in the Near East, $505 million in the Far East, $123 million in Latin America, and $380 million in Yugoslavia and Finland. African imports were heavily concentrated in foodstuffs and textiles. Morocco relied on China as her major source of green tea; this one commodity accounted for 40 percent of her imports from the bloc. Ghana and Nigeria purchased cotton fabrics in both China and Czechoslovakia. Algeria turned to the bloc for wheat and lumber.

The Near Eastern countries also bought food and textiles, especially from the satellites. In addition, Syria purchased fuel oil from the U.S.S.R., while for Egypt, Russia was a major source of crude petroleum and kerosene, as well as of wood manufactures, iron and steel, machinery, transport equipment, and chemicals.

The principal bloc supplier to the Far Eastern countries—especially Ceylon, Malaya, Indonesia, and Hong Kong—was China from whom they purchased sizable quantities of food, principally rice, and cotton fabrics. Unlike other countries in the Far East, most of India's purchases from the bloc were made in Eastern European countries. In 1959, these purchases consisted principally of newsprint, iron and steel, chemicals—particularly fertilizers and caustic soda—and machinery.

The products of principal value sold by the bloc in Latin America were, first, petroleum and coal, and second, various types of capital goods including iron and steel, railroad equipment, industrial chemicals, and tractors. No information is yet available on Cuban imports from the bloc which through August 1959 were still minimal, but in 1960 must have grown enormously. It is known that large quantities of petroleum moved to Cuba from Soviet ports in 1960.

3. To other countries

In 1960 Finland purchased one-fifth of her imports from the Soviet bloc, mainly from Russian sources. Yugoslavia relied on the bloc for one-quarter of its imported commodities. Principal Finnish purchases were wheat and other grains, sugar, cotton, coal, petroleum and products, fertilizers, iron and steel, aluminum, automobiles, and motorcycles. Only a very small portion of the total was in the finished manufactures class. Yugoslavia imports closely paralleled those of Finland, although a higher proportion of machinery and transport equipment was included in its purchases from bloc sources.

XII. Findings

1. The importance of the Communist bloc as a participant in world trade has increased conspicuously within the past decade. The dollar value of the bloc's trade turnover with the free world rose from $3.3 billion to $8.7 million between 1950 and 1960. Its share in the trade of the free world rose from 2.8 percent in 1950 to 3.8 percent in 1960. This expansion of trade across the East-West political boundary line is traceable largely to a more active interest in such trade on the part of the post-Stalin leadership of the Soviet Union.

2. The commitment to intrabloc autarky has been reduced to a measurable degree in the interest of enjoying more of the benefits of the international division of labor. At present the bloc countries devote 25 percent of their total trade to non-Communist trade partners, as compared with 20 percent a decade ago. The U.S.S.R. holds a pivotal position in intrabloc commerce, owing to its political hegemony as well as the fact that it accounts for more than 35 percent of the foreign trade of its Communist partners.

3. In opening the doors wider to outside trade, the bloc leadership has been motivated by a blend of internal economic pressures and external political calculations, including such high-priority objectives as: (*a*) raising the technological level of bloc industry; and (*b*) seeking to influence the shape of social and political institutions in the underdeveloped countries.

4. As a result of its decision to enter the field of economic and military assistance to non-Communist countries, the Communist camp has established a strong "presence" in a number of target countries. Wherever possible, support to development projects is integrated with current trade exchanges, under a single political command. In the kind of atmosphere of social ferment created by the drive for modernization among the emergent nations, the Soviet leadership has aimed at: (*a*) countering and undermining Western influence; (*b*) working in support of the internal forces that seek instability and revolution.

5. While a high degree of self-sufficiency may be a realistic goal for the two giant economies within the bloc, the small East European nations are handicapped in their economic performance by a lack of more opportunities to exchange a maximum of their products through commerce with the largest number of trade partners. Given a broader trading environment, the countries of Eastern Europe are likely in the near future to require additional outlets for their special skills through a more diversified pattern of participation in trade with the free world.

6. The U.S. response to the trade overtures of the bloc during the past 8 years has been conspicuously lacking in enthusiasm. For a number of valid reasons, economic as well as political, we have allowed this trade to dwindle down to a point where our 1960 exports to the entire bloc accounted for 0.6 percent of total exports. As a result of this indifference, however, we developed a unilateral policy toward trading with the bloc, a policy that has, incidentally, entailed some friction with our closest allies and undermined our position of leadership in this area.

7. The fact that United States and allied export restrictions have not prevented the bloc from developing advanced military technology and thermonuclear capability is not a true measure of the effectiveness of this cooperative effort. The Communist war industry was always known to be heavily insulated against any likely direct impact from the outside. Clearly, the maintenance of an effective system of safeguards in trade with the bloc remains a necessary practical measure

of economic self defense. Such an operation, which focuses largely on advanced industrial products, requires the close, continued, and wholehearted cooperation of the Atlantic alliance. This cooperation has been conspicuously absent in recent years and needs to be urgently restored on the basis of mutually acceptable criteria of legitimate economic advantage and relevant political and security safeguards.

8. The Communist countries, and the U.S.S.R. in particular, derive perceptible and increasing value from their extrabloc trade. Nowhere in the bloc, either now or in the foreseeable future, is there to be found the great volume and variety of technological innovation generated by the energy of competitive economic enterprises in the West. This fact is vividly underscored by the current campaign of procurement by the Communist nations of large blocks of modern technology, including complete plants, from Western Europe. Frequent shortfalls in food must also be compensated, and tropical foods must be added to the diet, through imports from outside the bloc. Further, the needed current flow of raw materials for bloc industry is not easily brought into balance by the cumbersome system of Communist central planning.

9. By comparison, the supply sources of the bloc are of marginal value to the free world trading countries. Goods of the kind normally exported by the bloc, either to the industrialized West or to less developed areas, can be easily replaced from other world market sources. It is as an export outlet rather than a source of unique supplies that the Communist area holds its attraction to extrabloc traders. While the trade monopolies of these countries are all too often irregular and difficult buyers, their individual purchases can be large and important, thereby providing short-term advantages to Western sellers.

10. To the extent that the Communist nations uniformly employ the instrumentality of a trade monopoly, they place the smaller, profit-guided individual trader or private commercial firm at a distinct disadvantage from the standpoint of size and bargaining power. Moreover, while the markets as well as the production enterprises of the free world countries are open and equally accessible to all interested traders, the monopolistic state trading system of Communist countries can and often is employed to exclude and discriminate against foreign goods without regard to price or quality.

11. Soviet trading agencies frequently involve their trade partners in closed bilateral deals in which the firm or country selling goods to the bloc is committed to purchase Soviet products, often at politically inspired prices. By such practices, the extent of which is evidenced by more than 200 bilateral trade agreements which the Communist states have lately succeeded in concluding with the free world countries, the regular multilateral channels of trade are short circuited, and the non-Soviet trade partner is denied a free choice in the goods to be bought with his export earnings.

12. The use of the state trading mechanism by the bloc countries as an adjunct to total internal economic planning has resulted in a preference for large, discontinuous transactions and a built-in propensity to sell on short notice at distress prices. Significant dislocation of specific commodity markets, such as tin, aluminum, and petroleum, are part of the recent record. In the presence of an added strong political motive, the ability of the bloc's state enterprises, enjoying virtually unlimited subsidies from their national budgets, to undersell profit-motivated competitors, represents a serious potential for political and economic disruption in the future.

APPENDIXES

APPENDIX A

SIGNIFICANCE OF SOVIET BLOC TRADE TO INDIVIDUAL NATIONS OF THE ATLANTIC COMMUNITY AND JAPAN (1959)

NATO (including Japan) trade with Sino-Soviet bloc, 1959

NATO EXPORTS

[Millions of U.S. dollars]

	Bloc	Percent	European satellites	Percent	U.S.S.R.	Percent	Percent of total NATO exports
Total	1,874.0	100.0	1,080.0	100.0	447.0	100.0	2.9
Food, beverages, tobacco, fats, and oils	250.7	13.4	198.0	18.3	51.9	11.6	2.7
Crude materials, inedible, except fuels	197.5	10.5	134.0	12.4	43.9	9.8	3.5
Mineral fuels, lubricants and related materials	30.4	1.6	30.1	2.8			1.0
Chemicals	243.1	13.0	119.8	11.1	22.8	5.1	4.6
Manufactured goods	739.6	39.5	359.4	33.3	184.1	41.2	3.5
Of which iron and steel	(393.9)	(21.0)	(190.0)	(17.6)	(116.9)	(26.1)	(9.4)
Machinery and transport equipment	393.0	21.0	226.1	20.9	140.1	31.3	2.1
Other merchandise and miscellaneous transactions	19.7	1.1	12.7	1.2	4.2	.9	3.1

NATO IMPORTS

	Bloc	Percent	European satellites	Percent	U.S.S.R.	Percent	Percent of total NATO imports
Total	1,981.0	100.0	1,023.7	100.0	711.6	100.0	3.1
Food, beverages, tobacco, fats, and oils	494.7	25.0	316.9	31.0	116.0	16.3	3.2
Of which wheat	(81.4)	(4.1)	(26.7)	(2.6)	(54.7)	(7.7)	(10.0)
Crude materials, inedible, except fuels	518.1	26.2	121.8	11.9	280.6	39.4	4.0
Mineral fuels, lubricants, and related materials	355.5	17.9	180.6	17.6	164.1	23.1	4.6
Of which—							
Coal and coke	(150.6)	(7.6)	(98.7)	(9.6)	(41.4)	(5.8)	(13.2)
Petroleum and petroleum products	(204.9)	(10.3)	(81.8)	(8.0)	(122.7)	(17.2)	(3.2)
Chemicals	118.5	6.0	78.5	7.7	31.9	4.5	3.9
Manufactured goods	375.6	19.0	226.3	22.1	107.4	15.1	2.5
Machinery and transport equipment	98.1	4.9	88.1	8.6	9.9	1.4	1.0
Other merchandise and miscellaneous transactions	20.7	1.0	11.5	1.1	1.8	.2	2.5

NOTE.—Figures may not add to totals because of rounding.

Source: U.S. Department of Commerce, country by commodity series 1959; U.N. Commodity Trade Statistics, January–December 1959.

Trade with the world and the Sino-Soviet bloc, 1959

BELGIUM-LUXEMBOURG

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	3,295,147		94,579		2.9	
Dynamo plates of iron and steel	84,013	2.5	11,965	12.7	14.2	U.S.S.R. (6,983).
Cables, cordage, and plaited bands.	13,578	.4	4,478	4.7	33.0	China (2,444); U.S.S.R. (1,177).
Yarn and thread of synthetic fibers and spun glass.	13,507	.4	3,086	3.3	22.8	Hungary (1,310).
Pipes and tubes of stainless steel	288		160	.2	55.6	U.S.S.R. (160).
Alloy steel plate	774		560	.6	72.4	U.S.S.R. (560).
Tire fabrics of synthetic fibers	393		188	.2	47.8	Bulgaria (188).
Transformers weighing over 10 kilograms.	5,376	.2	2,159	2.3	40.2	East Germany (1,438).
Electric ovens	1,158	.4	447	.5	38.6	Czechoslovakia (387).
Axles for railway rolling stock, unworked.	322		136	.1	42.2	China (136).
Condensators	422		203	.2	48.1	Czechoslovakia (189).
Ammonium sulfate and ammonium sulphonitrate.	30,320	.9	10,757	11.4	35.5	China (10,757).
Ammonium nitrate	6,011	.2	3,532	3.7	58.8	China (3,532).
Copper sulfate	4,119	.1	1,765	1.9	42.9	China (1,003).
Superphosphates, except concentrated.	2,162	.1	741	.8	34.3	East Germany (375); Hungary (366).
Herring, fresh or frozen	139		87	.1	62.6	Poland (61).
Fossil meal	220		129	.1	58.6	Poland (129).
IMPORTS						
Total	3,441,804		83,662		2.4	
Rice	7,563	.2	2,953	3.5	39.0	China (2,091).
Malt	926		865	1.0	93.4	Czechoslovakia (865).
Wood in the round or simply worked.	50,369	1.5	11,606	13.9	23.0	U.S.S.R. (10,996).
Flax, flax tow, and waste	10,746	.3	1,102	1.3	10.2	U.S.S.R. (753).
Fuel oil	27,043	.8	6,330	7.6	23.4	U.S.S.R. (3,828); Rumania (2,502).
Iron and steel	98,840	2.9	7,966	9.5	8.1	Poland (2,600); U.S.S.R. (2,249).
Turpine oil	398		244	.3	61.3	U.S.S.R. (171).
Ethyl acetate	390		164	.2	42.0	Poland (104).
Sodium chlorate	397		122	.1	30.7	East Germany (122).
Live animals not for food	5,022	.1	1,813	2.2	36.1	Poland (718); Hungary (672).
Tung oil	129		45	.1	34.9	China (45).

CANADA

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	5,282,097		39,150		0.7	
Food	547,840	10.4	27,358	69.9	5.0	Poland (14,969); U.S.S.R. (11,281).
Grain	520,590	9.9	26,489	67.7	5.1	Poland (14,931); U.S.S.R. (11,266).
Nickel, fine	139,050	2.6	5,338	13.6	3.8	Czechoslovakia (3,323).
Skins and hides	12,955	.2	1,006	2.6	7.8	Czechoslovakia (578).

Trade with the world and the Sino-Soviet bloc, 1959—Continued

CANADA—Continued

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
IMPORTS						
Total	5,895,040		17,424		0.3	
Food	50,835	0.9	2,399	13.8	4.7	China (2,015).
Walnuts, shelled	4,805	.1	1,997	11.5	41.6	China (1,970).
Crude materials, inedible, except fuels.	80,358	1.4	2,657	15.2	3.3	U.S.S.R. (1,311); China (1,260).
Peanuts	7,046	.1	634	3.6	9.0	China (634).
Skins, undressed	21,768	.4	1,605	9.2	7.4	U.S.S.R. (1,089).
Chrome ore	1,590		99	.6	6.2	U.S.S.R. (99).
Manufactured goods, classified chiefly by material.	326,773	5.5	6,891	39.5	2.1	Czechoslovakia (3,447).
Pig iron	1,266		343	2.0	27.1	U.S.S.R. (343).
Made-up articles of textile materials except footwear and clothing.	12,026	.2	1,332	7.6	11.1	Czechoslovakia (600); China (566).

DENMARK

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	1,374,762		63,681		4.6	
Machinery and transport equipment.	227,002	16.5	26,074	40.9	11.5	U.S.S.R. (14,745); Poland (9,459).
Marine diesel and internal combustion piston engines and parts.	24,895	1.8	5,393	8.5	21.7	U.S.S.R. (4,739).
Buses	1,244	.1	1,211	1.9	97.3	Poland (1,211).
Ships	39,222	2.9	9,249	14.5	23.6	U.S.S.R. (6,609); Poland (2,640).
Crude materials, inedible, except fuels.	77,656	5.6	8,050	12.6	10.4	East Germany (4,482).
Hides and skins	11,431	.8	6,143	9.6	53.7	East Germany (3,356).
Chemicals	50,341	3.7	4,639	7.3	9.2	China (3,131).
Food, beverages, and tobacco	817,626	59.5	21,290	33.4	2.6	East Germany (12,887).
Fruits and vegetables	18,614	1.4	2,280	3.6	12.2	East Germany (2,175).
Lard	3,460	.3	358	.6	10.3	East Germany (358).
IMPORTS						
Total	1,594,722		89,791		5.6	
Mineral fuels, lubricants, and related materials.	202,012	12.7	20,858	23.2	10.3	Poland (13,339).
Coal	31,003	1.9	14,724	16.4	47.5	Poland (13,064).
Crude materials, inedible, except fuels.	162,415	10.2	16,584	18.5	10.2	China (12,029).
Soybeans	26,305	1.6	10,594	11.8	40.3	China (10,594).
Gypsum and anhydrate	212		171	.2	80.7	Poland (171).
Food, beverages, and tobacco	268,026	16.8	21,898	24.4	8.2	U.S.S.R. (18,728).
Wheat, unmilled	11,108	.7	2,870	3.2	25.8	U.S.S.R. (1,753).
Rye, unmilled	1,561	.1	419	.5	26.8	U.S.S.R. (419).
Feeding stuff for animals	66,693	4.2	15,355	17.1	23.0	U.S.S.R. (15,087).
Chemicals	134,862	8.5	5,869	6.5	4.4	East Germany (3,636).
Zinc oxide	427		112	.1	26.2	Poland (104).
Calcium carbide	784		310	.3	39.5	Poland (228).
Furs, dressed and dyed	1,532	.1	419	.5	27.3	U.S.S.R. (297).
Linen, hemp, and ramic fabrics	1,034	.1	346	.4	33.5	Hungary (229).
Pig iron and cast iron	2,987	.2	804	.9	26.9	U.S.S.R. (666).
Glass, glassware, and pottery	10,403	.7	2,220	2.5	21.3	East Germany (1,253).
Tents, sails, and other canvas goods.	309		187	.2	60.5	East Germany (153).

Trade with the world and the Sino-Soviet bloc, 1959—Continued

FRANCE

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	5,614,987		201,226		3.6	
Machinery and equipment	1,372,358	24.4	55,543	27.6	4.0	U.S.S.R. (37,832).
Railway vehicles	32,253	.6	9,051	4.5	28.1	U.S.S.R. (9,051).
Iron and steel	811,814	14.5	74,475	37.04	9.2	U.S.S.R. (31,533); China (25,071).
Synthetic fibers	9,900	.2	1,996	1.0	20.2	U.S.S.R. (1,652).
IMPORTS						
Total	5,088,281		179,003		3.5	
Mineral fuels, lubricants, and related materials.	1,009,889	19.8	72,725	40.6	7.2	U.S.S.R. (53,079); Rumania (12,490).
Coal and coke	318,235	6.3	28,390	15.9	8.9	U.S.S.R. (22,176).
Crude petroleum	599,994	11.8	2,713	1.5	.4	U.S.S.R. (2,713).
Petroleum products	82,342	1.6	41,623	23.3	50.5	U.S.S.R. (28,191); Rumania (12,490).
Wheat, unmilled	44,677	.9	11,408	6.4	25.5	U.S.S.R. (11,408).
Wood in the round or simply worked.	82,176	1.6	10,390	5.8	12.6	U.S.S.R. (6,836).

WEST GERMANY

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	10,061,042		701,570		7.0	
Crude materials, inedible, except fuels.	250,805	2.5	24,947	3.6	9.9	East Germany (11,020).
Hides and skins	22,871	.2	5,574	.8	24.4	East Germany (2,807 Hungary (1,364).
Chemicals	1,104,822	11.0	99,367	14.2	9.0	China (31,915); East Germany (29,077).
Coal-tar dyestuffs and natural indigo.	87,487	.9	14,310	2.0	16.4	China (6,233); East Germany (3,505).
Fertilizers	71,116	.7	19,119	2.7	26.9	China (7,761); East Germany (7,269).
Insecticides, fungicides, and disinfectants.	35,715	.4	8,348	1.2	23.4	China (6,464).
Manufactured goods classified chiefly by materials.	2,454,640	24.4	322,460	46.0	13.1	East Germany (102,457); China (81,821); U.S.S.R. (50,239).
Iron and steel	927,241	9.2	211,019	30.1	22.8	East Germany (76,990); U.S.S.R. (44,736).
Of which pipes and tubes	225,929	2.2	76,361	10.9	33.8	U.S.S.R. (32,510); East Germany (23,993); China (10,080).
Copper wire	46,408	.5	38,690	5.5	83.2	China (37,518).

Trade with the world and the Sino-Soviet bloc, 1959—Continued

WEST GERMANY—Continued

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS—continued						
Machinery and transport equipment.[1]	4,282,884	42.6	167,156	23.8	3.9	East Germany (44,182); U.S.S.R. (32,653).
Complete plant installations	133,709	1.3	14,601	2.1	10.9	U.S.S.R. (7,383).
Bearings and parts	30,744	.3	4,370	.6	14.2	East Germany (1.121); China (1,002).
Textile machinery	149,680	1.5	9,459	1.3	6.3	U.S.S.R. (3,017), East Germany (1,610).
Metal working machinery	335,073	3.3	20,931	3.0	6.2	China (5,854); Czechoslovakia (4,479); East Germany (3,431).
Power-generating machinery	208,184	2.1	16,071	2.3	7.7	Poland (10,289).
Electric machinery apparatus and appliances.	779,940	7.8	35,467	5.1	4.5	East Germany (13,208); Poland (7,595).
IMPORTS						
Total	8,689,588		602,207		6.9	
Food, beverages, and tobacco	2,239,525	25.8	155,789	25.9	7.0	Poland (44156); East Germany (29,728); Hungary (26,844).
Live animals, chiefly for food	139,825	1.6	25,436	4.2	18.2	Hungary (12,545); Poland (10,274).
Meat and meat preparations	182,872	2.1	40,538	6.7	22.2	Poland (13,870); East Germany (12,675).
Eggs	159,168	1.8	18,703	3.1	11.8	Poland (8,846); China (4,719).
Rice	17,053	.2	1,916	.3	11.0	China (1,482).
Malt	10,821	.1	2,480	.4	22.9	Czechoslovakia (1,370).
Sugar and sugar preparations.	12,613	.1	10,441	1.7	82.8	East Germany (9,086).
Crude materials, inedible except fuels.	1,861,075	21.4	133,575	22.2	7.2	U.S.S.R. (46,570); China (38,018).
Wood and lumber	239,934	2.8	37,551	6.2	15.6	U.S.S.R. (14,862); Rumania (9,166).
Textile fibers and waste	402,322	4.6	19,850	3.3	4.9	U.S.S.R. (10,485); China (6,007).
Manganese ores	14,588	.2	4,865	.8	33.3	U.S.S.R. (4,111).
Feathers and down	19,738	.2	10,026	1.7	50.8	China (4,161).
Mineral fuels, lubricants, and related materials.	681,250	7.8	144,058	23.9	21.1	East Germany (90,245); U.S.S.R. (22,071); Poland (13,225).
Coal	145,302	1.7	65,885	10.9	45.3	East Germany (45,422); Poland (10,534); Czechoslovakia (7,589).
Petroleum and petroleum products.	535,948	6.2	78,173	13.0	14.6	East Germany (44,823).
Tung oil	1,471		865	.1	58.8	China (865).
Chemicals	334,700	3.9	33,211	5.5	9.9	East Germany (14,007).
Mineral tar and crude chemicals from coal.	8,294	.1	4,561	.8	55.0	Czechoslovakia (2,119).
Antimony	1,153		1,072	.2	93.0	China (545).
Metalworking machinery	50,327	.6	6,189	1.0	12.3	East Germany (3,611); Czechoslovakia (2,099).

[1] Although chemical equipment is a significant item in West German exports to the bloc it is not possible to ascertain the value of this category from available statistical data.

Trade with the world and the Sino-Soviet bloc, 1959—Continued

GREECE

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	204,233	--------	33,623	--------	16.5	
Manufactured goods, classified chiefly by material.	2,720	1.3	1,085	3.2	39.9	Czechoslovakia (382); Poland (241).
Veneer sheets of walnut	165	.1	146	.4	88.5	Poland (111).
Cotton thread	320	.2	247	.7	77.2	Poland (131); Rumania (116).
Iron and steel	673	.3	273	.8	40.6	Hungary (144).
Lime, cement, and fabricated building materials.	1,107	.5	382	1.1	34.5	Czechoslovakia (382).
Crude materials, inedible, except fuels.	54,941	26.9	11,968	35.6	21.8	U.S.S.R. (4,398).
Hides and skins, except fur, undressed.	8,303	4.1	1,813	5.4	21.8	U.S.S.R. (913).
Cotton	26,295	12.9	7,062	21.0	26.9	Bulgaria (1,482); Poland (1,452); Czechoslovakia (1,401).
Bauxite	4,682	2.3	2,279	6.8	49.2	U.S.S.R. (2,279).
Food, beverages, and tobacco	132,465	64.9	19,876	59.1	15.0	U.S.S.R. (7,376); Czechoslovakia (3,420).
Fruits	49,980	24.5	9,971	29.7	19.9	U.S.S.R. (3,917); Rumania (1,641).
Tobacco and cigarettes	68,535	33.6	9,762	29.0	14.2	Czechoslovakia (3,979); U.S.S.R. (3,363).
Chemicals	5,872	2.9	609	1.8	10.4	Czechoslovakia (305); Poland (212).
Tanning extracts, solid	325	.2	257	.8	79.1	Poland (193).
IMPORTS						
Total	564,692	--------	42,151	--------	7.5	
Sugar and sugar preparations	12,656	2.2	3,820	9.1	30.2	Czechoslovakia (1,556).
Mineral fuels, lubricants and related materials.	49,448	8.8	9,156	21.7	18.5	U.S.S.R. (6,373).
Coal and coke	3,793	.7	1,710	4.1	45.1	Poland (1,247).
Petroleum crude and partly refined.	31,499	5.6	3,607	8.6	11.5	U.S.S.R. (3,607).
Petroleum products	14,157	2.5	3,851	9.1	27.2	U.S.S.R. (2,318); Rumania (6,292).
Crude materials, inedible, except fuels.	50,566	9.0	5,816	13.8	11.5	U.S.S.R. (3,058).
Railway vehicles	6,192	1.1	1,884	4.5	30.4	Rumania (1,884).
Road vehicles other than motor vehicles.	253	--------	143	.3	56.5	U.S.S.R. (128).
Machine tools for working metals.	4,149	.7	563	1.3	13.6	Czechoslovakia (395).
Tractors other than steam	4,859	.9	840	2.0	17.3	Czechoslovakia (438); U.S.S.R. (402).
Chemicals	50,640	9.0	3,969	9.4	7.8	U.S.S.R. (1,049).
Potassium carbonate	154	--------	146	.3	94.8	East Germany (82).
Ammonium nitrate	5,383	1.0	2,697	6.4	50.1	Poland (1,899).
Potassium sulfate	569	.1	246	.6	43.2	East Germany (246).
Zinc, sheets, bars, and plate	159	--------	65	.2	40.9	Poland (65).
Plywood and wood manufactures.	2,532	.4	691	1.6	27.3	U.S.S.R. (564).

Trade with the world and the Sino-Soviet bloc, 1959—Continued

ICELAND

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	65,043		21,889		33.7	
Food	41,620	64.0	21,076	96.3	50.6	U.S.S.R. (11,899).
Sausage casings	208	.3	169	.8	76.9	East Germany (81); Poland (79).
Fish, frozen, salted, canned	32,911	50.6	19,366	88.5	58.8	U.S.S.R. (11,889).
Crude materials, inedible, except fuels.	3,400	5.2	564	2.6	16.6	East Germany (307); Czechoslovakia (257).
Furs	108	.2	30	.1	27.8	Czechoslovakia (30).
Wool	1,233	1.9	307	1.4	24.9	East Germany (307).
IMPORTS						
Total	94,927		29,053		30.6	
Mineral fuels, lubricants, and related materials.	14,281	15.0	11,023	37.9	77.2	U.S.S.R. (10,347).
Coal and coke	897	.9	844	2.9	94.1	Poland (669).
Petroleum products	13,385	14.1	10,171	35.0	76.0	U.S.S.R. (10,171).
Manufactured goods, classified chiefly by material.	25,754	27.1	6,206	21.4	24.1	Czechoslovakia (2,672); U.S.S.R. (1,407).
Iron and steel	4,041	4.3	1,808	6.2	44.7	U.S.S.R. (1,108).
Glass, glassware, and pottery	879	.9	585	2.0	66.6	Czechoslovakia (424).
Rubber tires, tubes, and other rubber products.	1,442	1.5	433	1.5	30.0	Czechoslovakia (310).
Cotton fabrics	2,240	2.4	873	3.0	39.0	Czechoslovakia (400); East Germany (366).
Machinery and transport equipment.	25,386	26.7	5,243	18.0	20.6	East Germany (3,514).
Ships	6,866	7.2	2,719	9.4	39.6	East Germany (2,719).
Automobiles, trucks, and other motor vehicles.	2,806	3.0	886	3.0	31.6	U.S.S.R. (696).
Crude materials, inedible, except fuels.	5,338	5.6	2,034	7.0	38.1	U.S.S.R. (1,862).
Wood, shaped or simply worked.	2,829	3.0	1,911	6.6	67.6	U.S.S.R. (1,862).
Food and beverages	9,849	10.4	1,905	6.6	19.3	U.S.S.R. (772).
Dried milk	35		34	.1	97.1	U.S.S.R. (34).
Rye flour	468	.5	435	1.5	92.9	U.S.S.R. (435).
Malt	39		38	.1	97.4	Czechoslovakia (38).
Bran	248	.3	219	.8	88.3	U.S.S.R. (219).
Bakery products	111	.1	77	.3	69.4	Poland (45).
Sirup glucose	40		27	.1	67.5	Poland (22).
Chemicals	5,469	5.8	389	1.3	7.1	East Germany (316).
Potassic fertilizers	223	.2	207	.7	92.8	East Germany (207).

ITALY

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	2,894,968		155,940		5.4	
Chemicals	206,936	7.1	36,154	23.2	17.5	China (19,377).
Ammonium sulfate	23,313	.8	9,911	6.4	42.5	China (9,911).
Ammonium nitrate	15,918	.5	4,987	3.2	31.3	China (2,333).
Crude materials, inedible, except fuels.	130,205	4.5	17,616	11.3	13.5	U.S.S.R. (8,011).
Synthetic fibers	15,493	.5	8,282	5.3	53.5	U.S.S.R. (4,668).
Synthetic rubber	11.177	.4	5,688	3.6	50.9	U.S.S.R. (3,337); China (2,351).

Trade with the world and the Sino-Soviet bloc, 1959—Continued

ITALY—Continued

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS—continued						
Manufactured goods, classified chiefly by material	737, 225	25. 5	63, 446	40. 7	8. 6	U.S.S.R. (23,775).
Iron and steel	148, 011	5. 1	38, 772	24. 9	26. 2	U.S.S.R. (20,082).
Yarn and artificial synthetic textile fibers.	60, 587	2. 1	16, 073	10. 3	28. 1	Hungary (2,713); Poland (2,531).
Machinery and transport equipment.	752, 924	26. 0	23, 849	15. 3	3. 2	Poland (9,156); U.S.S.R. (4,834).
Bearings and parts	13, 568	. 5	3, 390	2. 2	25. 2	Poland (2,276).
Truing, grinding, smoothing, polishing, honing, and lapping machines.	5, 911	. 2	2, 115	1. 4	35. 8	U.S.S.R. (1,505).
Internal combustion piston engines, stationary.	8, 195	. 3	2, 570	1. 6	31. 3	Poland (2,570).
IMPORTS						
Total	3, 340, 722		168, 106		5. 0	
Manufactured goods, classified chiefly by materials.	479, 346	14. 3	22, 934	13. 6	4. 8	U.S.S.R. (11,171).
Pig iron	18, 515	. 6	10, 985	6. 5	59. 3	U.SS.R. (8,525).
Mineral fuels, lubricants, and related materials.	581, 247	17. 4	54, 760	32. 6	9. 4	U.S.S.R. (44,972).
Residual oils for heating	7, 699	. 2	6, 539	3. 9	84. 9	U.S.S.R. (5,322).
Petroleum, crude and partly refined.	431, 963	12. 9	33, 492	19. 9	7. 8	U.S.S.R. (33,264).
Coal and coke	124, 701	3. 7	14, 293	8. 5	11. 5	Poland (7,660). U.S.S.R. (6,209).
Crude materials, inedible, except fuels.	915, 358	27. 4	39, 491	23. 5	4. 3	U.S.S.R. (15,705).
Wood and charcoal	139, 324	4. 2	16, 765	10. 0	12. 0	U.S.S.R. (6,741); Rumania (5,567).
Silk	9, 889	. 3	3, 331	2. 0	33. 7	China (2,753).
Flax and waste	6, 869	. 2	2, 787	1. 7	40. 6	U.S.S.R. (2,787).
Soybeans	5, 321	. 2	1, 927	1. 1	36. 2	China (1,927).
Food, beverages, and tobacco	557, 139	16. 7	34, 296	20. 4	6. 2	Hungary (13,282) Poland (8,297).
Eggs	36, 513	1. 1	19, 477	11. 6	25. 1	Poland (4,935).
Live animals for food	61, 406	1. 8	13, 167	7. 8	21. 4	Hungary (8,859).

NETHERLANDS

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	3, 607, 032		69, 659		1. 9	
Crude materials, inedible except fuels	236, 263	6. 6	11, 148	16. 0	4. 7	East Germany (2,329) Poland (1,885); U.S.S.R. (1,855).
Waste material from textile fabrics, including rags	13, 910	. 4	3, 553	5. 1	25. 5	Poland (1,224); East Germany (1,192).
Hides and skins, except fur skins, undressed.	20, 930	. 6	2, 617	3. 8	12. 5	Bulgaria (1,184).
Chemicals	318, 825	8. 8	21, 069	30. 2	6. 6	China (8,667).
Machinery and transport equipment.	641, 327	17. 8	10, 803	15. 5	1. 2	Poland (6,686).
Diesel engines, semidiesel marine engines and parts.	15, 868	. 4	4, 299	6. 2	27. 1	Poland (3,810).
Tubes and pipes	3, 774	. 1	1, 046	1. 5	27. 7	East Germany](813).
Glass	11, 571	. 3	1, 732	2. 5	15. 0	Czechoslovakia (724); East Germany (685).

Trade with the world and the Sino-Soviet bloc, 1959—Continued

NETHERLANDS—Continued

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
IMPORTS						
Total	3,939,401	--------	134,954	--------	3.4	
Food, beverages, and tobacco	611,076	15.5	36,727	27.2	6.0	U.S.S.R. (26,104).
Wheat, unmilled	53,941	1.4	20,903	15.5	38.8	U.S.S.R. (20,522).
Rice	9,309	.2	2,197	1.6	33.6	China (1,608).
Malt	1,171	--------	444	.3	37.9	Czechoslovakia (444).
Crude materials, inedible except fuels.	548,525	13.9	29,125	21.6	5.3	U.S.S.R. (15,110).
Wood in round or simply worked.	103,678	2.6	15,209	11.3	14.7	U.S.S.R. (11,289).
Horsehair and other coarse hair.	2,703	.1	1,430	1.1	52.9	U.S.S.R. (1,272).
Crude potash salts	5,780	.1	1,984	1.5	34.3	East Germany (1,800).
Tung oil, crude	319	--------	146	.1	45.8	China (146).
Ethyl alcohol	130	--------	130	.1	100.0	East Germany (130).
Potash, refined	401	--------	258	.2	64.3	East Germany (229).
Turpentine oil	245	--------	140	.1	57.1	U.S.S.R. (136).
Platinum	5,616	.1	4,303	3.2	76.6	Czechoslovakia (3,656).
Tin, crude	20,122	.5	16,283	12.1	80.9	U.S.S.R. (13,780).
Aluminum, crude	6,684	.2	1,523	1.1	22.8	U.S.S.R. (1,428).
Antimony, crude	151	--------	141	.1	93.4	China (88).
Live animals, not for food	4,001	.1	2,079	1.5	52.0	East Germany (913); Poland (480).

NORWAY

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	810,163	--------	45,360	--------	5.6	
Food, beverages, and tobacco	147,247	18.2	12,246	27.0	8.3	U.S.S.R. (4,641); East Germany (4,128).
Fresh fish, etc	84,485	10.4	10,084	22.2	11.9	U.S.S.R. (4,641); East Germany (2,636).
Chemicals	76,587	9.5	5,187	11.4	6.8	China (3,003).
Animal and vegetable oil and fats.	42,488	5.2	11,046	24.4	26.0	U.S.S.R. (8,661).
IMPORTS						
Total	1,316,119	--------	49,040	--------	3.7	
Food, beverages, and tobacco	143,424	10.9	20,845	42.5	14.5	U.S.S.R. (10,615).
Sugar, refined	15,564	1.2	8,788	17.9	56.6	Czechoslovakia (4,520); East Germany (2,433).
Cereal and cereal preparations.	25,442	1.9	6,821	13.9	26.8	U.S.S.R. (6,080).
Feeding stuff for animals	9,662	.7	4,444	9.1	46.0	U.S.S.R. (4,385).
Crude materials, inedible, except fuels.	87,677	6.7	5,888	12.0	6.7	U.S.S.R. (3,945).
Phosphates, natural and crude	2,650	.2	1,374	2.8	51.8	U.S.S.R. (1,374).
Manganese, ore and concentrates.	5,019	.4	1,652	3.4	32.9	U.S.S.R. (1,652).
Mineral fuels, lubricants, and related materials.	115,271	8.8	6,363	13.0	5.5	U.S.S.R. (2,878); Rumania (2,809).
Heavy fuel oil	17,332	1.3	4,082	8.3	23.6	U.S.S.R. (2,812); Rumania (1,270).
Chemicals	80,951	6.2	1,973	4.0	2.4	East Germany (1,674).
Ethyl alcohol	552	--------	552	1.1	100.0	East Germany (547).
Potassium chloride fertilizers	2,936	.2	912	1.9	31.1	East Germany (912).

Trade with the world and the Sino-Soviet bloc, 1959—Continued

JAPAN

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	3,456,492		37,619		1.1	
Staple fibers	7,506	0.2	3,608	9.6	48.1	U.S.S.R. (3,482).
Fused phosphate	325		296	.8	91.1	North Vietnam (296).
Manufactured goods, classified chiefly by materials.	1,490,625	43.1	15,391	40.9	1.0	U.S.S.R. (8,262).
Silicon steel sheets, plates for electrical use.	2,925	.1	2,238	5.9	76.5	U.S.S.R. (2,205).
Stainless steel pipe	984		800	2.1	81.3	U.S.S.R. (800).
Aluminum ingots and slabs	83		76	.2	91.5	North Vietnam (76).
Aluminum wire rope and twisted wire.	1,160		470	1.2	40.5	U.S.S.R. (470).
Iron and steel tanks for liquids	1,610		344	.9	21.4	U.S.S.R. (344).
Machinery and equipment	809,518	23.4	13,415	35.7	1.7	U.S.S.R. (9,966).
Ships	129,823	3.8	11,362	30.2	8.8	U.S.S.R. (8,807); Czechoslovakia (3,275).
Metalworking machinery and parts.	962		250	.7	26.0	U.S.S.R. (250).
IMPORTS						
Total	3,599,491		69,698		1.9	
Food, beverages, and tobacco	497,113	13.8	12,163	17.5	2.4	China (8,596).
Beans, peas, and other pulses, dry.	11,092	.3	6,922	9.9	62.4	China (6,852).
Malt	1,252		707	1.0	56.5	Czechoslovakia (707).
Chestnuts	735		659	.9	89.6	China (659).
Feeding stuff for animals	8,640	.2	1,117	1.6	12.9	U.S.S.R. (1,117).
Crude materials, inedible, except fuels.	1,734,919	48.2	27,971	40.1	1.6	U.S.S.R. (18,331).
Pulpwood	1,833	.1	1,833	2.6	100.0	U.S.S.R. (1,883).
Saw logs and veneer logs	25,321	.7	10,448	15.0	41.3	U.S.S.R. (10,448).
Cashmere goat hair	2,574	.1	2,514	3.6	97.6	China (2,514).
Silk	1,127		685	1.0	60.8	China (685).
Manganese ore and concentrates.	8,785	.2	1,378	2.0	15.7	U.S.S.R. (1,378).
Hog bristles	689		596	.9	86.5	China (592).
Mineral fuels, lubricants, and related materials.	557,398	15.5	7,675	11.0	1.4	U.S.S.R. (7,651).
Coal and coking coal	88,392	2.5	11,379	16.3	12.9	North Vietnam (6,313); U.S.S.R. (5,047).
Coal tar pitch	335		330	.5	98.5	U.S.S.R. (330).
Tung oil	1,947	.1	767	1.1	39.4	China (767).
Benzol, not chemically refined	402		402	.6	100.0	U.S.S.R. (402).
Nicotine sulfate	243		135	.2	55.6	U.S.S.R. (135).
Manufactured goods, classified chiefly by materials.	147,634	4.1	6,217	8.9	4.2	U.S.S.R. (5,159).
Charcoal pig iron	465		465	.7	100.0	U.S.S.R. (465).
Precious stones	261		216	.3	82.8	China (216).
Palladium	713		444	.6	62.3	U.S.S.R. (444).
Platinum	5,052	.1	1,665	2.4	33.0	U.S.S.R. (1,665).

Trade with the world and the Sino-Soviet bloc, 1959—Continued

PORTUGAL

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	290,463		6,611		2.3	
Crude materials, inedible, except fuels.	45,020	15.5	5,150	77.9	11.4	Czechoslovakia (1,760); U.S.S.R. (1,387).
Corkwood	10,558	3.6	4,541	68.7	43.0	Czechoslovakia (1,392); U.S.S.R. (1,299).
Superphosphates	762	.3	343	5.2	45.0	China (343).
IMPORTS						
Total	475,824		4,725		1.0	
Wheat	2,463	.5	286	6.0	11.6	U.S.S.R. (286).
Barley malt	231		31	.6	13.4	Czechoslovakia (31).
Tung oil	33		26	.6	78.8	China (26).
Newsprint	348	.1	45	1.0	12.9	Czechoslovakia (45).
Milling machines	305	.1	58	1.2	19.0	Czechoslovakia (57).

TURKEY

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	355,072		40,961		11.5	
Food, beverages, and tobacco	232,099	65.4	32,524	79.4	14.0	East Germany (8,501); Czechoslovakia (8,313); Poland (7,229).
Tobacco	91,776	25.8	22,037	53.8	24.0	Poland (6,694); Czechoslovakia (6,308).
Lime, cement, and fabricated building materials.	172		132	.3	76.7	Czechoslovakia (132).
Dye and tanning extracts and synthetic tanning materials.	309	.1	265	.6	85.8	U.S.S.R. (141).
IMPORTS						
Total	442,600		42,398		9.6	
Crude materials, inedible, except fuels.	7,444	1.7	2,378	5.6	31.9	U.S.S.R. (2,138).
Wood in the round or simply shaped.	5,202	1.2	1,827	4.3	35.1	U.S.S.R. (1,639).
Machinery and transport equipment.	162,380	36.7	20,415	48.2	12.6	East Germany (8,559); Czechoslovakia (5,311).
Metalworking machinery	6,511	1.5	2,572	6.1	39.5	East Germany (1,105).
Power-generating machinery	19,323	4.4	2,005	4.7	10.4	Czechoslovakia (1,297).
Office machinery	2,953	.7	845	2.0	28.6	East Germany (774).
Manufactured goods, classified chiefly by materials.	107,506	24.3	11,917	28.1	11.1	Czechoslovakia (4,820); Poland (3,196).
Glass, glassware, and pottery	5,219	1.2	2,381	5.6	45.6	Czechoslovakia (923); Rumania (637).
Floor covering and tapestries	229	.1	209	.5	91.3	Czechoslovakia (209).
Paper and paperboard	8,207	1.9	1,179	2.8	14.4	Czechoslovakia (636).
Cotton fabrics	396	.1	147	.3	37.1	Czechoslovakia (84).
Tulle, lace, etc	175		109	.3	62.3	Czechoslovakia (82).
Lime, cement, and fabricated building materials.	137		56	.1	40.8	U.S.S.R. (56).
Zinc	1,335	.3	254	.6	19.0	Poland (244).
Explosives	683	.2	447	1.1	65.4	Hungary (447).

Trade with the world and the Sino-Soviet bloc, 1959—Continued

UNITED KINGDOM

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	9,676,813		272,723		2.8	
Crude materials, inedible, except fuels.	340,458	3.5	26,187	1.0	7.7	China (13,225).
Rubber, crude and synthetic[1]	152,103	1.6	37,941	1.4	24.9	U.S.S.R. (18,143).
Wool, wool tops, and other animal hair.[2]	222,916	2.3	22,990	.8	10.3	China (12,423).
Waste materials from textile fabrics, including rags.	16,742	.2	3,116	.1	18.6	Poland (1,479); Czechoslovakia (1,309).
Machinery and transport equipment.	3,997,307	41.3	74,096	2.7	1.8	U.S.S.R. (33,730).
Plastics and rubber working machinery.	27,329	.3	19,094	.7	69.9	U.S.S.R. (18,214).
Textile machinery	115,089	1.2	14,726	.5	12.8	U.S.S.R. (7,178); Poland (4,350).
Scientific electrical instruments.	11,779	.1	1,498	.1	12.7	U.S.S.R. (599); China (401).
Chemicals	820,679	8.5	29,398	1.1	3.6	China (9,901); U.S.S.R. (8,017).
Manufactured goods, classified chiefly by materials.	2,472,612	25.6	92,775	3.4	3.8	China (35,308); U.S.S.R. (29,182).
Iron and steel	536,207	5.5	34,336	1.3	6.4	China (15,311); U.S.S.R. (10,913)
Copper wire	11,122	.1	7,758	.3	69.8	China (7,758).
Platinum, platinum manufactures, and alloys.	21,465	.2	1,251		5.8	China (1,251).
IMPORTS						
Total	11,172,277		380,978		3.4	
Crude materials, inedible, except fuels.	2,455,447	22.0	173,158	45.5	7.1	U.S.S.R. (117,195); China (30,357).
Bristles	12,544	.1	10,599	2.8	84.5	China (9,807).
Fur skins, undressed	71,571	.6	25,023	6.6	35.0	U.S.S.R. (22,389).
Manganese ore and concentrates.	15,873	.1	5,176	1.4	32.6	U.S.S.R. (4,689).
Soybeans	20,449	.2	5,999	1.6	29.3	China (5,999).
Wood in the round or simply worked.	394,623	3.5	86,803	22.8	22.0	U.S.S.R. (67,745).
Food, beverages, and tobacco	4,261,975	38.1	108,276	28.4	2.5	Poland (66,634); U.S.S.R. (18,511).
Meat and meat preparations	886,577	7.9	46,647	12.2	5.3	Poland (42,955).
Eggs	14,418	.1	4,868	1.3	33.8	Poland (2,222); China (2,183).
Manufactured goods, classified chiefly by materials.	1,517,050	13.6	63,081	16.6	4.2	U.S.S.R. (35,973).
Furs dressed	9,237	.1	5,691	1.5	61.6	U.S.S.R. (4,301).
Pig iron, iron or steel powders, sponge iron or steel.	5,948	.1	3,125	.8	52.5	U.S.S.R. (2,999).
Silk fabrics	5,390		1,873	.5	34.7	China (1,873).

[1] Of these totals reexports of rubber amounts to: $31,478,000 to world; $21,256,000 to bloc; $18.143 000 to U.S.S.R.

[2] Of these totals reexports of wool amounts to: $27,899,000 to world; $2,527,000 to bloc.

Trade with the world and he Sino-Soviet bloc, 1959—Continued

UNITED STATES

[In thousand current U.S. dollars]

	World	Percent of total world trade	Bloc	Percent of total bloc trade	Share of exports to and imports from the bloc as percentage of exports or imports of the commodity	Principal bloc recipient or supplier
EXPORTS						
Total	17,382,957		89,244		0.5	
Barley	121,131	0.7	11,898	13.3	9.8	Poland (11,898).
Wheat	615,128	3.5	16,358	18.3	2.6	Poland (15,994).
Cotton	476,899	2.7	14,428	16.2	3.0	Poland (14,428).
IMPORTS						
Total	14,987,070		79,169		.5	
Meat	395,784	2.6	22,603	28.6	5.7	Poland (21,886).
Benzene	13,783	.1	12,317	15.6	89.4	U.S.S.R. (10,750).
Furs and manufactures	107,800	.7	9,563	12.1	8.9	U.S.S.R. (6,579).

Source: U.S. Department of Commerce, country by commodity series 1959; U.N. Commodity Trade Statistics, January–December 1959.

APPENDIX B

MASSIVE PROCUREMENT BY THE SOVIET BLOC OF PLANT AND EQUIPMENT EMBODYING NEW WESTERN TECHNOLOGY, JANUARY 1960–JUNE 30, 1961

A. ELECTRONICS AND RELATED EQUIPMENT

Buyer	Order	Value	Remarks
Communist China.	Color television equipment	Not available	Pilot order designs for industrial and scientific use.
U.S.S.R	525,000-volt transformer	do	First transformer of such high tension to be built in France.
East Germany	Electric equipment for 4 reversible cold rolling mills.	do	
Poland	Complete stereophonic recording studio.	do	
Hungary	Electrical equipment, traction motors.	£250,000	
U.S.S.R	Color television camera, other television equipment.	£65,000	
Do	Computer	£65,000	
Do	49 generator sets	£575,000	
Do	45 50,000-foot altimeters	Not available	For use in Aeroflot aircraft.
Do	Electrical equipment	£250,000	For use in paper-making plant.
East Germany	Television equipment	£1 million	
Poland	31,500-kilovolt-ampere transformer.	£45,000	
U.S.S.R	2 mass spectrometers	£50,000	For use in nuclear and electronic research.
Do	Automation control equipment for sugar refinery.	£30,000	
Do	Control instruments for chemical plant.	£200,000	German and Italian firms also participating.
Do	Computers and adding machines.	£3.5 million	Further orders expected.
Do	Precision instruments	£220,000	On exhibit at SIMA exhibition, Moscow.
Hungary	Scientific instruments	Not available	
Poland	3 625-line television cameras	do	
Rumania	Instrumentation and control equipment for an oil refinery.	£3,000,000	To be installed in refinery being constructed by Rumania in Assam, India.
U.S.S.R	All-purpose digital computer	£39,000	Used for exhibit in Moscow by SIMA.
East Germany	Color television equipment	£20,000	Further large orders expected.
Do	Electronics equipment	£20,000	
Do	15 oscilloscopes	£6,000	
Do	Electrical machinery for jet aircraft.	£150,000	
U.S.S.R	High voltage testing equipment.	£300,000	
Hungary	Complete television outside broadcasting unit.	£43,000	
Communist China.	Large quantity electric current testing meters.	Not available	
U.S.S.R	5,000 17-inch television sets	$300,000	Similar deals reported in negotions between Yawata and other satellites.
Do	Hydropower station	£4.5 million	Plant on Soviet-Norwegian border.
Do	10 transformers, at 31,500 kilovolt amperes, 132 kilovolts.	£270,000	
Hungary	Television equipment	£100,000	2d order for £200,000 expected.
East Germany	Television film cameras	Not available	Leipzig Fair.

B. METALWORKING PRODUCTION EQUIPMENT

Buyer	Order	Value	Remarks
Czechoslovakia	Press for pressing sheet metal	£17,650	First ever sold to Czechoslovakia.
Do	Special boring machine	£10,000	
Hungary	Machine tools and ball bearings	$500,000	
East Germany	Miscellaneous steelmaking and heavy engineering equipment.	£70,000	
Rumania	Complete equipment for plant to produce 100 trucks per month.	Not available	
East Germany	Steel mill equipment	£50 million	Contract apparently still in negotiation as of June 30, 1961.
U.S.S.R	Automated plant for manufacture of dielectric cardboard (used in insulating wires and cables).	Not available	Will be largest in world when completed.

B. METALWORKING PRODUCTION EQUIPMENT—Continued

Buyer	Order	Value	Remarks
Rumania	Large steel rolling mill	Not available	
Hungary	Machine tools, Krupp machinery for rubber processing plant.	£1.5 million	
Do	Automatic gear hobbing machinery.	£10,000	
Czechoslovakia	Furnaces for motor vehicle and tractor industries.	£405,000	Will produce gears, small car components, annealed castings.
East Germany	Aluminum rolling mill	£1.25 million	Extensive installation for hot and cold rolling of aluminum strip and foil.
Hungary	Steel mill machinery (rotary pickling plant; acid recovery plant).	Not available	
U.S.S.R	Plant to produce bi-metal, tin-aluminum strip.	£400,000	Will produce tin-aluminum bearings for cars, trucks, tractors.
Poland	2 80-meter annealing plants for stainless steel.	£40,000	
Czechoslovakia	Plant to produce railway wheels and allied products.	£1 million	Plant will have an initial output of 200,000 railway wheels per year. Probably will supply Czechoslovakia plus other bloc countries.
U.S.S.R	Machine tools	£37,000	
Do	do	£30,000	
Do	Gear grinding machines	£24,000	
East Germany	Machine tool presses	£11,000	Leipzig Fair.
U.S.S.R	Machine tools (metal thread, jig and gear grinding machines).	£250,000	2d order in 6 months.
Hungary	Aluminum foil rolling mill	£120,000	
Do	Steel rolling mill equipment	£30,000	
Do	Machine tools	£80,000	
U.S.S.R	Machine tools (mainly precision gear cutters).	£500,000	Another order for £250,000 pending.
Rumania	Complete foundry plant for production radiators, bathtubs.	£1.8 million	Will be 1 of most technically advaned in Europe.
U.S.S.R	10 model V.8 Universal gear-hobbing machines.	£27,000	3d Soviet order received in 1960; total for such machines now £136,000.
Poland	Complete equipment for a cellulose plant.	£500,000	Plant will be built, machinery installed, technicians trained.
U.S.S.R	Precision heavy type wire braiding machinery and winding machines.	£100,000	Another £200,000 order reported in negotiation.
Czechoslovakia	Foundry equipment	£100,000	For new tractor and automobile foundries.
Poland	Double helical gear planer	£17,000	Poznan Fair.
Czechoslovakia	Machine tools for production of automotive transmission parts.	£80,000	
U.S.S.R	Precision machine tools	£20,000	
East Germany	Part of equipment needed for steel plant at Stalinstadt.	About £6.6 million.	Financed by French export credit insurance company, "Coface."

C. CHEMICAL AND ALLIED PRODUCTION EQUIPMENT

Czechoslovakia	Terylene technology	£220,000	Czechoslovakia will get all rights to produce and sell product in Czechoslovakia and abroad.
Do	Chemical machinery	£17,000	
U.S.S.R	13 sets of gas liquid chromatographic analysis apparatus.	£16,000	
Do	Semichemical pulp plant (350 tons per day).	$3.7 million	
Poland	Plant producing hydrogen cyanide and acrynitrillic monomer materials for synthetic fibers.	7 million new francs for license alone; other costs not available.	Contract awaiting government approval.
U.S.S.R	Sodium hydroxide plant	Not available	
Do	Gas separation equipment for coke ovens.	$25 million	
Do	Silicum converting plant of 24,000 amperes to be used in chlorine plant.	Not available	
Do	50,000 tons synthetic rubber		

C. CHEMICAL AND ALLIED PRODUCTION EQUIPMENT—Continued

Buyer	Order	Value	Remarks
Poland	Section of a refining plant at Plock.	$5 million	Will be built at junction of Soviet pipeline between Urals and East Berlin.
U.S.S.R	Complete cellulose plant	Not available	
Do	Machinery for Krupp production of polyester fiber (3 complete plants).	£4.2 million	Will produce enough fiber for manufacture of 500 suits per month.
Poland	Synthetic fiber plant	£2 million	Contract "going well" but not signed as of June 30. (May be signed by end of July 1961.)
East Germany	Complete asphalt plant	£50,000	Fully automatic, 80 tons per hour.
Poland	3 oxygen plants	£1.6 million	
Czechoslovakia	4 injection molding machines	£40,000	
Poland	1 urea plant (500 tons output per day).	£1.5 million	Plant will be first of 5 to be built in Poland under present plan.
U.S.S.R	Plastic molding machinery	£16,000	Pilot order?
Do	2 chemical plants	Not available	
Do	1 complete nylon plant	£4 million	6,000 tons of nylon per year; production will include cord for tires.
East Germany	Plastic injection molding machinery.	£68,000	Leipzig Fair.
U.S.S.R	2 chemical plants to produce hormone weed killers and synthetics.	£2 million	Will be located at Ufa in Bashkir, A.S.S.R.
Rumania	Polystyrene plant ("highly automated").	£800,000	Production will include expanded polystyrene board for use in building industry.
Poland Czechoslovakia East Germany.	One polyethylene plant	£11 million	A "unique deal."
East Germany	Plastic injection molding machine (weight 73 tons, can mold objects up to 210 ounces as refrigerator, radio cabinets).	£53,000	Pilot order.
U.S.S.R	Equipment for factory to produce polystyrene molding powders.	£750,000	Capacity of 10,000 tons per year.
Hungary	Equipment for lead processing plant.	£13,000	
Do	Rubber processing machinery	£30,000	
Czechoslovakia	Nylon tire cord plant	£1 million	
U.S.S.R	2 complete plants for manufacture of raw materials for detergents.	£3 million	
Poland	Vulcanizing presses for tire plant	£145,000	
Bulgaria	Plastic pressing machine	£250,000	
Rumania	Complete cellulose plant	£4.5 million	Will process reeds and straw to produce 50,000 tons high quality paper per year.
U.S.S.R	Vacuum insulated liquid oxygen storage tanks.	£10,000	
Do	Centrifugal equipment	£7,000	
Poland	Technology for production of polystyrene.	Not available	
East Germany	Complete ethylene plant and technology.	£4 million	Will produce 40,000 tons of ethylene per year.
U.S.S.R	3 large urea plants	G73 million	Will reportedly be largest in world (more may be ordered).

D. OTHER INDUSTRIAL MACHINERY

Buyer	Order	Value	Remarks
U.S.S.R	6,000-horsepower air conditioning system for Moscow factory.	G3 mil	Largest ever built in Netherlands.
Do	Printing press equipment	£30,000	For Pravda plant in Moscow.
Do	12 sets of refrigerator apparatus	$3.8 million	Hungary and Rumania also making inquiries.
Do	Cardboard making plant and mill.	£10.5 million	Negotiations for 2 more plants underway.
Do	Textile machinery	$6.5 million	
Do	6 alternating compressors	£1.6 million	
Do	"A number of fodder yeast factories."	Not available	
Do	3 industrial refrigerator plants	do	5 delivered; 10 more on order.
Do	Offset printing press	£600,000	Will produce 80,000 copies per hour of a 4-color magazine.
Do	Machinery to manufacture special pneumatic tires.	£430,000	Contract believed to include necessary technology.

D. OTHER INDUSTRIAL MACHINERY—Continued

Buyer	Order	Value	Remarks
Hungary	Machinery for manufacture of truck tires.	Not available	
Poland	Tire plant	£7 million	Contract not yet concluded as of June 30, 1961.
Hungary	Optical lens grinders	£6,000	
Do	Automatic electroplating plant	£45,000	For bicycle plant at Csepel.
Do	Combing machine and other textile equipment.	£125,000	
Do	Textile machinery	£50,000	
Poland	do	£400,000	
Do	do	£20.000	
Communist China.	Portable unloading equipment (grain from ships).	£20,000	
Poland	Textile machinery	£400,000	
U.S.S.R	Textile plant (2 complete worsted spinning plants totaling 42,000 spindles with dyeing and finishing machinery).	£3.25 million	
Do	Foil and crown capping machines	£24,000	
Do	Milk bottling line	£25,000	
Do	Complete laundry	£27,000	
East Germany	Food processing and packaging machinery.	£9,000	Leipzig Fair.
Do	Papermaking machinery	£300,000	Do.
U.S.S.R	4 high-speed tissue machines (complete with stock preparation plants).	£3 million	
East Germany	Cranes and building machinery	£55,000	Do.
Do	Centrifugal and processing equipment.	£66,000	Do.
Do	Bottle topping machinery	£14,000	Do.
U.S.S.R	Newsprint machine	£4.5 million	Tentative contract.
East Germany	Cardboard making machinery for new chemical plant at Schwedt.	£425,000	United Kingdom and East German technicians will install.
U.S.S.R	Knitting and textile	£570,000 (U.S.S.R.).	
Czechoslovakia	Machinery	£480,000 (C.S.R.).	
U.S.S.R	4 large tissue paper making machines.	£6–7 million	Most modern produced by firm.
Rumania	Ceramic factory	£500,000	Will be almost completely automatic.
Poland	Spinning machinery	£300,000	Negotiations for further order in progress.
Do	Paper plant	£750,000	
Do	5,500-ton lifting capacity floating dock.	Not available	Will service ships up to 10,000 tons; 2 other docks currently under negotiation.
East Germany	Paper making machinery	£220,000	
Hungary	Animal food processing plant	£150,000	
Do	Cranes	£15,000	
Do	Textile machinery	£30,000	
Do	Combing machines	£28,000	
Do	Jute processing machinery	£5,000	
U.S.S.R	Plant for processing and storage of flour.	£127,000	
Do	Machinery for coating wire with plastic.	£14,000	This is a "pilot order." Much larger orders are expected at a later date.
Czechoslovakia	Complete plant for processing of logs into lumber.	£100,000	
U.S.S.R	Complete worsted spinning plant.	£1.75 million	Total Soviet order to Platt Bros. in July 1960, equals £2.5 million.
Do	Draw-twisting machinery for synthetic yarns.	£700,000	Most modern available; had been developed in 1958–59.
Communist China.	20 cranes	$4 million	
U.S.S.R	600 automatic loom textile plant	£1 million	2,000 loom plant sold several years ago by same firm.
Poland	32 ditch-cleaning and trench-digging machines.	£100,000	Poznan Fair.
U.S.S.R	Textile machinery for processing of polyesters and polyamides.	£300,000	
Communist China.	Complete cement plant with daily output of 1,800 tons.	£2 million	Some machinery may come from United Kingdom firms.
Hungary	Paper mill	£200,000	
Do	Paper-making machinery (causticiser, evaporator).	Not available	

D. OTHER INDUSTRIAL MACHINERY—Continued

Buyer	Order	Value	Remarks
Czechoslovakia	Wool-washing machinery (3 units).	£30,000	
U.S.S.R	Leather molding machines	£600,000	
Do	Installation to produce Swedish-type sour milk.	Not available	
Do	30 complete meat-packing plants.	£25 million	Contract not finalized as of June 30, 1961.
Do	Sack-filling machinery for automatic weighing and filling of sacks with fertilizer.	£100,000	

E. SHIPS, OTHER TRANSPORT EQUIPMENT

Buyer	Order	Value	Remarks
U.S.S.R	1 tanker (40,000 deadweight tons).	$5.8 million	Originally built for Greek account.
Do	2 tankers (at 35,000 deadweight tons).	$12 million.	
Do	11 ships (including 8 tankers, 3 cargo vessels).	More than £20 million.	
Do	Ships, 3 freighters, at 12,000 deadweight tons.		
	5 tankers, at 20,000 deadweight tons.		
	10 dredgers, capacity 200 cubic meters per hour.		
	15 floating cranes, capacity, 5 tons.		
Do	1 tanker (39,000 tons)	About $6 million	Do.
Communist China.	50 trucks	Not available	Contract calls for 400 in 1960.
U.S.S.R	Diesel engines		
Do	Engines, machinery		
Poland	Earth-moving machinery	£12,000	
Do	13 diesel engines	£500,000	For installation in trawlers.
Do	Diesel engines for use in combine harvesters.	£150,000	Harvesters to be used in Eastern Europe and Middle East.
U.S.S.R	Diesel engines (small) to be installed in Soviet "Volga" cars being assembled in Belgium.	Not available (described as substantial).	
East Germany	3 earth-moving machines	£20,000	To be used in construction of highway, Rostock-Berlin.
Do	Cars, trucks, motorcycles	£20,000	
Rumania	Special oilfield trucks	£26,000 (pilot order).	
Poland	167 crawler universal dragline excavators.	£650,000	
Do	Floating crane	£100,000	
Communist China.	400 tractors	Not available	
Poland	Floating docks	About £3 million.	Contract not finalized as of Dec. 31, 1960.
Do	2 7,000 ton cargo ships (used)	£193,500	
Czechoslovakia	Motorcycles	£40,000	Total orders for 1 year.
East Germany	1 passenger liner, SS *Stockholm*, 12,396 gross tons.	SKr20 million	Renamed *Freundschaft* by East Germany.
Do	2 tankers, at 13,500 tons	Not available	
U.S.S.R	2 tankers, at 4,200 tons	do	
Do	2 freighters, at 14,500 tons	do	
Do	4 2,600-ton "deep freeze" fishing vessels.	do	
Poland	2 freighters, at 12,500 gross tons	do	Late in 1962, early 1963.
U.S.S.R	15 diesel engines	SKr25 million	
East Germany	2 banana cargo boats	Not available	
Hungary	380 railway freight cars	£560,000	
East Germany	500 railway tank cars	Not available	
Do	Rolling stock	£1.75 million	

F. STEEL AND OTHER METAL PRODUCTS

Buyer	Order	Value	Remarks
Communist China.	Copper rods	£8 million	
Czechoslovakia	Special alloy steels	£20,000	
East Germany	Steel sheets and rolled steel	$1.3 million	Covered by Hungarian-Japanese trade agreement.
U.S.S.R.	6,000 tons mild steel plates	$690,000	Largest export of steel plates ever made from Japan to U.S.S.R.
Do	Stainless steel pipe	$2.1 million	
Do	Seamless steel tubing	Not available	
Do	"Elastic rail fixations" to be used on Soviet railways.	do	
East Germany	Rolled steel tubes; special steel; cold strip mill products.	About £13.5 million.	5-year contract.
U.S.S.R.	240,000 tons of steel pipeline		Barter deal negotiated by ENI; some of pumps and equipment involve United Kingdom technology.
Do	Pumps, valves, pipeline equipment.		
Poland	Steel tubing	£500,000	
Hungary	68 km. of spiral welded pipeline	£280,000	
U.S.S.R.	Natural gas pipeline	About £2.3 million.	
Poland	Precision tubing	£400,000	
U.S.S.R.	Large quantity of large diameter pipeline.	$50 million (?)	
Do	50,000 tons of large diameter pipe	Not available	
Do	Unwrought copper	£450,000	
Do	10,000 tons sheet steel	£1.4 million	Will be used mainly for trucks.
East Germany	Steel products	£487,000	Leipzig Fair.
Do	do	More than £1 million.	
Hungary	Locomotive connecting rods	£120,000	
Poland	Wire rods, tubes, and precision tubing.	£1.5 million	
U.S.S.R.	Steel tubes (1,500 metric tons)	£135,000	
Do	3,250 tons hot finished tubes	£325,000	
Do	Spare parts for tire factory	£1 million	For factory being built by Rustyfa at Dniepropetrovsk.
East Germany	Steel and metal products	$2 million	Similar orders reportedly offered other United Kingdom firms.
Do	Special grades of steel and products.	About £10 million.	5-year contracts.
Rumania	500 tons of lacquered tinplate	£60,000	
East Germany	Refined steel and sheet iron	£180,000	
Do	High grade steels	£5.2 million	5-year contract.
U.S.S.R.	Welded steel pipe (135,000 tons) 1 meter in diameter.	£8 million	For oil and gas pipelines.
East Germany	Special steels	Not available	5-year contract.

G. ALL OTHER

U.S.S.R.	Glass for street lights; plant for manufacture of sodium street lighting equipment.	do	Inquiry—not firm contract.
Poland	Ball bearings	do	
Do	Instrument landing system for Western aircraft.	£25,000 to £40,000.	
East Germany	Airport ground equipment	£40,000	Leipzig Fair.
U.S.S.R.	6.5 miles of wide conveyer belting made from synthetic fibers and for conveying of heavy ore.	Not available	

NOTE.—Above list was prepared by the staff of the Joint Economic Committee.

Source: British commercial publications.

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