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PROVISIONAL INTELLIGENCE REPORT

ECONOMIC CONDITIONS IN THE EUROPEAN SATELLITES 1954-55

CIA/RR PR-139
23 April 1956

CENTRAL INTELLIGENCE AGENCY

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CIA/RR PR-139

(ORR Project 16.449)

NOTICE

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FOREWORD

This report is for the most part a review of economic conditions in the European Satellites in 1954, together with an analysis of the published economic plans and state budgets for 1955. It extends by 1 year much of the discussion and series of data which were published in a previous survey, CIA/RR PR-99, Economic Conditions in the European Satellites, 11 February 1955, S/US ONLY. In addition to sections on trends in gross national product, agriculture, consumer welfare, and foreign economic relations, the present report contains some background material on the resource base of the Satellite economies and on the problems and prospects of selected industries and the transportation and communications systems.

Like PR-99, this report is a minor revision of material submitted to the Office of National Estimates as the ORR contribution to the annual National Intelligence Estimate for the European Satellites. The term European Satellites as used herein includes Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania.

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ECONOMIC CONDITIONS IN THE EUROPEAN SATELLITES*
1954-55

Summary

The 1955 economic plans of the European Satellites indicated that the "new course"** program introduced in 1953 was generally being continued even though the development of heavy industry was again being stressed by Satellite leaders. In most instances, data on planned investment and production goals for 1955 show a "new course" emphasis on industries producing basic materials, electric power, and consumer goods and somewhat less attention to the engineering industries than during the pre-1953 period. Higher rates of increase are planned for consumer goods output than for producer goods output in several of the countries. Measures designed to increase agricultural output are also prominent in Satellite economic plans for 1955. In general, agriculture, the coal and power industries, and light industry are allocated larger shares of state investment funds, whereas investment in heavy industrial facilities is to make up a smaller proportion of total investment than before the "new course." In agriculture, as in other economic sectors, there appears to be somewhat less coercion and greater reliance on incentives than before the "new course" in the effort to achieve national economic goals. The "new course" policy of substantially increasing trade with the West as well as with Soviet Bloc countries is also still very much in evidence.

Planned rates of industrial growth continue to be more modest than during the period before 1953. Only Hungary and Czechoslovakia, the Satellites which had the smallest increases in gross industrial production in 1954, planned larger rates of growth for 1955 than were achieved in 1954. The extension of the "new course" (with some modifications) into 1955 undoubtedly reflects the course of economic developments in 1954.

* The estimates and conclusions contained in this report represent the best judgment of ORR as of 15 November 1955.

** The "new course" program called for the expansion of the basic materials and electric power industries and of light industry to bring about a more balanced industrial structure, increased agricultural output by means of higher investment expenditures and further incentives to peasants, material improvement of living standards, and increased foreign trade not only with Soviet Bloc members but also with the West.

Taking into account both the tasks which the European Satellites set for themselves in 1954 and the actual changes in economic conditions since 1953, developments in these countries in 1954 may be characterized as combining modest successes with serious shortcomings. There were, for example, further small improvements in living standards and some easing of the strains and bottlenecks which had developed within the industrial sectors of the economies. The structural readjustments in the industrial sector did not, however, prevent sharply declining rates of industrial growth. Each Satellite has expanded its industrial output rapidly since 1948, but the rates of industrial growth have slackened markedly in recent years, and particularly in 1954.

The agricultural stagnation of recent years also continued. There has been no significant increase in total Satellite agricultural output since 1950; such production thus has remained well below the prewar achievement in all of the major countries. Attainment of two basic Satellite goals in agriculture -- a significant expansion of output and, even more important, a sizable increase in average output per worker in order to release labor to industry -- apparently will require considerably higher economic priorities than have been given this sector in the past, including the period since the announcement of the "new course" policies in mid-1953.

In the industrial sectors of the economies, the scheduled reallocation of investment expenditures in favor of the energy and basic materials industries on the one hand and the consumer goods industries on the other was carried out to a substantial degree, although such plans were not realized completely. The proportion of total state investment which was allocated to heavy industry declined in most if not all of the countries in 1954, and the absolute amount of such expenditures probably also declined in several of them. Investments in light industry were maintained or slightly increased. The shift in investment priorities thus not only made possible small improvements in living standards but also brought the capacities of the energy and industrial raw materials industries into better balance with engineering and heavy industrial plant facilities. Some of the European Satellites reported larger percentage gains in consumer goods output than in producer goods output, but the latter continues to predominate in the more industrialized countries. Moderate in extent as this structural realignment in industry was, it appears to have had the initial effect of contributing to the further decline in the rate of

industrial growth in 1954. Only Poland was able to fulfill its initial industrial production goal for the year, and in all seven countries the announced percentage gains in output over the previous year were smaller than in 1953. In Hungary and Czechoslovakia -- industrial countries which were badly hampered by shortages of raw materials -- increases in gross industrial production of only 3.1 and 4.4 percent, respectively, were reported.

Because of the unavoidable time lags between investment decisions and actual output, the expansion of the production of consumer goods in 1954 was largely the result of fuller utilization of existing plant capacity in light industry and the conversion to the production of consumer goods of some plants or parts of plants in the engineering and heavy industrial sectors. This procedure increased the production of consumer goods appreciably in a relatively short space of time following the "new course" announcements, but it had adverse short-run effects on labor productivity. Consequently, the rate of industrial growth for the European Satellites as a group would have fallen even more sharply if the industrial labor force had not increased. The price of this, however, was a small reduction in the agricultural labor force despite the urgency of the "new course" agricultural programs, whose realization in the short run required more rather than less farm labor in at least some of the countries. Only in Poland did the output per industrial worker increase by more than 4 percent in 1954, according to official statements. In Hungary, it actually declined by 1.5 percent. Expectations by Satellite leaders that the rise in living standards would promote a large rise in labor productivity thus were not borne out.

A similar time lag exists in agriculture between the execution of investment plans and the resulting increase in output. In addition, the effects of higher rates of investment and of other government policies designed to increase agricultural output may be obscured in a given year by unfavorable weather conditions. Nevertheless, the failure of the European Satellites to increase agricultural output materially must be regarded as the most serious shortcoming in the implementation of the "new course" in 1954. This failure occurred despite large increases in agricultural investment, reflecting not only the time lag and weather factors but the very low level of agricultural investment before the "new course." Policies designed to extend the cultivated area met with only limited success, and the agricultural labor force of the area declined slightly despite an estimated increase of 40,000 farm workers in Czechoslovakia.

Total Satellite production of agricultural commodities was about the same in 1954 as in 1953. Because of unfavorable weather, grain production fell by an estimated 5 to 13 percent in Czechoslovakia, East Germany, and Hungary. Moreover, there were no significant increases in livestock numbers for the area as a whole. On the other hand, production of industrial crops and particularly of textile fibers fared somewhat better than in 1953.

Turning to another aim of the "new course" -- that of improving the living standard of the people -- it appears that in 1954, as in 1953, consumers benefited somewhat more than during any of the years immediately preceding the "new course." Although the Satellite governments have adopted resource allocation policies somewhat more favorable to consumption, the improvement in living standards possible during a period of only 2 years is necessarily small. Only if these gains are continued for several more years will some of the austerity of recent years be removed and prewar standards of living be regained or exceeded.

Production of manufactured consumer goods, particularly the more expensive types, has, however, increased considerably during the "new course" and in most categories now exceeds the prewar levels. The supply of educational, medical, and recreational services has also been promoted and likewise now probably surpasses prewar standards. Investment in residential housing has been increased appreciably, but the Satellites will not soon be able to make good the years of neglect of housing construction. The least successful feature of the consumer program in 1954 undoubtedly was the effort to increase food supplies. For many people in the Satellites, the overriding fact concerning the "new course" very likely is that food supplies have not become more plentiful. Despite a shift in over-all Satellite foreign trade to net imports of grains and possibly of foodstuffs in general, food consumption per person did not improve significantly in 1954, remaining below the prewar level for all of the countries except Poland and Bulgaria. If the diet of the people had not also deteriorated qualitatively under the Communist regimes because of the substitution of starchy foods for proteins, per capita caloric consumption of foods in 1954 would have been still lower.

The combined result of the trends noted above for industry and agriculture, together with developments in the other sectors of the economies, may be summed up in estimates of gross national product

(GNP), the market value of the total output of goods and services. Total Satellite GNP in 1954 was roughly $50 billion (at 1951 US prices), amounting to about two-fifths of the Soviet GNP. The Satellite economies have grown rapidly since 1948, but the rate of increase in GNP, like that of its most dynamic component -- industrial output -- has been declining. This slackening in the pace of Satellite economic development generally paralleled that in the USSR, so that the ratio between Satellite and Soviet GNP did not change materially from 1948 to 1954.

Although comprehensive statistics for Satellite trade in 1954 are not yet available, the value of Satellite trade with non-Bloc countries apparently was greater in 1954 than in any year since 1951. The direction of Satellite trade has not, however, been altered fundamentally since the introduction of the "new course" in 1953. About three-fourths of trade turnover is accounted for by other Bloc countries, and the USSR is by far the most important trading partner of each Satellite. Satellite trade turnover of about US $6.5 billion in 1953, constituting about 5 percent of the total trade of the world, was roughly equal to that of the USSR. The Satellites' dependence on foreign trade, as measured by the ratio of trade turnover to GNP, was less than that of France, West Germany, or Italy in 1953 but was considerably greater than that of the USSR.

Although direct Soviet control over Satellite enterprises has been reduced somewhat during the past 2 years, this reduction does not appear to be particularly significant, because of the pervasive indirect controls which are exercised by the USSR over Satellite economic development. The extent of Soviet direction of Satellite economic policies has not lessened in the post-Stalin era and may have increased slightly because of the growing coordination activities of the Soviet-dominated international organization, the Council for Economic Mutual Assistance (CEMA). Control of Satellite policies probably has continued to be exerted primarily through Party and governmental channels, however, as illustrated by the country-by-country adoption of the "new course" during the latter half of 1953. There is some evidence, on the other hand, that the USSR has dictated or that various pairs of Satellites have agreed upon coordinated production and investment plans for selected products or industries through the medium of CEMA.

I. Economic Plans and Policies.

A. General Survey.

Although leaders in the European Satellites have made numerous statements during the past year about the importance of rapid industrial (especially heavy industrial) growth, the national economic plans and state budgets of the various countries do not show any substantial changes in economic policy from that of 1954. The policies currently being followed may therefore be characterized as generally continuing the "new course" as it was carried out in 1954. The "new course" program called for the expansion of the basic materials and electric power industries and of light industry to bring about a more balanced industrial structure, increased agricultural output by means of higher investment expenditures and further incentives to peasants, material improvement of living standards, and increased foreign trade not only with Soviet Bloc members but also with the West. Some modifications of these policies were evident in 1955, but most of these changes are neither great in extent nor applicable to more than one or two of the countries. It should be noted, however, that although the economic programs put into effect in 1954 departed somewhat from the orthodox Communist economic policies followed until mid-1953, the changes made were not so extensive as those outlined in the initial "new course" announcements.

Official Satellite statistics* show a marked slackening in the rates of industrial growth in recent years, and the economic plans for

* The discussion throughout this section is based on official Satellite statistics or, in a few instances, on estimates derived directly from such statistics. Plans for total industrial output in 1955 are appraised in terms of the officially announced gains in previous years in order to insure a satisfactory degree of comparability in the data. These statistics generally are not comparable to the indexes of industrial production used in calculating the estimates of gross national product (GNP) in Section III. (An exception is each country's index for 1954, which was calculated on the basis of the officially announced rate of increase in industrial production.) The official figures and the independently determined CIA estimates for Section III differ in concepts of total industrial production and in the weights and statistical methods used in aggregating the physical output data. Official Satellite statistics relate to gross industrial production, for example, so that there is a considerable amount of double-counting, whereas the CIA estimates represent an attempt to calculate only the value added in the industrial sectors of the economies.

1955 make it clear that the economic planners in several of the countries expected this slowdown in industrial growth to continue in 1955. Czechoslovakia, East Germany, Hungary, Rumania, and Bulgaria cut back their goals for gross industrial output in 1954 in order to claim fulfillment of their plans, and Albania failed to reach its initial target. Moreover, the announcements on the results of the 1954 plans indicate that in each country the percentage increase in industrial production in 1954 was smaller than the increase in either 1952 or 1953. In several of the Satellites, the 1954 gains were no more than one-fourth to one-half of the increases claimed for the previous year. Hungary admitted, moreover, that its heavy industrial output declined 3.1 percent in 1954.

The economic plans for 1955 show some recognition by Satellite leaders of the difficulties and shortcomings experienced in 1954 and of the factors which underlay them -- notably, the raw material shortages, the declining rates of increase in labor productivity, and the inadequate allocation of resources to agriculture. Of the 6 Satellites which announced their over-all goals for industrial output in 1955, only Czechoslovakia and Hungary -- the 2 countries which made the poorest showing in 1954 -- planned larger rates of increase in 1955 than proved possible in 1954. Except for Albania, no Satellites planned increases in industrial output of as much as 10 percent -- a rate of growth which was equalled or exceeded (sometimes by large margins) by every Satellite in 1952 and 1953 (see Figure 1*). The earlier rates of growth were the result of the relatively rapid expansion of industrial employment and the highly productive nature of the capital investments undertaken at that time. Because of the age and sex distribution of the populations and the manpower needs in the agricultural sectors, the Satellites recently have been unable to increase their industrial labor forces at the rates previously attained. At the same time, the returns to capital investment have diminished seriously, since the earlier investment programs exhausted the most productive investment opportunities.

Scattered data on the production and investment plans for 1955 show that higher rates of increase are planned for consumer goods output than for producer goods output in several of the countries. The same relationship may also hold for some of the others. Hungary planned an increase of 3.7 percent in heavy industrial output

* Following p. 8.

in 1955, in contrast to the 1954 planned decline of 2 percent, but this increase is smaller than the scheduled increases of 7 and 6 percent for the light and food industries, respectively.

The picture presented by the agricultural sectors of the Satellite economies is one of continuing stagnation rather than slackening growth rates. Large increases in the outputs of agricultural commodities were planned for 1954 and again for 1955. The results of such programs usually have not been described in any detail in official publications, probably because they have not been carried out effectively and consequently have not improved agricultural conditions materially.

Additional evidence that Satellite economic policy has not changed appreciably since 1954 may be found in the state budgets published by the various countries. Planned increases over scheduled expenditures in 1954 did not exceed 12 percent in any country except Albania. As in past years, the 1955 expenditure plans may not have been fulfilled completely, with the result that the increases in actual expenditures from 1954 to 1955 may be less than the rise in the planned amounts. Hungary and Bulgaria planned expenditures only 3 to 4 percent higher than the sums actually spent in 1954, and Czechoslovakia scheduled lower expenditures than were planned in 1954, although actual spending may have increased if the authorized level was reached in 1955.

Although analysis of planned expenditures by budget categories is hampered by many gaps in the published data and by uncertainty regarding the content and comparability of some of the announced figures, the allocations of budget funds generally conform to the stated aims of the "new course." Not all of the allocations in every country point in this direction, of course, but the deviations from what may be regarded as "new course" allocations of funds are not sufficiently general among the Satellites to justify the conclusion that the "new course" has been modified substantially.

As with budget allocations, an examination of 1955 investment plans can make only a limited contribution to an appraisal of current economic policy because of deficiencies in the data. Although the authorized level of budgetary investment in Czechoslovakia was significantly higher in 1955 than in 1954, the planned level of total state investment appears to be the same in 1955 as in 1953 and 1954. In Poland, a 1954 announcement that the level of state investment was to

Figure 1

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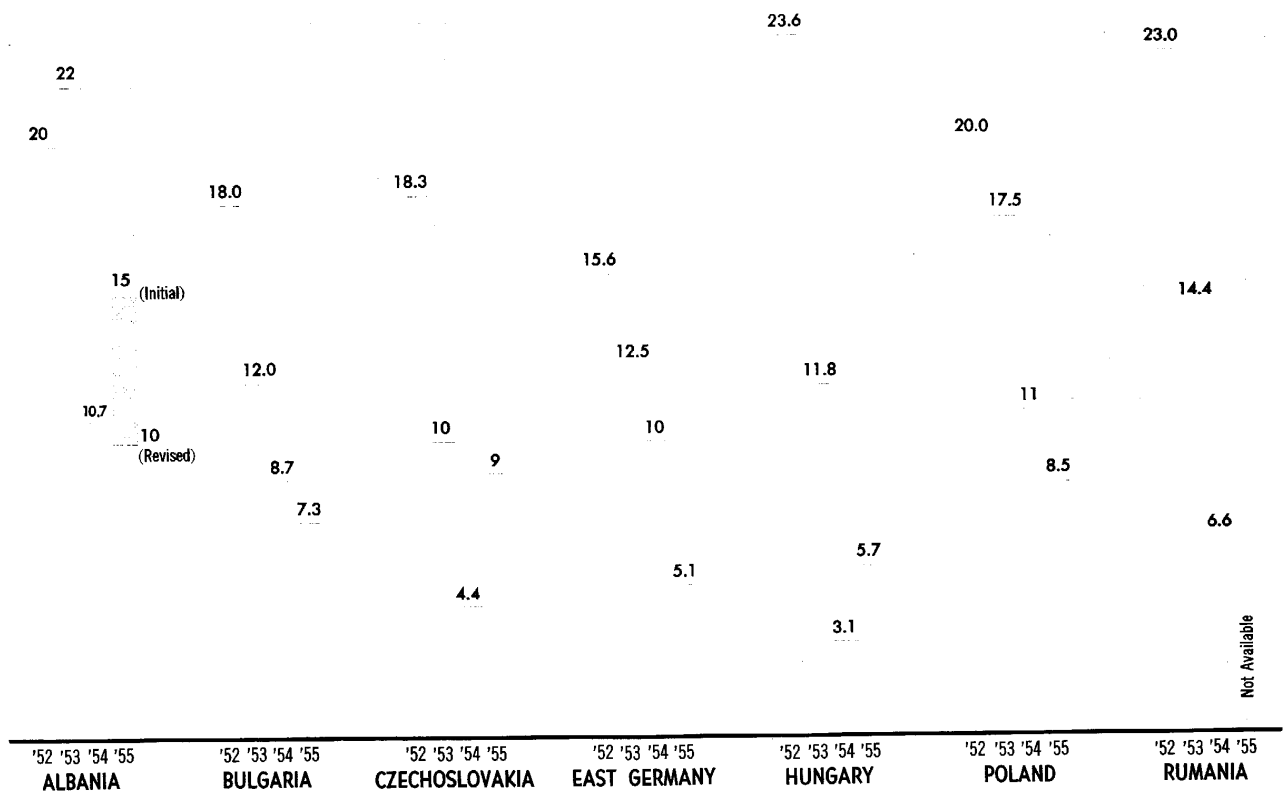
OFFICIAL ANNUAL RATES OF INCREASE IN INDUSTRIAL PRODUCTION, 1952-54, AND 1955 PLAN

(In percent)



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be unchanged in 1955 was borne out by a 1955 plan announcement. Rumania, on the other hand, planned to cut its budgetary investment in 1955 as in 1954, and total state investment probably was also scheduled to fall again. In general, investments in heavy industry in 1955 were to make up a smaller proportion of total investment than previously, whereas larger shares were scheduled in most instances for agriculture, the coal and power industries, light industry, and social and cultural facilities, including housing.

The remaining parts of this section consist of country-by-country reviews of the published information on economic plans and policies summarized above.

B. Czechoslovakia.

1. Economic Plan for 1955.

The economy of Czechoslovakia, like the economies of most of the Satellites, has been operating under considerable strain in recent years. This is shown, for example, in the downward revision of the plans for 1953 and 1954. In practice, there has been a tendency to sacrifice the agricultural goals in order to promote industrial development, but, according to official sources, the rate of growth in industrial production nevertheless declined from 18.3 percent in 1952 to 10 percent in 1953 and 4.4 percent in 1954 (see Table 1*). The plan for 1955, however, suggests that the "new course" policies relating to industry are having a measure of success. Gross industrial production was planned initially to increase about 9 percent in 1955. This is substantially more than either the initial planned increase or the final achievement for 1954, although it is still much less than the average annual increase of 15 percent realized during the period 1949-53. The goal for 1955 was reduced to a 6.8-percent increase in December 1954, but this cut was restored following overfulfillment of the plan for gross industrial output during the first quarter of 1955. The outputs of producer goods and consumer goods were planned to increase by approximately the same rate in 1955, continuing the relationship between the two categories of goods which appeared in 1954 for the first time in several years.

* Table 1 follows on p. 10.

Table 1

Growth of Industrial Production in Czechoslovakia
1949-54 and 1955 Plan

	Percent Increase over Previous Year						
	1949 a/	1950	1951	1952	1953	1954 3/	1955 Plan
Gross industrial production	16.1	15.3 4/	14.9 5/	18.3 6/	10 7/	4.4	9 b/
Producer goods c/	8	15.6 9/	22.9 10/	27.3 11/	12.1 12/	4.2	9 d/
Consumer goods e/	22.4	15.0	8.2	9.5	7.9	4.7	9 d/

a. Calculated from the annual increases shown for 1950-53 and the total increases reported for the period 1949-53. The latter are 100 percent for gross industrial production, 1/ (for serially numbered source references, see Appendix E) 119 percent for producer goods, and 80 percent for consumer goods. 2/

b. The formal announcement on the 1955 plan did not contain a goal for gross industrial production. In August and December 1954, before the formal plan announcement for 1955, planned increases in industrial production of 8.8 percent and 6.8 percent, respectively, were mentioned in official statements. As a result of the overfulfillment of the industrial production plan for the first quarter of 1955, the goal for the entire year was increased by 2.2 percent. 8/ This increase, applied to the 6.8-percent goal, gives a revised plan of 9 percent. The August 1954 announcement indicated that the outputs of producer goods and consumer goods were planned to increase at approximately the same rate in 1955.

c. Data for 1950-52 (and possibly for 1953) apply to the output of heavy industry rather than to the output of producer goods. Small quantities of some consumer goods such as bicycles and washing and sewing machines are therefore included in the figures.

d. Approximate.

e. Data for 1950-53, from source 13/, apparently are weighted averages of official data for the Ministries of Food and Light Industry.

The 1955 increase in industrial output apparently was predicated on a rise in labor productivity of 8 percent compared with the increase of 2 percent reported for 1954. This target seems rather high, but information covering the first half of 1955 suggests that it may have been attained. Because of its shortages of almost all kinds of labor, Czechoslovakia is particularly dependent on sizable gains in labor productivity for the fulfillment of its economic plans.

The above-mentioned revisions of the 1955 goal for industrial production have been paralleled by changes in the opposite direction in the planned output of agriculture. An increase of 4.5 percent in agricultural output in 1955 was mentioned at the Tenth Party Congress in July 1954. 14/ In December 1954 a planned increase of 12.6 percent was indicated, 15/ but this was subsequently reduced to 7.3 percent when the industrial target was raised. 16/ The agricultural goal for 1955 was much smaller than that for 1954 but was about three times the average annual increase in agricultural output indicated by official announcements for the period 1949-54.

The government's concern over the stagnation of Czechoslovak agriculture resulted in the enactment in May 1954 of a special Three Year Plan for agriculture. This plan calls for an increase in farm area of 200,000 hectares,* most of it in the Sudetenland border areas vacated by German settlers after the war. The agricultural labor force is to be increased by 320,000 workers by the end of 1956. This increase is to be accomplished largely by channeling new workers to agriculture rather than to industry as in the past. In addition, the plan contains the usual provisions for the achievement of higher productivity through greater use of machinery and fertilizers. 17/

This program made little progress in 1954. Production of agricultural commodities apparently fell far short of the scheduled increases, and the settling and cultivation of the border areas was well behind schedule at the end of the year. The intention seems to be not only to continue with the special Three Year Plan for agriculture but also to make up the shortcomings in the fulfillment of the first year's objectives.

* One hectare equals 2.471 acres.

2. Trends in the State Budget.

Total revenues and expenditures in the Czechoslovak budget for 1955 were much the same as the estimates for 1954 (see Table 2). There were some sizable changes, however, among the three most important categories of expenditures. Expenditures in the largest category, Financing the Nationalized Economy, were scheduled to fall about 10 percent. The nature of this cut is uncertain. Explicit expenditures within this category for industry and agriculture were somewhat higher than in 1954. Thus the reduction applies to the remaining expenditures, which were not explained, although they were as large in amount as the announced allocation to industry and agriculture.

Table 2

Planned Revenues and Expenditures in the State Budget of Czechoslovakia 1953-55

	Billion New Crowns		
Budget Category	1953 a/	1954 20/	1955 21/
Revenues	74.9	87.8	86.2
Expenditures	74.2	87.6	86.0
Financing the Nationalized Economy	43.8	48.5	43.9
Cultural and Social	19.1	27.4	28.3
Defense and Security	7.2	7.8	10.4
Administration	3.2	3.7	3.5
National Debt	0.8	0.1	0.0

a. To take account of the currency reform of May 1953, official data in "old" crowns 18/ have been converted to "new" crowns at a rate of 5.81 to 1. This is the ratio between an official figure on planned expenditures in "old" crowns (430.9 billion) and a computed figure in "new" crowns (74.2 billion). The latter figure is derived from the official statement that planned expenditures of 87.6 billion crowns in 1954 were 18 percent higher than expenditures (interpreted to mean planned expenditures) in 1953. 19/

The drop in planned expenditures on the nationalized economy was largely offset by a rather large increase for defense and security and by a small increase in cultural and social expenditures. Expenditures for cultural and social purposes thus continued well above the pre-"new course" level of 1952. Defense spending for 1955 was about one-third more than in 1954, increasing from 9 to 12 percent of total expenditures. This increase raised the share of the Czechoslovak budget devoted to defense to about the same level as in the other Satellites.

State investment expenditures in Czechoslovakia have declined slightly since the introduction of the "new course," in contrast to the large increases registered during the period 1949-52 (see Table 3). Although the amount of state investment financed through the budget in 1955 22/ was somewhat higher than that in the 1954 budget plan, total state investment apparently was planned to remain at the same level as the amounts planned for 1953 and 1954 after the "new course" was adopted. In both 1953 and 1954, however, actual state investment was about 15 percent below the revised goals.

Table 3

State Investment in Czechoslovakia a/
1949-54

Year	Billion New Crowns b/ (Constant Prices)	Index (1949 = 100)
1949	10.1	100
1950	14.2	140
1951	18.3	181
1952	20.6	204
1953	19.8	196
1954	20.0 24/	198

a. Source 23/, except as indicated.
b. Values for 1950-53 are calculated from the index numbers and the published value for 1949 (before rounding).

In 1954 there were large percentage increases in investments in agriculture, housing, and social and cultural facilities. Investments in agriculture, consisting mainly of new equipment for the machine tractor stations and improvements of land and farm buildings, increased almost 100 percent over 1953. Construction of housing and of social and cultural facilities increased by roughly 40 percent and 80 percent, respectively. 25/ The size of these increases is an indication of past neglect of such investments as well as an example of the implementation of the "new course." The distribution among economic sectors of investment planned for 1955 cannot be determined at present.

3. Trends in Economic Policy.

At the Tenth Congress of the Czechoslovak Communist Party in June 1954, the "new course" policies of the previous year in general were reaffirmed. The directives issued by the Party Congress expressed an intention to take measures to increase agricultural production substantially in the next few years; quickly eliminate the shortages of fuel, electric power, and iron ore; and increase and improve the quality of consumer goods output. 26/ Some changes from the 1954 plan to the 1955 plan are apparent, but current economic policy in Czechoslovakia may reasonably be characterized as a continuation of the "new course."

Czechoslovak officials are again stressing the view that the growth of the economy depends fundamentally upon the expansion of heavy industry, which depends in turn upon adequate supplies of raw materials. In a recent speech, Premier Siroky mentioned the importance of the preferential development of heavy industry in the expansion of the economy and said that this principle was applied in 1953 by concentrating on the lags in production of raw materials of concern to heavy industry. He went on to say that "if, in the plans for 1955, we stress heavy industry and concentrate means for developing its fuel, power, and ore basis, this only means continuing on the road which, since the Five Year Plan, has been followed unwaveringly." 27/ This principle has not been abandoned in Czechoslovakia during the "new course," but at present it remains more an expression of basic aims than an indication of the feasibility of markedly changing the economic goals for 1955 as compared with those for 1954.

C. East Germany.

1. Economic Plan for 1955.

The East German economic plan for 1955, the last year of the Five Year Plan, was not published until the latter part of May 1955. This delay of several months compared with the announcements of previous years suggests indecision or other difficulties in drawing up the plan. East German officials no doubt were concerned about the failure of consumer goods production to keep up with the wage bill and about the resulting excess of money in the hands of consumers. The shortages of food which occurred during the first half of 1955 also may have prompted a revision of some kind in the 1955 plan and thus delayed its publication.

The May announcement of the 1955 plan called for an increase of 5.1 percent in gross industrial production. 28/ This was a smaller rate of increase than indicated by earlier information about the goal for 1955. In September 1954 the Communist Party in East Germany had called for a 10-percent increase in industrial production in 1955. An increase of this amount, added to the gains of the previous 4 years, would have been sufficient to fulfill the originally announced goal of a 92-percent rise in industrial output during the Five Year Plan. It was subsequently reported, however, that in December 1954 the East German Council of Ministers adopted an increase of only 7.1 percent for the 1955 plan. 29/ The planned increase of 5.1 percent announced in May thus represented a second downward revision of the Party's proposal of September 1954.

The goal for 1955 constituted a sharp reduction from the 1954 objective of a 13-percent increase in industrial output 30/ (later reduced to 10 percent) and was only half as large as the officially reported rate of industrial growth of 10 percent for 1954. 31/ This cutback and the downward revisions of the plans for 1953 and 1954 contrast strongly with the successful effort in 1952 to raise industrial output more than had been planned initially.

The emphasis of the 1955 plan for industry was upon the production of coal, electric power, and building materials, for which increases of about 10 to 14 percent were planned. The production of all other major industry groups mentioned in the decision of the

People's Chamber on the 1955 plan was planned to increase less than industrial production as a whole. 32/ Unlike developments in 1954, the planned increase of 3 percent in the supply of consumer goods in 1955 was less than the planned increase in total industrial production.

State investment, including investments in agriculture, housing, and cultural facilities such as schools as well as in industry, was to increase by 17 percent compared with 1954. Within industry, the largest increases were planned for building materials (137 percent), chemicals (35 percent), and electric power (20 percent). 33/ State investments in the coal industry and light industry were to increase by only 12 percent and 10 percent -- less than the average increase for industry. The scheduled percentage increases for investment in the coal and electric power industries were much smaller than the increases realized in 1954, suggesting that the pressure on these basic industries has been eased somewhat.

The planned 17-percent increase in gross agricultural output in 1955 probably is the least realistic part of the 1955 plan. Although East German officials have admitted that production of grains and leguminous crops fell slightly from 1953 to 1954, crop production was to rise by about 9 percent in 1955. The planned average yield for grains was 2,580 kilograms per hectare, which is considerably higher than any average yield known to have been achieved in East Germany in the past and is also higher than the average yields realized in West Germany, where larger supplies of fertilizer have been available. Planned yields for other crops were likewise higher than yields achieved in the past, although not by so wide a margin as with grains. Substantial increases in livestock numbers were also planned, and the production of animal products was to increase by one-fourth in 1955. Recent agricultural experience in the Satellites indicates that such gains can hardly be expected in 1 year.

2. Trends in the State Budget.

The published budgets of East Germany have revealed very little information in recent years. The budget announcement of 1955, which, like the economic plan, appeared several months later than usual, contains little more than estimates of total revenues and expenditures for 1955. The increase in planned total expenditures over 1954 is about 12 percent compared with an increase of 4 percent

in 1954 (see Table 4). Planned expenditures on the nationalized economy were somewhat smaller than in 1954, and social insurance disbursements were to be about the same as in 1954. Thus the scheduled increase in expenditures in 1955 applied to the large remaining portion of expenditures, which is not broken down in the published budget.

Table 4

Planned Expenditures in the State Budget of East Germany
1952-55

Billion DME

Budget Category	1952 34/	1953 a/ 35/	1954 36/	1955 37/
Total expenditures	27.7	32.7	34.1	38.1
Nationalized Economy	4.0	5.8	5.8	5.1
Social Insurance	4.7	5.1	5.8	5.9
Other	18.9	21.8	22.6	27.2

a. Revised plan.

3. Trends in Economic Policy.

Although the "new course" modifications in economic policy have had some significant results, the initially announced aims of this program have not yet been realized fully, and it is questionable whether there still is an intention to do so. The present economic policy of East Germany appears to be to continue the "new course" more or less as it was carried out in 1954. The economic plan for 1955 resembled the 1954 plan in its general allocation of resources and, more specifically, in its emphasis on increased production of basic industrial materials, agricultural commodities, and consumer goods.

East German officials showed particular concern during 1954 over the related problems of labor productivity, profitability of the nationalized enterprises, and the amount of currency in circulation. The productivity of labor was claimed to have increased 4.1 percent in 1954. Although this is a respectable gain for 1 year,

it is less than the planned increase of nearly 7 percent as well as less than one-half the increase in the average worker's wages. As there is little prospect of expanding production materially in the near future by increasing the size of the labor force or by altering its distribution among the various economic sectors, achievement of the plan goals for 1955 depended to an important extent on the government's efforts to induce (or force) the workers to work harder. (Some gains in labor productivity may, of course, be expected as a result of an increased amount of capital equipment per worker.) The concessions of the "new course" apparently did not increase productivity as much as was anticipated. As a result, the output of consumer goods did not keep up with the rise in the average wage, and the amount of currency in circulation thus rose substantially.

An attempt to solve this problem by ordering an across-the-board increase in work norms has been resisted so far. Such an increase in norms has been officially rejected as "unscientific." Avoidance of this measure is more reasonably explained by the regime's fear of its economic and political consequences, inasmuch as it was a general 10-percent increase in work norms that touched off the riots of 17 June 1953. The official line is that "technically founded" work norms should be adopted more widely. 38/ A change to "technically founded" norms means a recalculation of norms on the basis of the past performance of people working under relatively favorable circumstances or possibly on the basis of time and motion studies of some kind. In any case, most norms undoubtedly would be raised as a result of this procedure.

The 21st meeting of the Central Committee of the SED, East Germany's Communist Party, in November 1954 was devoted primarily to the problem of reducing the costs of production in the nationalized enterprises. In addition to increasing the application of "technically founded" norms, this is to be accomplished by shifting some workers to "productive" employment (as contrasted with clerical and administrative work) and by instituting or revising material norms in order to economize on the use of raw materials. In addition, a decree simplifying planning methods has been issued. 39/ This decree states that the former system of requiring all firms to use the same system of planning did not take sufficiently into account the differences between firms. Henceforth, the number of specific plan goals imposed on an enterprise will be reduced so that it will have greater latitude in planning the fulfillment of its over-all production goal.

The system of constant prices now used for planning purposes also has been attacked by East German officials recently, notably by the chief of the State Planning Commission and the Minister for Heavy Industry. 40/ This attack is hardly necessary if it is directed only against the planning prices, since it was determined in February 1953 that these prices would not be used for the Second Five Year Plan. 41/ Some of this criticism may be aimed at the system of "market" prices (also determined by the government) which apply to all commercial transactions and which therefore affect the profits and losses of the nationalized enterprises. These prices are the result of a hodgepodge of adjustments of prewar prices. At the present time they probably do not reflect real costs very accurately in many instances. Moreover, the general level of these prices is such that over one-fourth of the nationalized enterprises operate at a loss. This, in turn, requires subsidies from the budget exceeding one-fifth of total expenditures. The pricing system thus entails unnecessary fiscal complications, as the output of the nationalized enterprises must be paid for in part through taxes.

Another problem in economic policy has been raised by the increase in the average amount of currency in circulation outside banks from 3.5 billion DME during the fourth quarter of 1953 to 4.5 billion DME during the same period of 1954.* It is probable that a currency reform was seriously contemplated by East German officials during 1954. The rumors of a currency reform during the first quarter of 1955 were officially denied although there were several attacks in the press and on the radio against currency smuggling and racketeering at that time. 43/ As in the case of increased work norms, it apparently was decided that a currency reform would be unwise politically and possibly self-defeating economically because of an adverse effect on the productivity of labor.

Although the "new course" economic policy is still very much in evidence in East Germany, some modifications of it may be made if expenditures on military forces are increased substantially. Walter Ulbricht, the First Secretary of the SED, issued a directive to local SED executives on 4 December 1954 which suggests that some adjustments in the economy were anticipated because of the additional economic burden of armaments production and an expanded military establishment. 44/

* Calculated from data in source 42/.

D. Hungary.

1. Economic Plan for 1955.

The censure of Premier Nagy early in 1955 by the Central Committee of the Hungarian Communist Party and his subsequent removal from office gave rise to widespread conjecture that the economic plan for 1955 would show much greater emphasis on the development of heavy industry than did the 1954 plan. The announced plan for 1955, 45/ however, changes the resource allocation policy of the "new course" only to a limited extent.

The planned increase in gross industrial production is 5.7 percent compared with the 4.5-percent increase planned 46/ and the 3.1-percent increase reportedly realized in 1954 (see Table 5). The rise of 3.7 percent in the output of heavy industry scheduled for 1955 reverses the 3.1-percent decline experienced in 1954 and, if achieved, would merely restore such production to approximately the level of 1953. Increases of 7 percent and 6 percent are scheduled for light industry and the food industry, respectively. These increases are larger than the planned 1955 gains for heavy industrial production and of industrial production in general, but they are smaller than the officially announced accomplishments of the light and food industries in 1954. Viewed against the background of the Five Year Plan (1950-54), with its major upward revision of industrial targets in 1951 and "new course" cutbacks in 1953 and 1954, the changes in goals from 1954 to 1955 are relatively small.

Table 5

Growth of Industrial Production in Hungary a/
1950-54 and 1955 Plan

	Percent Increase over Previous Year					
	1950 47/	1951 48/	1952 49/	1953 50/	1954 51/	1955 Plan 52/
Gross industrial production	34.1	30.1	23.6	11.8	3.1	5.7
Heavy industry	36.0	37.7	33.3	N.A.	-3.1	3.7
Light industry	29.4	26.9	10.5	N.A.	9.5	7
Food industry	N.A.	16.5	16.1	N.A.	12.2	6

a. Production of "Socialist industry," which consists of the state and cooperative enterprises and accounts for all but 2 or 3 percent of the total industrial output.

The planned 7.3-percent increase in agricultural production in 1955 is about the same as the goal for 1954, which apparently was not fulfilled. Grain yields were poor in 1954, in spite of an increased supply of fertilizers, insecticides, and agricultural machinery and implements and of further concessions to the peasants to give them greater incentives for increasing output. Production of bread grains apparently declined in 1954 although the area planted in such crops increased. Moreover, the most conspicuous shortcoming evident in the recently announced results of Hungary's Five Year Plan was in agricultural production, which was claimed to have increased only 16 percent during the 5-year period. 53/ This is only a fraction of the projected growth of 42 percent (later revised to 54 percent) 54/; in the case of bread grains and cattle, it is admitted officially that the prewar position was not reached.

Failure to increase agricultural production substantially is causing serious problems for the regime. The credits which formerly were earned in non-Communist countries by exporting foodstuffs have shrunk badly; indeed, Hungary has been importing grain since October 1953. The country consequently has resorted to a number of expedients in order to import the necessary foods and raw materials. These expedients include securing credits from exporting countries, exporting industrial products at prices much lower than in the home market and in competition with other Satellites, and pressing the sale of industrial products in the underdeveloped countries of the Near East and Latin America.

As Hungarian leaders admit that the productivity of labor in "Socialist industry" was 1.5 percent lower in 1954 than in 1953, increased labor productivity understandably was given a great deal of attention in the 1955 plan. Officials also have stressed the necessity of economy in the use of raw materials, because Hungary is poorly endowed with industrial raw materials such as iron ore, coking coal, and nonferrous metals other than aluminum. An effort was to be made to increase labor productivity by at least 3.9 percent, to effect at least a 2.3-percent reduction in the use of raw materials per unit of output, and as a result to reduce production costs by an average of 3 percent compared with 1954.

2. Trends in the State Budget.

The planned level of budget revenues and expenditures has been relatively stable in recent years. The scheduled amounts are not usually realized fully, the underfulfillment amounting to 6 to 9 percent of the goals in the revised 1953 budget and the 1954 budget (see Table 6*). Total expenditures in 1955 were planned at 45.5 billion forints, which is 5 percent less than planned expenditures in 1954 but 3 percent more than was actually spent. The published budget shows an increase of about 3 billion forints over the 1954 plan in the allocation of funds to the national economy, most of it for purposes other than capital investment. These purposes include subsidies to state enterprises, maintenance costs of the machine tractor stations, and provision of working capital for state enterprises. This increase may be misleading, however, because of the treatment in 1955 of another budget category, Loan Repayments and Reserves. This item, which amounted to about 4 billion forints in 1953 and was scheduled at 6 billion forints in 1954, is not mentioned at all in the 1955 budget. It may therefore have been redistributed to the category National Economy, giving an exaggerated idea of the change in planned expenditures for such purposes compared with 1954.

Hungary's budget calls for 9 billion forints of net investment in 1955, or 2.2 billion forints less than the actual amount of net investment in 1954. This substantial cut is partially offset, however, by a planned increase of nearly 1 billion forints in investment expenditures for replacement of capital equipment. 55/

The shares of heavy industry and the light and food industries in the 9 billion forints of investment are 3.1 billion and 780 million forints, respectively. These amounts indicate some shifting of resources in favor of the light and food industries compared with the planned investment allocation for 1954 (see Table 7*). It is probable that a large part of the planned investment in replacements of equipment also applies to heavy industry. It is doubtful, however, that an allowance for this element of investment would indicate increased rather than reduced emphasis on heavy industry.

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* Table 6 follows on p. 23.
** Table 7 follows on p. 24.

S-E-C-R-E-T

Table 6

Revenues and Expenditures in the State Budget of Hungary
1953-55

Billion Forints

Budget Category	1953 Revised Plan a/ 57/	1953 Actual 58/	1954 Plan 59/	1954 Actual 60/	1955 Plan 61/
Revenues	50.2	46.9	49.7	45.3	47.0
Expenditures	49.1	46.1	47.9	44.0	45.5
National Economy	24.3	23.0	22.3	N.A.	25.2
Net Investment	20.1	16.6	13.6	11.2	9.0
Other	4.2	6.4	8.7	N.A.	16.2
Social Insurance and Health	5.6	5.4	6.2	N.A.	7.0
Education and Culture	3.6	3.4	3.8	N.A.	3.5
Defense	6.3	6.3	5.4	4.8	5.7
Law and Order	2.3	2.1	2.1	N.A.	2.1
Administration	2.0	1.9	2.0	N.A.	2.0
Loan Repayments and Reserves	4.9	3.9	6.0	N.A.	b/

a. This is a downward revision of an earlier budget plan for 1953 which showed planned revenues of 52.7 billion forints and planned expenditures of 51.9 billion forints. 56/
b. Probably included in "National Economy -- Other."

Table 7

Net Investment in the State Budget of Hungary
1953-54

Billion Forints

	1953 62/		1954	
	Revised Plan a/	Actual	Plan 64/	Actual
Industry	13.9	7.0	4.8	N.A.
Heavy industry	13.1	6.5	4.2	N.A.
Light and food industries	0.7	0.6	0.6	N.A.
Agriculture, excluding machine tractor stations	2.7	2.2	3.2	2.6 b/
Machine tractor stations	(3.5	0.8	1.3	N.A.
Other	(	6.5	5.5	N.A.
Total	20.1	16.6	13.6	11.2 66/

a. The initial budget for 1953 showed total planned investment of 19 billion forints. 63/
b. Based on an official report that agricultural investment was 400 million forints more than in 1953. 65/

Budgetary investment plans in Hungary generally have been underfulfilled by substantial margins. Investment of 11.2 billion forints in 1954 not only fell below the planned amount of 13.6 billion forints but also was one-third less than actual investment in 1953, as shown in Table 7. Budgetary investments in agriculture in 1954 were to be considerably larger, and investments in heavy industry much lower, than the amounts realized in 1953, with investments in the light and food industries remaining at about the same level as in 1953. The relative shares of industry and agriculture in actual investment expenditures in 1954 have not been announced. In spite of the reduction in total investment expenditures, it seems probable that the "new course" shift in investment from heavy industry to agriculture and the machine tractor stations was generally maintained in 1954, as planned.

3. Trends in Economic Policy.

The political shakeup in Hungary in March and April 1955 was the culmination of a running dispute between two factions of the Hungarian Communist Party. As late as October 1954, it appeared that Premier Nagy had won the endorsement of the party for a continuation of the "new course," which he had announced in mid-1953 and had supported subsequently. The economic aims expressed in the October resolutions of the Party included (a) the systematic raising of the living standard of the people by increasing agricultural and industrial production, with special emphasis on a speedy expansion of agricultural output; (b) a healthy program of industrialization which corresponds to the country's capabilities; and (c) a systematic effort to increase productivity, decrease production costs, eliminate waste, and improve economic management.

Although the resolutions echo some policies of the "new course" as announced in 1953, they do not mention specifically two important "new course" policies. These are the reduced emphasis on heavy industry, in particular on the manufacture of producer goods, and the relaxation of efforts to collectivize agriculture. Both of these modifications of cardinal Communist principles in 1953 were described as temporary policies to be pursued for 2 or 3 years, until the economy had recovered from the too rapid pace of industrialization, shortages of raw materials and power, and neglect of agriculture and the consumer goods industries.

On 9 March 1955 the Central Committee of the Party passed resolutions condemning Premier Nagy. These resolutions stated that the "new course" was the correct policy but that it had not been carried out properly. The correct economic course, it was pointed out, is the promotion of expanded production and increased productivity, which is to be accomplished primarily by the development of heavy industry and agriculture.

In April, Nagy was expelled by the Party's Central Committee and replaced as Premier by Andras Hegedus, formerly one of two Deputy Premiers and before that Minister of Agriculture. This change was, however, essentially a victory for Rakosi, First Secretary of the Party's Central Committee. Nagy was accused, among other things, of halting the development of heavy industry and permitting its output to decline, ignoring the importance of increasing productivity and reducing production costs, failing to enforce the agricultural delivery quotas of peasants, and causing a decline in the collectivization of agriculture. In short, Nagy was made a scapegoat for nearly all of the country's economic difficulties with the possible exception of the stagnation of agriculture.

With the change of leadership in Hungary, it was expected that production of consumer goods and other features of the "new course" would receive considerably less attention. As the preceding review of the 1955 plan shows, however, the emphasis on consumer goods output was only slightly less than in 1954, the plans for agriculture were about the same, and the plans for heavy industry provided only for a return to the 1953 level. The change in policy lay rather in a renewed effort to secure greater economic efficiency and tighten discipline. Some of the new decrees were aimed, for example, at more effective collection of the peasants' delivery quotas for agricultural commodities and at prevention of speculation in farm produce.

Future economic policy was clarified recently by Lajos Acs, Secretary of the Party's Central Committee. He stated, in a speech to the National Assembly, that heavy industry would continue in 1955 to be developed at a slower pace than the light and food industries in order to restore correct proportions in the economy. This relationship "cannot remain a lasting feature" of Hungary's economic development, however, and will be changed in the first few years of the Second Five Year Plan, which starts in 1956. "The principle that heavy industries must take precedence over the other branches of the people's economy" will be reasserted at that time within the limits of the "resources and possibilities" of the economy.

E. Poland.

1. Introduction.

Although it was most unlikely that the over-all industrial and agricultural production goals of Poland's Six Year Plan would be reached in 1955, the last year of the plan period, the country has experienced less strain than the other Satellites in carrying out its first long-term program of economic development. This probably can be explained by two factors which to some extent set Poland apart from the other Satellites. The first is the acquisition from Germany of the important Silesian industrial area, which contains some of the most valuable coal deposits in Europe. Second, the problem of feeding the population has been less pressing than in the other Satellites because of the substantial losses of population which resulted from the war and the readjustment of Poland's boundaries. The population declined 32 percent from 1939 to 1946, whereas the amount of arable land was reduced by only 11 percent. 67/ Poland has been able, therefore, to provide its population with an average daily caloric consumption of food somewhat higher than in the other Satellites, 68/ and it has accomplished this without allocating a materially larger share of resources to agriculture than have the other Satellites.

2. Economic Plan for 1955.

Gross industrial production in 1955 was scheduled to increase by 8.5 percent, compared with an announced increase of 11 percent in 1954. This indicates that the original long-term plan, which called for a rise in industrial production of 158 percent from 1949 to 1955, 69/ would almost certainly be fulfilled. The officially announced gains during the first 4 years of the plan (1950-53) totaled 118 percent cumulatively 70/; this was raised to 142 percent in 1954. Thus a further increase of only 6.6 percent was needed in 1955 to reach the original industrial objective of the plan. Poland would have been able to attain this increase even if its rate of industrial growth in 1955 were substantially less than that claimed for 1954 (see Table 8*).

* Table 8 follows on p. 28.

Table 8

Growth of Industrial Production in Poland
1951-54 and 1955 Plan

	Percent Increase over Previous Year				
	1951 [71]	1952 [72]	1953	1954 [73]	1955 Plan
Gross industrial production	24	20	17.5 [74]	11	8.5 [75]
Heavy industry	25	22	N.A. a/	11 b/ c/	6 b/ [77]
Light industry	18	12	N.A. a/	11 d/	11 [78]

a. According to source [76], the officially reported increases are 22 percent for heavy industry and 20 percent for light industry. At least one of these figures must be in error, since both exceed the increase of 17.5 percent reported for industry as a whole.
b. Producer goods.
c. An increase of 11 percent is inferred from the officially reported increases of 11 percent for consumer goods and for industry as a whole.
d. Consumer goods.

Production of both producer goods and consumer goods was planned to increase and, according to official statements, did increase by 11 percent in 1954. During the earlier part of the Six Year Plan, the rates of increase for the comparable categories of heavy industry and light industry show much more emphasis on the former, as shown in Table 8. The 1955 plan again called for an increase of about 11 percent in the output of light industry, whereas the output of producer goods was scheduled to rise by only 6 percent. In this respect, therefore, the "new course" is more evident in the 1955 plan than it was in the 1954 plan.

Poland's less ambitious long-term goal for agricultural production has fared rather badly. Although the output of agricultural products was planned to rise 50 percent during the plan period, [79]

the reported gain was only 9 percent during the first 4 years, 80/ with an additional increase of 5 percent claimed in 1954. 81/ Polish officials had, of course, expressed dissatisfaction with such shortcomings in the agricultural sector, but in attempting to do something about them, they had relied on coercive measures and exhortations rather than on an increased allocation of resources to agriculture and the provision of stronger incentives for peasants to increase production. Some more positive steps toward expanding agricultural output have been taken under the "new course," but these have not been far-reaching enough to remedy quickly the past neglect of this sector.

3. Trends in the State Budget.

Planned budget revenues and expenditures in Poland have risen steadily during the past 4 years, although the increases since 1953 have not been so pronounced as the change from 1952 to 1953, which was partly the result of a sharp increase in prices and wages in 1953 (see Table 9*). The expansion of the budget since 1953 has been almost entirely due to the growing expenditures on the national economy for investments, subsidies, and other purposes and to the growing revenues from the national economy in the form of taxes and profits. Social insurance contributions and other revenues and expenditures for national defense, administration, and social and cultural activities have increased only moderately following the rather abrupt rises in 1953.

Planned expenditures of nearly 115 billion zlotys in 1955 were 11 percent more than the amount scheduled for 1954. Expenditures on the three most important categories -- the Socialized Economy, Social and Cultural, and National Defense -- were to rise slightly more, in percentage terms, than total expenditures. The planned increase in budget expenditures on agriculture and forestry in 1955 was 22 percent, however, or twice the scheduled rate of increase for expenditures as a whole. Expenditures on administration were planned at about the same level as in 1953, and a decline was shown for the remaining expenditures, which include reserves and the servicing of the state debt.

* Table 9 follows on p. 30.

Table 9

Planned Revenues and Expenditures in the State Budget of Poland
1952-55

Billion Zlotys

Budget Category	1952 82/	1953 83/	1954 84/	1955 85/
Revenues	63.8	101.1	115.4	122.0
Revenues from the Socialized Economy	44.8	76.6	87.7	92.0
Contributions from Social Insurance	7.0	10.4	11.9	13.3
Taxes from the Non-Socialized Economy	7.9	6.8	5.8	6.2
Other	4.1	7.3	9.9	10.5
Expenditures	62.9	97.0	103.5	114.9
Socialized Economy	26.6	49.4	53.6	60.8
Social and Cultural	16.2	23.5	25.3	28.9
National Defense	6.6	10.5	10.6	11.9
Administration	7.3	9.8	10.0	10.3
Other	6.2	3.7	3.9	3.0

State investment expenditures in 1955 were planned at about the same level as in 1954, which in turn exceeded investment in 1953 by only 2 percent. 86/ This is in accordance with the official announcement in 1954 that investment in 1954 and 1955 would be maintained at the same level as in 1953. There was some redistribution of investment in favor of agriculture and social and cultural services in 1954, taking into account both state investment and credit-financed investment by independent and cooperative peasants, although such plans were not realized fully. Investment outlays (including credits) for agriculture, for example, increased 37 percent over the previous year and those on social and cultural facilities increased 23 percent. A further reallocation of investment,

diminishing the share of heavy industry and increasing the shares devoted to agriculture, consumer goods industry, and social facilities and housing, was planned for 1955. 87/

F. Rumania.

1. Economic Plan for 1955.

No formal announcement was made on Rumania's economic plan for 1955, the last year of the First Five Year Plan. On the basis of the recent speeches of officials and fragmentary data from other sources, it appears that the rate of industrial growth and the general allocation of resources were planned to be much the same as in 1954. According to the official report on fulfillment of the 1954 plan, gross industrial production was 6.6 percent higher than in 1953. This rate of increase is about one-half of that registered in 1953 and little more than one-fourth of that in 1952 (see Table 10). The announced increase in the productivity of industrial labor of only 2.7 percent over 1953 was, of course, a major factor in the slackening rate of industrial growth in 1954.

Table 10

Planned and Actual Growth of Industrial Production in Rumania 1951-54

	Percent Increase over Previous Year			
	1951 88/	1952	1953	1954
Annual plan	24.4	20.9 a/	24.0 89/	8.2 b/
Revised plan			12.4 91/	6.4 a/
Actual	28.7	23.0 92/	14.4 93/	6.6 94/

a. Calculated from official data on plan fulfillment.
b. Estimate from source 90/. Calculated from official data.

The planned rate of growth in industrial output in 1954 was never announced explicitly. A rate of about 8.2 percent may be calculated, however, from information which appeared in October 1954 in a Cominform newspaper. Since a 6.6-percent increase was reported as a 100.2-percent fulfillment of the plan, it appears that there was a small downward revision of the plan during the year.

As of October 1954 the output of producer goods was planned to increase 5.4 percent and that of consumer goods 11.8 percent 95/; the announced results were 3.9 percent and 10.5 percent, respectively. 96/ Thus the increase planned for consumer goods was much larger and was more nearly realized than the increase for producer goods. The cut in the planned rate of increase in industrial output from 8.2 percent to 6.4 percent appears to reflect primarily the problems encountered in meeting the goal for producer goods.

There was almost no chance that Rumania would be able to fulfill or even closely approach the over-all goal for industrial production of its Five Year Plan -- a gross industrial output in 1955 which was 144 percent higher than in 1950. The officially announced increases in industrial output during the first 4 years of the plan totaled about 93 percent. If Rumania increased industrial output at the same rate in 1955 as in 1954, when a 6.6-percent gain was reported, the final achievement for the Five Year Plan was an industrial output about twice the 1950 volume. Equalling the gains of 1954 probably was the most that Rumanian planners could hope for, in view of the downward trend in industrial growth during the Five Year Plan. Rumania's prospects of fulfilling the industrial production goal of its Five Year Plan thus changed completely since the first half of 1953, when it seemed that the plan might be fulfilled in only 4 years.

The rather high production goal of 10 million tons of grain was announced for 1955. 97/ This is half again as much as the CIA estimate of grain production in 1954 and one-tenth more than the official figure on grain production in 1954. 98/

2. Trends in the State Budget.

Additional information on major trends in the allocation of resources in Rumania is provided by a comparison of the 1955 state budget with those for earlier years. Planned revenues in the 1955

budget were 44.4 billion lei, and planned expenditures were 43 billion lei (see Table 11). The scheduled increase in revenues of 7 percent over 1954 revenues was the same as the actual increase from 1953 to 1954. The 12-percent increase in expenditures planned for 1955 was somewhat larger than that which occurred in the previous year. There has been a tendency in recent years, however, for actual expenditures to fall short of the planned amounts by 1 billion or 2 billion lei. In any case, the increases in revenues and expenditures planned for 1955 were considerably smaller than those which occurred in 1952 and 1953.

Table 11

Revenues and Expenditures in the State Budget of Rumania
1952-55

Billion Lei

	1952 Actual 99/	1953 Actual 100/	1954 Actual a/ 101/	1955 Plan 102/
Revenues	34.3	38.8	41.4	44.4
Expenditures	29.0	35.6	38.3	43.0

a. Provisional data.

Analysis of changes in the major categories of expenditures is severely handicapped by the lack of information for certain years on actual (as against planned) expenditures and by some double-counting in the data, particularly in 1953 and 1954. The latter defect in the information shows up as a difference between the announced total of planned expenditures and the sum of the planned expenditures announced for the various categories of expenditures (see Table 12*). Any discussion of trends in planned expenditures in the various categories is necessarily tentative because of these deficiencies in the data.

* Table 12 follows on p. 34.

Table 12

Planned Expenditures in the State Budget of Rumania a/
1952-55

Billion Lei

Budget Category	1952 103/	1953 104/	1954 105/	1955 106/
Financing the National Economy	16.1	21.7	24.0	24.4
of which: Capital Investment	11.5	13.9	10.5	9.1
National Defense	5.0	6.8	4.3	4.5
Social and Cultural Activities	4.2	4.2	4.7	7.0
Social Insurance	1.0	1.2	1.6	
Local Authorities	2.9	4.2	5.1	6.0
State Administration	2.4	1.5	1.3	1.3
Other Expenditures			2.5 b/	
Total	31.6	39.6	43.5	43.2
Less double counting	1.0	2.1	4.2	0.2
Officially announced total	30.6	37.5	39.3	43.0

a. Although actual total expenditures are available for 1952-54, as shown in Table 11, such data are not available for most of the major categories of expenditures shown in this table. Planned amounts of expenditure are therefore used throughout.
b. This is a "budgetary reserve" fund which was placed at the disposal of the Council of Ministers. How much of it was spent and the purposes for which it was spent are not known.

Planned budgetary expenditures for the category Financing the National Economy, aside from the allocations for capital investment, were about 13 percent higher than the allocation in 1954. Assuming that there has been no change in the definition of "capital investment," this indicates appreciably larger expenditures in 1955 on subsidies and working capital for nationalized enterprises. Funds allocated explicitly for national defense are slightly higher than in 1954 but still substantially less than in 1953. Whether this means lower actual levels of defense in 1954 and 1955 than in 1953 is uncertain. Total budgetary

expenditures in 1953 fell somewhat short of the budget plan; part of the deficiency may apply to defense expenditures. There have also been reports that military pay and allowances have been cut substantially since 1953, which would reduce the money cost of a military establishment of given size.

Planned state investment (including that outside the budget) declined from 17.9 billion lei in 1953 to 17 billion lei in 1954. 107/ Whether this decline was to be continued in 1955 is not known, although the 1955 budget indicates that budgeted capital investment -- a major component of total state investment -- was scheduled to decline from 10.5 billion lei (planned) in 1954 to 9.1 billion lei in 1955, as shown in Table 12. The size of the budget allocation for capital investment depended to a large extent on the number and tempo of development of large-scale construction projects such as the Danube-Black Sea Canal, the Bucharest subway, the Bistrita-Bicaz hydroelectric complex, and the iron and steel works at Roman in Moldavia. Abandoning, postponing, or stretching out work on such projects very likely is the main reason for the recent decline in planned capital expenditures in the budget.

Although planned capital investment financed through the budget was lower in 1954 than in 1953, investments in the consumer goods industries and in agriculture and forestry were planned to be 67 percent and 76 percent higher, respectively, than in 1953. 108/ While these goals may not have been attained, the plan fulfillment report states that such investments were increased considerably in 1954. It is therefore probable that investments in heavy industry were reduced because a reduction was scheduled in total budgeted investment. The planned increase in investment in the consumer goods industry in 1955 was 15 percent over 1954, and that scheduled for agriculture and forestry was 40 percent. 109/ These increases were much smaller than those planned in 1954, but they nevertheless suggest that these industries were continuing to receive a larger share of investment resources than before the "new course." Since it is likely that state investment was not planned to rise in 1955, the announced increase in investments in the consumer goods industry and in agriculture and forestry in 1955 implies that planned investment in heavy industry was less than in 1954.

3. Trends in Economic Policy.

Statements on economic policy by Premier Gheorghiu-Dej in 1955 are not very helpful in determining the status of the "new course" in Rumania. In March, for example, Gheorghiu-Dej referred to the measures taken by the government "to increase agricultural production in order to continuously improve the provisioning of the population with farm produce and the light and food industries with agricultural raw materials." He also stated, however, that the government would follow a policy of uninterrupted development of heavy industry -- "the basis for the development of the national economy as a whole and for the increase of our people's well being." 110/ The ambivalence of these statements suggests that the Rumanian regime was waiting for clearer indications of the direction of economic policy in the USSR and that the "new course" as a result might be modified at any time. The most that can be said, pending a detailed announcement on the economic plan for 1955, is that Rumania did not appear to have abandoned or substantially modified the "new course."

G. Bulgaria.

1. Economic Plan for 1955.

According to a decree issued in January on the economic plan for 1955, Bulgaria's gross industrial production in 1955 was planned to increase 7.3 percent over 1954.* A further decline in the rate of industrial growth thus was anticipated by the Bulgarian regime (see Table 13**). Moreover, the scheduled 7.3-percent rise in industrial output in 1955 was considerably less than the average annual increase of nearly 10 percent which was needed to achieve the goal of a 60-percent rise in industrial output from 1952 to 1957. Whether the growing gap shown in Table 13 between the rates of growth of the heavy and light industrial sectors in earlier years was narrowed in 1954 or was planned to be narrowed in 1955 has not been announced officially.

* An article in Rabotnichesko delo in February 1955 and a Sofia broadcast in March 1955 suggested, despite some ambiguities, that this goal was revised upward to 11.6 percent. 111/ These reports apparently were incorrect or at least misleading, since the official report on fulfillment of the plan for the second quarter of 1955 claimed overfulfillment of the goal for industrial production as a result of an increase of only 6 percent over the same quarter of 1954. 112/

** Table 13 follows on p. 37.

Table 13

Growth of Industrial Production in Bulgaria
1951-54 and 1955 Plan

	Percent Increase over Previous Year				
	1951 [113]	1952 [114]	1953 [115]	1954 [116]	1955 Plan [117]
Gross industrial production	19	18	12	8.7	7.3
Heavy industry	23	25	23	N.A.	N.A.
Light industry	18	10	4	N.A.	N.A.

The absence of information on crop production in the official report on fulfillment of the 1954 plan suggests that there was no significant improvement in this respect in that year. A subsequent resolution by the Central Committee of the Bulgarian Communist Party revealed that the 1954 plans for wheat, rye, barley, and oats were not fulfilled. [118] An increase in agricultural production of 21.7 percent over 1954 was planned for 1955. [119] This goal is very high, considering the past performance of the agricultural sector of the economy.

The 1955 plan for capital investment stressed the development of agriculture and the electric power industry. Whereas capital investment in the nationalized economy was to increase 13.4 percent over the officially expected results for 1954, state capital investments in agriculture and the electric power industry were planned to increase by about 46 percent and 39 percent, respectively. Planned investments in coal mining, housing construction, and cultural facilities, on the other hand, were scheduled to rise by less than the rate planned for state investment as a whole. [120]

In a speech early in 1955, Vulko Chervenkov, chairman of Bulgaria's Council of Ministers, referred to agricultural development as "our main task and duty at the present moment" and then proceeded to link improvement in agriculture with "a preponderance of heavy

industry development." 121/ This was a familiar line throughout the Satellites in 1955; neither in Bulgaria nor in the other countries does it appear to signify any substantial change in the "new course" as implemented in 1954.

2. Trends in the State Budget.

Scheduled revenues and expenditures in the state budget for 1955 were almost the same as those planned for 1954 but were somewhat higher than actual revenues and expenditures for 1954 (see Table 14). The planned distribution of expenditures was approximately the same as that planned for 1954, with slightly smaller shares of total expenditures allocated to the national economy, defense, and administration and somewhat larger shares allocated to social welfare and other expenditures.

Table 14

Revenues and Expenditures in the State Budget of Bulgaria
1952-55

Budget Category	1952 122/ Actual	1953 123/ Actual	1954 124/ Actual	1955 125/ Plan
	Billion Leva			
Revenues	16.0	17.9	17.1	18.2
Expenditures	14.3	15.8	16.7	17.3
		Percent of Total (Planned)		
		1953 126/	1954 127/	1955 128/
Expenditures		100.0	100.0	100.0
National Economy		58.4	55.6	54.6
Rural Economy		11.0	14.4	N.A.
Industry and Other		47.4	41.2	N.A.
Defense		11.6	11.4	11.1
Social Welfare, Education, and Culture		19.4	21.4	22.1
Administration		10.6	4.5	4.2
Other			7.2	8.0

H. Albania.

1. Economic Plan for 1955.

The construction of a number of industrial plants in Albania since the war has resulted in very large percentage gains in industrial output from year to year, since the country previously has had few factories of national importance. The fact remains, however, that Albania is a small, backward, essentially agricultural area which has barely begun the process of industrialization. Even the industrial development which has been carried out so far has depended heavily on the receipt of economic and technical assistance from the USSR and other Satellites.

The target for Albanian industrial production in 1955 was initially announced in January as a 15-percent increase over 1954. 129/ A subsequent speech by Premier Shehu indicated, however, that by the end of March 1955 this goal had been reduced to 10 percent. 130/ The revised goal for 1955, the last year of the Five Year Plan, was therefore slightly lower than the increase of 10.7 percent reported for the industrial sector in 1954 131/ and well below the claimed rates of growth of 20 percent for 1952* and 22 percent for 1953. 133/

Like the other Satellites, Albania had little to say in its plan fulfillment announcement about agricultural output in 1954, a year of "unfavorable weather conditions for agriculture." No information on the output or per hectare yields of crops was given, although a small increase over 1953 in state collections of food grains was indicated. The numbers of most types of livestock were stated to be slightly higher than in 1953. The plan for agriculture in 1955 was very optimistic. Production of bread grains was scheduled to rise by nearly 38 percent over 1954, and the targets for cotton, sugar beets, and tobacco were still higher, in percentage terms. 134/ Whereas the objective for industry is feasible, the agricultural plan probably can be dismissed as wishful thinking.

2. State Budget for 1955.

The Albanian budget for 1955 provided for relatively large increases in revenues and expenditures over the results for 1954 (see Table 15**). The planned increase in total expenditures, for example,

* Calculated from data in source 132/.
** Table 15 follows on p. 40.

amounted to 29 percent, or 2.6 billion leks. It should be noted, however, that the total expenditures of 9 billion leks in 1954 were 900 million leks less than the planned amount. 135/ Planned expenditures may likewise have been underfulfilled in 1955. Although spending on national defense and social and cultural activities was to rise less than total expenditures, and spending on agriculture somewhat more than the total, the distribution of budget expenditures planned for 1955 generally resembled that for 1954.

Table 15

Revenues and Expenditures in the State Budget of Albania
1954-55

Budget Category	Billion Leks		
	1954 Actual a/	1955 Plan b/	Planned Percent Increase 1954 to 1955 b/
Revenues	10.1	12.3	22
Expenditures	9.0	11.6	29
Financing the People's Economy	3.5	4.6	30
Industry and Mines	N.A.	2.1	N.A.
Agriculture	0.9	1.2	35
Cultural and Social	1.8	2.2	18
National Defense	1.1	1.4 c/	25 138/
Other	2.6	3.4	31

a. Calculated from data in the other two columns (before rounding).
b. Source 136/, except as indicated.
c. Calculated from data in source 137/.

II. Resource Base of the Economies.

A. Population and Labor Force.

1. Total Population.

The population of the European Satellites has been increasing since 1948 at a rate of approximately 1 percent a year and now exceeds

93 million persons. During 1948-54 the growth was most rapid in Albania and Poland, with increases of 11 and 12 percent, respectively, as compared with 5- to 8-percent increases in the other Satellites. The exception to the general rule is East Germany, which suffered a decline in population up to 1953 because of large-scale defections to the West and has had an almost stationary population since then (see Table 16). The percentage distribution of the total Satellite population among the several countries changed little, however, from 1948 to 1954, with Poland continuing to rank first in population.

Table 16

Population of the European Satellites
Midyear 1948, 1950, and 1952-54

Thousands

Country	1948	1950	1952	1953	1954
Albania	1,175	1,200	1,270	1,290	1,310
Bulgaria	7,100	7,252	7,312	7,375	7,473
Czechoslovakia	12,120	12,400	12,640	12,760	12,892
East Germany	19,100	18,800	18,200	17,900	17,900
Hungary	9,130	9,293	9,554	9,617	9,690
Poland	23,850	24,773	25,735	26,247	26,764
Rumania	15,980	16,333	16,757	16,971	17,194
Total	88,455	90,051	91,468	92,160	93,223

2. Labor Force.

a. Total Labor Force.

The total labor force of the Satellites in 1954 was 43,720,000 persons, or about 661,000 more persons than in 1953. The labor force constituted 46.9 percent of the total population in 1954, compared with 42.6 percent of the total in 1948 (see Table 17*). The

* Table 17 follows on p. 42.

labor forces of Rumania and Poland were the largest in relation to their populations in 1954, amounting to over 49 percent of their respective populations. In East Germany, Hungary, and Czechoslovakia, the ratios approximated 44 percent, with Albania and Bulgaria falling between these limits.

Table 17

Labor Force of the European Satellites
Midyear 1948, 1950, and 1952-54

Country	Total Labor Force (Thousands) 1948	1950	1952	1953	1954
Albania	537	554	573	582	590
Bulgaria	3,495	3,503	3,457	3,459	3,492
Czechoslovakia	5,245	5,310	5,475	5,575	5,725
East Germany	6,550	7,100	7,575	7,675	7,850
Hungary	3,625	3,955	4,150	4,250	4,260
Poland	10,900	11,895	12,745	13,000	13,260
Rumania	7,300	7,865	8,275	8,518	8,543
Total	37,652	40,182	42,250	43,059	43,720

Country	Labor Force as Percent of Total Population 1948	1950	1952	1953	1954
Albania	45.7	46.2	45.1	45.1	45.0
Bulgaria	49.2	48.3	47.3	46.9	46.7
Czechoslovakia	43.3	42.8	43.3	43.7	44.4
East Germany	34.3	37.8	41.6	42.9	43.8
Hungary	39.7	42.6	43.4	44.2	44.0
Poland	45.7	48.0	49.5	49.5	49.5
Rumania	45.7	48.2	49.4	50.2	49.7
European Satellites	42.6	44.6	46.2	46.7	46.9

b. Agricultural and Nonagricultural Labor Force.

As the European Satellites pushed industrialization at a rapid pace, the nonagricultural labor force also increased rapidly, whereas the agricultural labor force decreased slightly. Not only the natural increase in the population but also the recruitment of women not previously in the labor force and the transfer of agricultural labor facilitated the growth of the nonagricultural labor force.

Nonagricultural labor in all the Satellites increased by almost 50 percent between 1948 and 1954, whereas during the same period the agricultural labor force decreased by 5 percent. The emphasis on agriculture which all the Satellites introduced with the "new course" in 1953 served only to halt the decline of the agricultural labor force in 1954. The nonagricultural labor force continued to rise in 1954, although at a slower rate. Czechoslovakia is the only European Satellite that increased its agricultural labor force in 1954 (see Table 18*).

Fifty percent of the labor force of the European Satellites was engaged in agriculture in 1954, compared with 61 percent of the total in 1948 (see Figure 2**). In three countries, however, the nonagricultural labor force is now well over one-half of the total. These are East Germany (73 percent of the total labor force), Czechoslovakia (65 percent), and Hungary (57 percent).

B. Land Resources and Utilization.

Two of the European Satellites, Poland and Rumania, contain 54 percent of the total area of the European Satellites and about the same percentage of the agricultural land area. Poland by itself has more than one-third of all the agricultural land in the European Satellites.

The ratios of agricultural land to total area presented in Table 19*** indicate a utilization of land for agriculture that varies from 41.8 percent of the total area in Albania to 79.1 percent in Hungary. The possibility of diverting unused land to use in agriculture

* Table 18 follows on p. 44
** Following p. 44.
*** Table 19 follows on p. 45.

Table 18

Agricultural and Nonagricultural Labor Force
of the European Satellites
Midyear 1948, 1950, and 1952-54

Thousands

Country	Agricultural 1948	1950	1952	1953	1954
Albania	479	465	456	452	448
Bulgaria	2,700	2,625	2,525	2,500	2,500
Czechoslovakia	2,200	2,080	1,975	1,950	1,990
East Germany	2,200	2,125	2,100	2,100	2,100
Hungary	2,025	1,925	1,850	1,850	1,825
Poland	7,400	7,350	7,275	7,250	7,225
Rumania	6,000	5,925	5,825	5,775	5,725
Total	23,004	22,495	22,006	21,877	21,813

Country	Nonagricultural 1948	1950	1952	1953	1954
Albania	58	89	117	130	142
Bulgaria	795	878	932	959	992
Czechoslovakia	3,045	3,230	3,500	3,625	3,735
East Germany	4,350	4,975	5,475	5,575	5,750
Hungary	1,600	2,030	2,300	2,400	2,435
Poland	3,500	4,545	5,470	5,750	6,035
Rumania	1,300	1,940	2,450	2,743	2,818
Total	14,648	17,687	20,244	21,182	21,907

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Figure 2

DISTRIBUTION OF LABOR FORCE, 1948, 1950, AND 1954

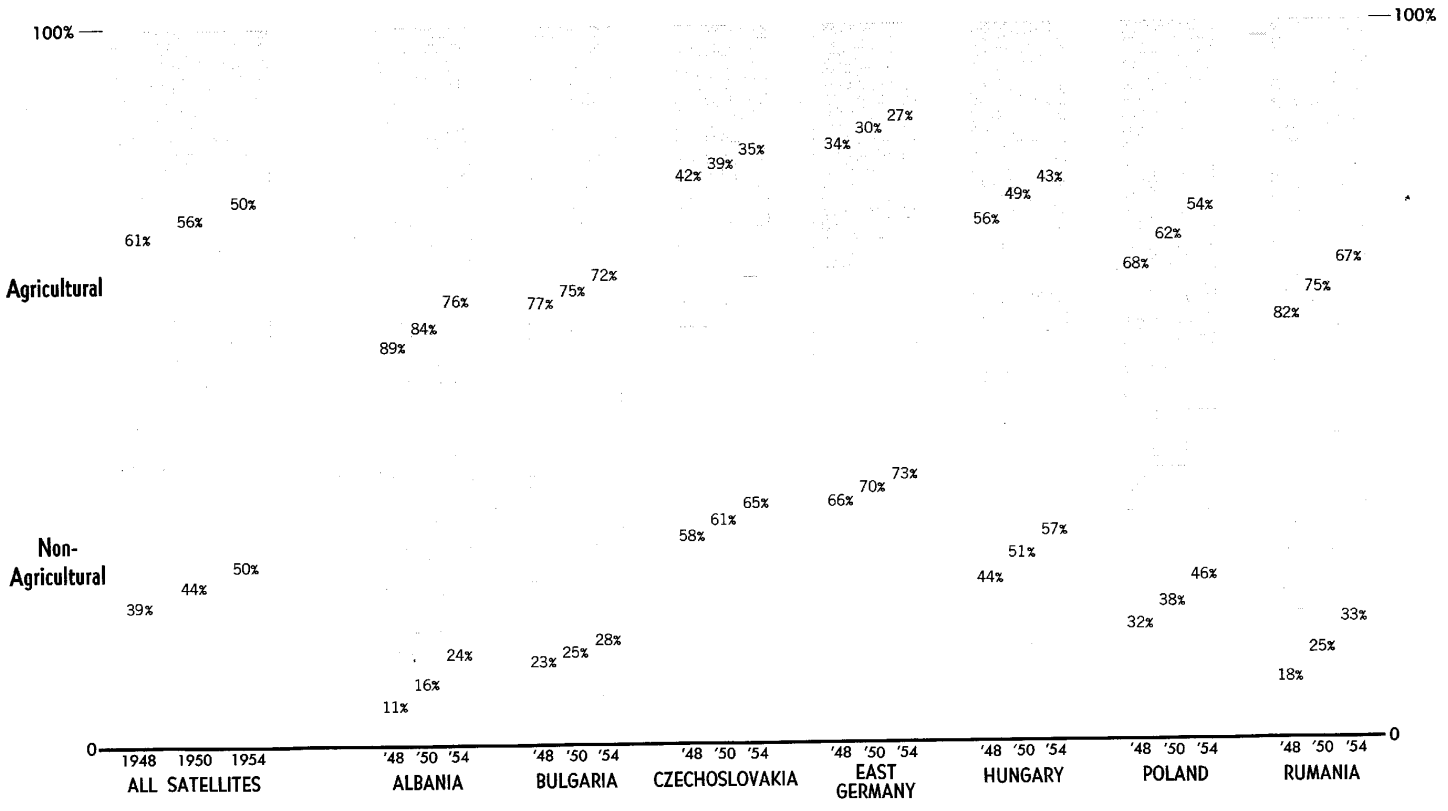

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Table 19

Distribution of Land Resources in the European Satellites a/
About 1950

	Albania	Bulgaria	Czechoslovakia	East Germany	Hungary	Poland	Rumania
Total area b/ (thousand hectares)	2,875	11,084	12,648	10,718	9,301	31,173	23,738
Agricultural area c/ (thousand hectares)	1,202	4,533	7,526	6,377	7,357	20,855	12,700
Percent distribution of the total area:							
Agricultural area c/	41.8	40.9	59.5	59.5	79.1	66.9	53.5
Arable land	12.3	38.7	43.5	47.5	62.1	53.9	39.2
Permanent meadows and pastures	29.5	2.2	16.0	12.0	17.0	13.0	14.3
Forests and woodlands d/	34.5	33.2	32.2	27.1	11.9	23.2	27.8
Unused but potentially productive land e/	8.9	0	0	0	0	0	0
Built-up areas (including inland water bodies) f/	14.8	25.9	8.2	13.5	9.0	9.9	18.7
Total	100	100	100	100	100	100	100

a. Data derived from source 139/.
b. Total area refers to the total land area of the country plus inland water bodies (major rivers and lakes).
c. Agricultural area:
Arable land includes land planted to crops (double-crop land counted only once), land temporarily fallow, temporary meadows for mowing or pasture, garden land, and areas under fruit trees, vines, and fruit-bearing shrubs.
Permanent meadows and pastures refers to land under herbaceous forage crops and other than rotation grasses and clover.
d. Forests and woodlands includes all natural or planted woodlands of present or potential value.
e. Unused but potentially productive land represents anything from land presently being reclaimed to land which may in the future be put to agricultural use.
f. Built-up areas includes land occupied by buildings, roads, or lanes; barren land; and inland water bodies.

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exists only in Albania, where the percent of unused but potentially productive land is 8.9 percent of the total area. For the other countries the only possibilities lie in the reclamation of barren lands (see built-up areas in Table 19).

There is evidence that the postwar patterns of land utilization have undergone considerable changes because of land reform programs and government confiscations. Present estimates of land used for agriculture include land that was formerly under cultivation but is now carried as a reserve.

Estimates of the agricultural land remaining untilled in the European Satellites are shown in Table 20. It would, of course, increase agricultural production if the European Satellites could get their state reserve lands into production.

Table 20

Estimated Agricultural Lands Not Now Tilled in the European Satellites

	Thousand Hectares
Albania	N.A.
Bulgaria	N.A.
Czechoslovakia	200-300
East Germany	800
Hungary	400-500
Poland	800
Rumania	800
Total	3,000-3,200

C. Fuels.

1. Coal.

Reserves of brown coal and lignite are found in considerable quantities in all the European Satellite countries except Albania (see

Table 21). Only Poland and Czechoslovakia, however, have sizable reserves of hard coal. The brown coal found in East Germany and in Hungary is of poor quality and for many purposes requires processing before use.

Table 21

Estimated Amounts and Approximate Life of Reserves of Coal in the European Satellites a/
1954

Country	Estimated Reserves			
	Hard Coal		Brown Coal and Lignite	
	Tons (Million)	Life (Years)	Tons (Million)	Life (Years)
Albania 140/	N.A.	N.A.	1	N.A.
Bulgaria 141/	30	50	1,750	150
Czechoslovakia 142/	5,470	270	4,750	200
East Germany 143/	16	5	20,300	100
Hungary 144/	160	45	1,040	45
Poland 145/	112,000	1,000	18,000	2,500
Rumania 146/	31	60	2,800	600

a. The life of the reserves is calculated on the basis of present rates of extraction and rough estimates of recovery factors.

2. Petroleum.

Estimates of reserves of petroleum in the European Satellites are scant and of dubious nature. An estimate in World Oil 147/ for all European Satellites except Bulgaria indicates that the Satellites as a whole add but little to the large oil reserves of the USSR. The 1954 European Satellite total of 761 million barrels is to be compared with 10 billion barrels of estimated reserves in the USSR (see Table 22*).

* Table 22 follows on p. 48.

Table 22

Estimated Reserves of Crude Petroleum in the European Satellites and the USSR 148/
1954

Country	Million Barrels	Percent of World	Percent of Total Satellites
Albania	30	0.02	3.9
Czechoslovakia	9	0.01	1.2
Hungary	100	0.07	13.1
Poland	22	0.01	2.9
Rumania	600	0.39	78.9
Total European Satellites a/	761	0.50	100.0
USSR	10,000	6.57	

a. Exclusive of Bulgaria, whose reserves probably do not add more than 2 percent of the total.

Rumania has the most extensive petroleum reserves, accounting for almost 80 percent of the Satellite total. Hungary has reserves amounting to about 13 percent of the Satellite total. Reserves of other European Satellites are small.

The discovery of extensive new oil-bearing strata in Rumania was announced in early 1954, and, at present, 70 percent of that country's oil production is from new fields or from extensions of old. 149/ With a seemingly large geologic potential for new oil discoveries, exploratory drilling is continuing in Rumania. 150/ Hungary, too, has markedly increased petroleum output on account of the development and exploitation of recent discoveries in Transdanubia and east of the Danube. 151/ Bulgaria has many unexploited deposits. Almost the whole northern half of Bulgaria is an "area of known economic oil deposits," and almost the

whole southern half an "area of possible economic oil deposits." 152/ Czechoslovakia is poor in oil reserves; these are largely confined to the oilfields on the Moravian-Slovakian border. East Germany produces little or no crude oil on a sustained basis. Poland's exploratory work in the Carpathian Mountains apparently has resulted in doubling existing reserves of natural gas but not in the discovery of new oil deposits. 153/ Some oil and gas fields exist in Galicia. Albania has made no new discoveries and is unlikely to find any new, large, or highly productive deposits. 154/

The exploitation of the reserves in the less industrialized Satellites has been limited by the lack of new machinery and spare parts and the scarcity of trained personnel. This is the case in Albania, Bulgaria, and to some extent in Hungary. Rumania is now reported to be self-sufficient in the manufacture of oilfield equipment. 155/

D. Minerals.

1. Iron Ore.

With the exception of Bulgaria, which exports most of its iron ore output to other European Satellites, the Satellites are incapable of satisfying their own requirements for iron ore (see Table 23*). This deficiency is manifested both in the ore's generally low grade, which causes numerous processing difficulties, and in the quantities of ore produced. Although Czechoslovakia has the largest reserves of iron ore among the Satellites, its degree of self-sufficiency in ore production declined from 56 percent in 1949 to 36 percent in 1954, largely as a result of the rising demand for steel. The ratio of domestic production to total requirements of iron ore in the other countries in 1954 ranged from 31 percent in Poland to 65 percent in East Germany. Because of the relatively low iron content of the ores mined in most of the Satellites, the degree of self-sufficiency is even lower if iron content rather than total ore tonnage is considered. This is particularly true in Hungary, where the domestic mines provided one-third of the total iron ore tonnage used in 1954 but only 15 percent of the iron content of this tonnage.

All of the Satellites have taken measures to reduce their iron ore deficiencies. Their iron mining industries have been expanded in an effort to meet the increasingly heavy demands for iron and steel.

* Table 23 follows on p. 50.

Table 23

Estimated Reserves of Iron Ore in the European Satellites
1954

Country	Total Reserves (Thousand Metric Tons)	Iron Content (Percent)	Estimated Percent of Self-Sufficiency a/
Albania	17,000	N.A.	
Bulgaria	4,300	N.A.	100
Czechoslovakia	400,000	33	36
East Germany	51,000	25-35	65
Hungary	24,100	22-31	33
Poland	216,700	30	31
Rumania	29,700	40	56

a. Based on ore tonnage. With the exception of Bulgaria, the self-sufficiency of these countries is lower than is indicated by ore tonnage computations. For example, the degree of self-sufficiency based on the iron content of the ore supply was about 48 percent for East Germany and 15 percent for Hungary in 1954.

Nevertheless, progress along this line has not been entirely satisfactory. As a result, the Satellites continue to rely heavily upon imports of low-grade ore from the USSR, although some imports from Communist China and the non-Bloc area also have been utilized.

2. Manganese.

Bulgaria and Czechoslovakia produce a small quantity of manganese ore. All reserves in Czechoslovakia are of very low grade, averaging 17 percent metal content. The extent of these reserves is not known, but they probably are not large. The steel industry in Czechoslovakia requires imported ores of metallurgical grade for making ferromanganese and other uses. Low-grade ores are considered

adequate for pig iron production. On a metallic basis, imports amount to approximately 50 percent of Czechoslovak manganese requirements.

The chief manganese ore reserves in the European Satellites are found in Hungary and Rumania. The Hungarian reserves, the largest in Europe, are estimated at 20 million metric tons. They are, however, low in metal content (20 to 28 percent metal). Hungary has a modern and mechanized manganese ore industry and recently has introduced a new concentration process which increased the recovery rate to about 75 percent. Part of the Hungarian production is exported. At the present rate of exploitation, Hungary's manganese ore will last about 200 years. Rumanian reserves, estimated at 4.5 million metric tons, are sufficient to supply its iron and steel industry for many years. Approximately one-half the total ore produced in Rumania is exported. Rumanian ores vary from 15 to 45 percent metal content.

East Germany and Poland have no manganese ore deposits. Both countries import all the requirements of their iron and steel industries.

3. Copper.

Although the European Satellites import substantial quantities of copper in varying forms, they nevertheless possess copper ore reserves sufficiently large to be of economic significance. Those of East Germany and Poland are of principal importance. The reserves in the Mansfeld Basin in East Germany, however, are nearly exhausted. Estimates of principal reserves are given in Table 24.*

Albania and Rumania have relatively small reserves. Bulgaria's ore areas are constantly being searched for new deposits, but no substantial expansion is anticipated. Czechoslovakia and Hungary have no significant copper reserves.

4. Lead and Zinc.

The principal lead and zinc ore reserves in the European Satellites are found in Poland and Bulgaria. Poland is one of the world's important producers of zinc, and its lead production is sufficient to meet domestic requirements. Indications are, however, that the metal content of these ores is gradually decreasing as the better grades of ore become depleted.

* Table 24 follows on p. 52.

Table 24

Principal Reserves of Copper in East Germany, 1951 and Poland, 1955

Location	Copper Ore (Million Metric Tons)	Copper Metal (Metric Tons)	Life in Years at Present Rate of Production
East Germany (as of 1951)	39.5	892,400	
Mansfeld Basin	12.2	224,200	5
Sangerhausen Basin	27.3	668,200	25
Poland (as of 1955)	160	N.A.	50

Poland possesses about a 25-year supply at the 1952 rate of production. The ore reserves of 25.8 million metric tons contain a 10 to 11 percent zinc content and a 1.5 to 2 percent lead content. Bulgaria's reserves are reported to be large and of good quality. Output of both lead and zinc will probably increase. Reserves of minor significance are located in East Germany, Czechoslovakia, and Rumania.

5. Bauxite.

The only European Satellites with ore reserves of commercial-grade bauxite are Hungary and Rumania. Hungarian reserves have been estimated at over 300 million tons of commercial-grade ore. These are the largest bauxite reserves in Europe and among the three largest in the world. The ore is amenable to low-cost mining. An extensive unexplored area of potential importance is believed to exist northeast of the presently worked ore formation. Rumanian bauxite reserves are estimated at 30 million tons of workable-grade ore, roughly equivalent to that of the USSR or the US.

6. Antimony.

Antimony reserves in the European Satellites are confined to Czechoslovakia and East Germany. Czechoslovakia is estimated to have

1.5 million tons of ore containing 35,000 tons of recoverable metal. These reserves are of high grade. East German reserves are small and were expected to be exhausted by the end of 1955.

7. Other Minerals.

Tin-bearing ores of extremely low grade are found in East Germany. Production is high-cost and is subsidized.

Mercury ore reserves of limited quantity and low grade are found in Czechoslovakia and Rumania.

East Germany and Bulgaria produce fluorspar, but only East Germany has large reserves. These are estimated to be adequate for about 10 to 15 years' production at the current rate.

All the European Satellites produce pyrites. Hungary has only small deposits, but the other European Satellites have reported reserves of considerable quantities. Estimated reserves based on fragmentary reports are presented in Table 25.

All the European Satellites have potential supplies of magnesium ore. The high degree of technology required and the lack of a consuming market for large quantities of magnesium metal has retarded magnesium ore development. East Germany had an important magnesium industry until the end of World War II, but it has not been maintained in the postwar period.

Table 25

Estimated Reserves of Pyrites in the European Satellites
1954 a/

Country	Quantity (Million Metric Tons)	Life in Years at Present Rate of Production
Albania	5.0	N.A.
Bulgaria	12.0	N.A.
Czechoslovakia	1.5	15
East Germany	N.A.	10-15
Poland	3.0	25-30
Rumania	9.0	30-40

a. Approximate date.

III. Trends in Gross National Product and Its Components.*

A. Comparison of the Gross National Products of the European Satellites** and the USSR.

The value of production of all goods and services (gross national product, or GNP) in the European Satellites in 1954 is estimated at about

* To check the validity of official European Satellite statements on the rate of growth in economic activity, an attempt has been made to construct an independent series of data on economic production for each Satellite (for a detailed explanation of the methodology of construction of these estimates, see source 156/ and Appendix C of this report). The major step in this checking process has been the use of independently calculated production indexes. These indexes, when linked to prewar estimates of GNP in terms of 1951 US dollars, also provide estimates of GNP in the postwar period which permit international comparisons of economic strengths. Furthermore, these GNP estimates provide a more comprehensive measure of national economic activity than the restricted national income data which are published by the Satellite governments.

The industrial production indexes which were constructed as a step in calculating the GNP estimates differ substantially, however, from official Satellite indexes of industrial output. Some differences are to be expected since the official Satellite indexes represent the gross value of production whereas the constructed indexes are computed on a value-added basis. With the exception of the constructed industrial production indexes for 1954, which use the officially announced rates of increase, the differences between the two sets of indexes have not been reconciled or explained. Nevertheless, it is thought that the discrepancies between the official Satellite indexes and the constructed indexes indicate that official announcements of rates of growth in industrial production are misleading. On the other hand, the reliability of the basic production estimates and the inadequate coverage of the data embodied in the independent indexes are such that the constructed indexes cannot be considered accurate indicators of annual rates of economic growth in the European Satellites. The constructed indexes are, nevertheless, not devoid of usefulness. They probably possess sufficient reliability to be used for the purpose of long-term intertemporal comparisons. They also provide the only available means of deriving dollar values for total economic activity by which international comparisons are made possible.

Some of the independently constructed indexes are presented in Appendix A, Table 50. The indexes for agricultural production, which are thought to be a reliable portrayal of the economic activity of the Satellites' agricultural sectors, are introduced in Section V. The indexes for the construction,

49.4 billion 1951 US dollars (see Table 26*). Thus the total Satellite GNP was about two-fifths that of the USSR in 1954. This is the same ratio as in 1948, the first postwar year for which estimates are available, while before World War II, in 1938, Satellite GNP was almost three-fifths of the Soviet GNP. The decline in this ratio from 1938 to 1948 is evidence of the extensiveness of wartime destruction in the Satellites and the burden of both reparations and postwar confiscation of property by the USSR. Nevertheless, in the postwar period, even though the USSR has been developing very rapidly, the rapid rate of growth of the Satellite economies has enabled that region to continue to maintain the same relative position in terms of its economic output.

B. Distribution of Gross National Product by Country.

A comparison of over-all production figures is of some use in evaluating the economic strengths of the various countries. By this measure the economic capabilities of the various Satellites differ markedly. Poland generated the greatest economic output among the Satellites. In 1954 its GNP was 13.2 times that of Bulgaria; in 1938 approximately the same relationship obtained (see Table 27*). The other Satellite GNP's ranged between those of these two countries. East Germany ranked slightly lower than Poland, Hungary and Rumania had slightly greater GNP's than did Bulgaria, and Czechoslovakia was almost exactly between these two modal groupings. The dispersion was, of course, much less in the immediate postwar period because, in general, the more advanced countries were bound to suffer relatively greater adverse effects from the prolonged drains of warfare than were the less well developed countries.

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trade, and services sectors are omitted from the report entirely since they are based on relatively unsatisfactory data or assumptions of limited validity.

** No quantitative estimates of Albanian GNP have been made, and, consequently, discussion of that country is not included in this section. However, it has been suggested that Albania's GNP is about 200 million 1951 US dollars. 157/

* Tables 26 and 27 follow on p. 56.

Table 26

Comparison of the Gross National Product of the European Satellites and the USSR a/
1938, 1948, and 1954

Year	European Satellites b/ (Billion 1951 US $)	USSR (Billion 1951 US $)	European Satellites (Percent of USSR)
1938	44.5	75	59
1948	32.4	78	42
1954	49.4	123	40

a. This comparison should be looked upon as rather rough. European Satellite and Soviet GNP's are not completely comparable owing to differences in the methodology used in deriving the estimates.
b. Excluding Albania.

Table 27

Gross National Products of the European Satellites
1938, 1948, and 1954

Billion 1951 US $

Year	Bulgaria	Czechoslovakia	East Germany	Hungary	Poland	Rumania
1938	1.0	7.3	16.1	2.5	14.5	3.1
1948	1.0	6.8	9.0	2.0	11.0	2.6
1954	1.3	9.2	15.8	3.0	17.1	3.0

Figure 3* shows the relative contribution of each Satellite to the total GNP of the area. In both 1938 and 1954, Poland, East Germany, and Czechoslovakia accounted for approximately 85 percent of the value of the total output of the Satellites. For the reason mentioned

* Following p. 56.

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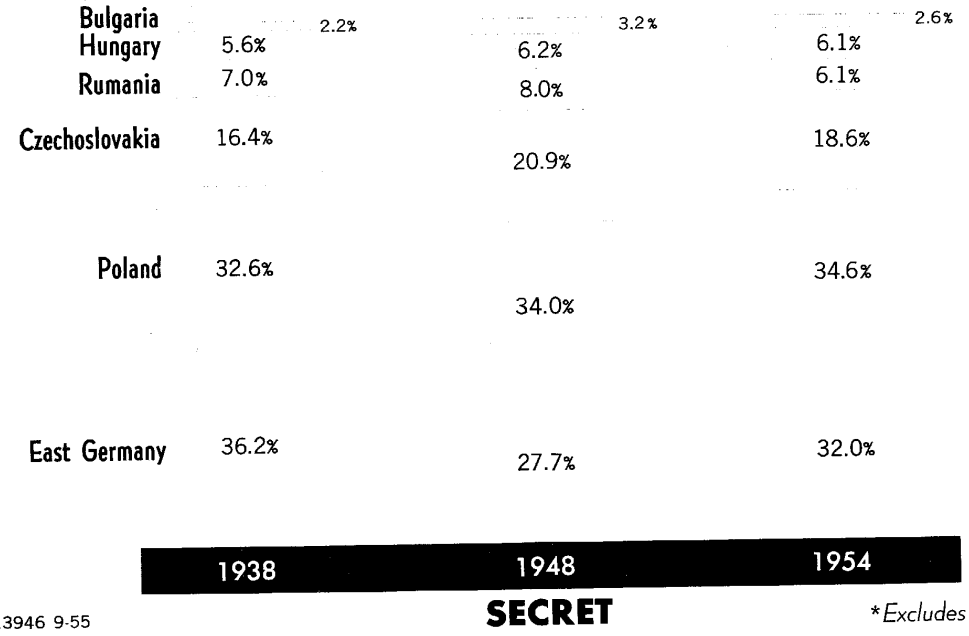
Figure 3

PERCENTAGE DISTRIBUTION OF GROSS NATIONAL PRODUCT, BY COUNTRY, 1938, 1948, AND 1954



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*Excludes Albania

above this proportion was somewhat reduced in 1948 when the less well developed Satellites -- Hungary, Rumania, and Bulgaria -- gained, as a group, an increased share of the total GNP. (An interesting but entirely expected feature of the changes in the share of total Satellite output contributed by each country is that East Germany's share suffered the greatest dip in 1948 relative to 1938 and has made the greatest recovery since that time.) Nevertheless, in broad terms, as is demonstrated by a comparison of 1938 and 1954, the relative abilities of the various Satellites to generate GNP have not changed much as a result of the Sovietization of their economies. Rather, the differences that are, and have been, apparent are largely a reflection of the varying resource endowments of the countries. Eventually, of course, variations in investment activities may alter the existing relationships. But even in this instance the resource bases would tend to set limits on the extent of probable change.

C. Comparisons of Prewar and Postwar Gross National Products.

The extent of changes in the GNP's of the European Satellite economies can be gauged by a comparison with changes in the GNP's of the USSR, France, West Germany, and Italy. Such a comparison, however, is only approximate inasmuch as the individual years and individual countries may have been conditioned by a different set of economic factors, such as, the magnitude of wartime preparations or the effects of the depression in 1938. Nevertheless, subject to this caveat, Table 28* shows that, except for Bulgaria, each of the Satellites suffered a diminution of output in 1948 relative to 1938. This reduction in GNP ranged from 45 percent for East Germany to 7 percent for Czechoslovakia and averaged 27 percent for the Satellites as a whole. On the other hand, of the three Western European countries being considered, only West Germany endured as great a relative loss in output, and in the USSR a gain of 4 percent was experienced.

Between 1938 and 1954 the economy of the USSR made astonishing strides and completely overshadowed the successes achieved in the three Western European countries. The gains made by the Satellites over the same period have not even compared well, on the average, with those observed in West Germany, France, and Italy. Nevertheless, this latter comparison obscures tremendous accomplishments by the Satellites in more recent years. For the period 1948 to 1954 the economic activity of the

* Table 28 follows on p. 58.

Table 28

Changes in the Gross National Products of the European Satellites, a/ the USSR, France, West Germany, and Italy 1938-48 and 1938-54

Country	Percent Increase 1938 to 1948	Percent Increase 1938 to 1954
Bulgaria b/	5	26
Czechoslovakia b/	- 7	26
East Germany b/	-44	-2
Hungary b/	-20	20
Poland b/	-24	18
Rumania b/	-17	-3
European Satellites b/	-27	11
USSR	4	64
France 158/	0	36
West Germany 159/	-34	38
Italy 160/	- 9	32

a. Excluding Albania.
b. Calculated from unrounded data rather than from Tables 26 and 27.

Satellites made remarkable gains in over-all production. In percentage terms, these gains exceeded those made by France and Italy during the same period and were of about the same order of magnitude as the increase achieved by the USSR.

D. Gross National Product Per Capita.

Figures on per capita GNP provide a good approximation of the standard of living which an economy is capable of supporting in the short run. As a measure of the standard of living which the people are actually enjoying it is much less satisfactory, because there is no

attempt to show what part of the GNP is being allocated to investment and what part to consumption. Thus the per capita GNP of the Satellites, where a greater portion of the national output is earmarked for capital expansion than is the case in most Western countries, would tend to give an impression of standard-of-living capabilities which would err on the high side. On the other hand, for numerous reasons it is probable that Western-type derivations of GNP estimates for underdeveloped economies, such as some of the Satellites, would tend to understate the actual level of production. Because of this underestimation, then, the per capita GNP figures are apt to give a low impression of actual conditions. The extent of cancellation resulting from these two factors is indeterminate. The figures presented below give a qualitative rather than a quantitative evaluation of economic welfare possibilities.

Despite a decline in population for the area as a whole, the per capita GNP of the European Satellites fell in 1948 relative to 1938 (see Table 29*). Consequently the decline can be attributed to the smaller GNP which was registered for the whole region. Individually, the Satellites fared diversely, as might be expected. Bulgaria and Poland had about the same per capita GNP's in 1948 as in 1938. In Bulgaria a slight increase in GNP did not quite accommodate the increase in population; in Poland, only the enormous population decline prevented a drastic decrease in ability to create economic welfare. Czechoslovakia was able to increase its per capita GNP as its national output fell relatively less than its population. Hungary and Rumania suffered moderate drops in per capita GNP, as a result mainly of declines in total production inasmuch as their populations remained nearly stable. On the other hand, in East Germany a huge decrease in ability to support living standards was attributable to both a large drop in GNP and a sizable growth in population.

Between 1948 and 1954, however, all of the Satellites gained in their abilities to support higher standards of living. The East Germans realized the greatest relative increase, followed by Hungarians, Poles, and Czechoslovaks in that order. All of these increases were due in large measure to gains registered by productive activities, but in East Germany a population decrease was also a contributing factor. As a result of the gains since 1948, by 1954 the individual European Satellites

* Table 29 follows on p. 60.

Table 29

Per Capita Gross National Products
of the European Satellites a/
1938, 1948, and 1954

1951 US $

Country	1938	1948	1954
Bulgaria	153	148	169
Czechoslovakia	500	558	712
East Germany	970	469	883
Hungary	273	219	311
Poland	465	461	640
Rumania	195	161	176
European Satellites	474	370	537

a. Calculated from unrounded data rather than from Tables 26 and 27. Excludes Albania.

had resumed their prewar ranking in terms of GNP per capita: East Germany, Czechoslovakia, and Poland were at the upper end of the scale; Hungary was in the middle; and Rumania and Bulgaria were at the bottom. Nevertheless, although East Germany has exhibited marked improvement, it and Rumania have economic welfare potentials which are still below prewar levels.

E. Distribution of Gross National Product by Sector of Origin.

The effects of World War II and postwar recovery and of Sovietization upon the economic structures of the European Satellites are made apparent in Figure 4,* although the picture presented is only of the crudest sort because of the methods used in estimating value added by the trade and the services sectors.** It is evident that in 1948 by comparison with 1938 several of the Satellites had made modest progress

* Following p. 60.
** See source 161/ for a discussion of the methods used in deriving estimates of the economic contributions of the trade and services sectors.

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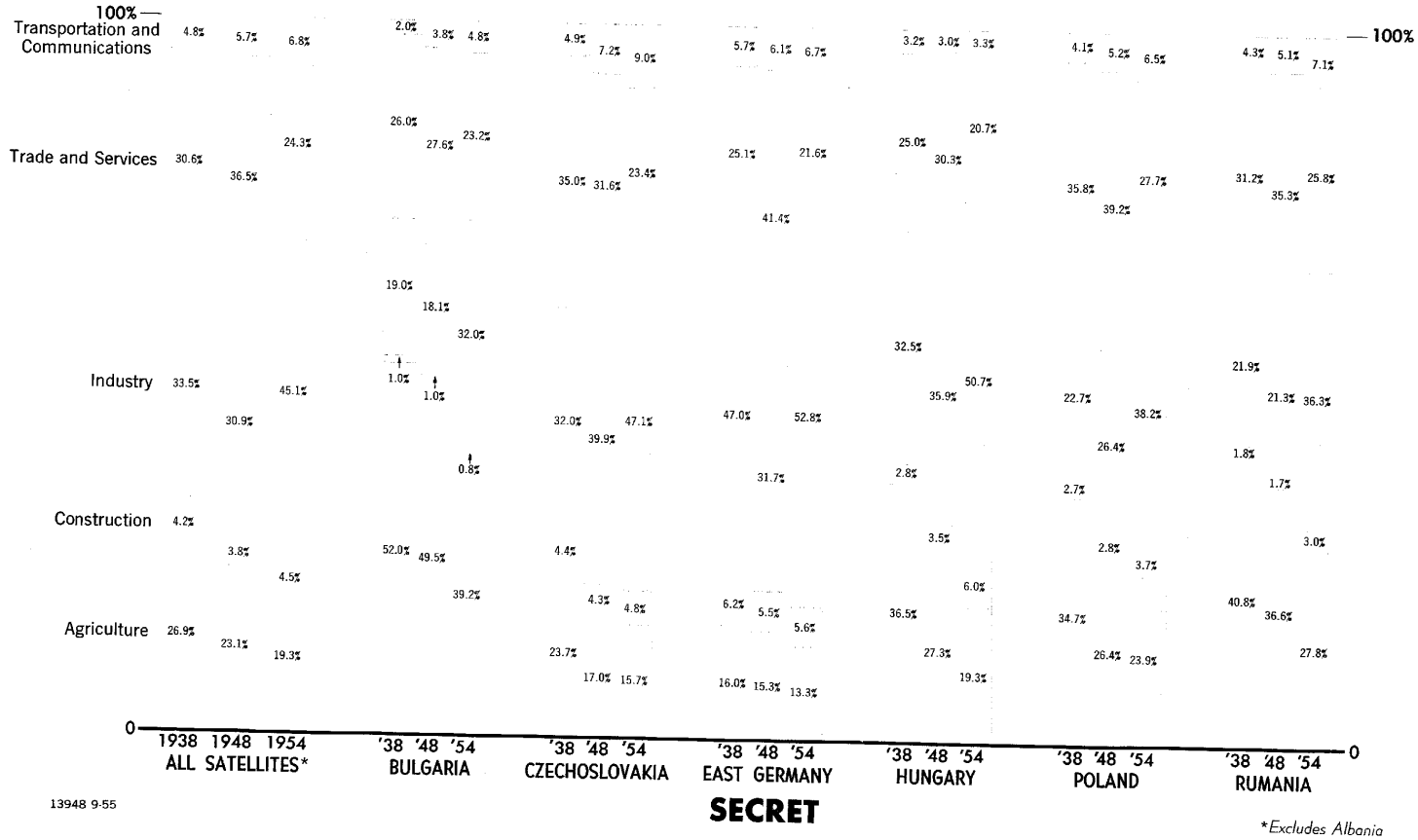
Figure 4

PERCENTAGE DISTRIBUTION OF GROSS NATIONAL PRODUCT, BY SECTOR OF ORIGIN, 1938, 1948, AND 1954



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*Excludes Albania

on the road of industrialization: Czechoslovakia, Poland, and Hungary had increased shares of their GNP's generated by the industrial sector and decreased shares contributed by agriculture; in Rumania and Bulgaria the share of GNP originating in the industrial sector remained about constant; and in East Germany, probably because of the tardy recovery of its industry, the share coming from the industrial sector fell drastically.

Between 1948 and 1954, however, the Satellites displayed marked progress toward industrialization until in 1954 all except Bulgaria had attained an economic structure in which industrial activity preponderated. In East Germany, Hungary, and Czechoslovakia, industrial production represents about half of the economic output, and even in Bulgaria, the least industrialized of the Satellites, industrial output makes up 32 percent of GNP. Thus the period since 1948 has been one in which, under the aegis of the Communist regimes, the Satellites have changed from economies which could be characterized, with the exceptions of East Germany and Czechoslovakia, as either predominantly agricultural in orientation or slightly industrialized, agricultural societies to economies which are for the most part industrial in orientation or industrial with sizable agricultural components.

IV. Survey of Subsectors of Industry.*

A. Energy.

1. Electric Power.

In view of the demands made upon the power industry by the rapid industrialization of the European Satellites, it is not surprising

* This section attempts to illuminate, in brief scope, the weaknesses and strengths of various industries in the European Satellites, in the hope that such a description will contribute to an evaluation of their future production possibilities. As a general rule, industry groups and commodities within industry groups have been selected for discussion on the basis of their economic importance to the Satellite group as a whole or on the basis of their strategic impact on the Bloc war potential. No effort has been made to include industries or commodities which may be of importance to an individual Satellite nor, for that matter, is there any assurance that all industries of significance to the Satellite group as a whole have been discussed.

Data on the production of the industry groups discussed in this section do not appear in the presentation. Instead, 1954 output figures

that shortages of electric power and related plan failures involving production of power and facilities expansion programs are reported frequently. The magnitude of the Satellite aspirations in the electric power field is more apparent when it is realized that the electric power industry as a whole recorded a substantial achievement -- an average annual rate of increase of about 11 percent from 1948 to 1954. This compares with an average annual rate of 14.3 percent in the USSR for the same period and 8.4 percent for the US, in a period in which US electric utility companies were undertaking an expansion of power capacity somewhat above their long-term growth trend.

Because of topographical conditions, the Satellite countries are primarily dependent upon the thermal generation of electric power. The resource base for this is provided to a large degree by indigenous supplies of coal. Petroleum is a minor source of fuel for power in the European Satellites, with the exception of Albania and of Rumania, which generates about half its power from petroleum and gas. Hydroelectric energy represents only a minor part of electric power production in the Satellite countries, averaging some 5 to 6 percent of the total. Because of the relative abundance of fossil fuels and the high cost per kilowatt-hour of hydroelectric power as well as the longer construction periods for hydroelectric capacity, it can be expected that expansion of Satellite power facilities will be largely directed toward thermal plants.

2. Coal.

Although coal is their major source of energy, the European Satellites vary as to their endowments of this mineral and their ability to mine it economically. Bulgaria lacks coking coal but produces an export surplus of hard coal. Despite primitive mining conditions and unskilled labor, brown coal and lignite are produced in sufficient quantities to meet local needs.

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have been introduced in tabular form for ease of reference (see Appendix A, Table 51). As an aid to greater appreciation of the economic contribution of each of the Satellites to total Satellite production of selected commodities discussed in this section, maps showing the geographical distribution of output in 1954 have been prepared. These maps are found in Appendix B.

Czechoslovakia depends upon imports of hard coal, principally from Poland, to supplement domestic production. There exist, however, substantial reserves of the best quality hard coals needed for the making of metallurgical and other cokes. There are also large reserves of high-quality brown coals, which because of their chemical properties are invaluable for the production of chemical products of strategic importance. Nevertheless, in order to have a modern mining industry, Czechoslovakia would have to renovate, redesign, and reequip its underground mines for use of electrically operated cutting, loading, and hauling equipment. At present the Czechoslovak coal industry suffers mainly from the inefficiency and low productivity of its mine labor force.

East Germany's reserves of hard coal are very small, but there are ample reserves of brown coal. As a result, a large coal-mining industry, which produced about 180 million tons of brown coal in 1954, has been developed. The principal problems are the development and equipping of new mines and the provision of materials and modern equipment for the mines now operating.

Poland is richly endowed with coal deposits, having reserves of hard coal sufficient for roughly 1,000 years' operation and of brown coal for 2,500 years at present rates of extraction. Despite a shortage of miners and other labor problems, Poland is the second largest coal producer in the Satellite area and by far the largest producer of hard coal alone. The preeminent position of coal in Poland's exports is indicative of the importance of this fuel to Satellite development: coal shipments, mostly to other members of the Soviet Bloc, make up two-fifths of the value of Poland's total exports.

Hungary and Rumania display similar conditions as to coal supplies. Both depend upon imports of coking and hard coal and lack adequate supplies of skilled laborers and up-to-date equipment. Nevertheless, deposits of low-quality coals are present in abundance.

3. Petroleum.

About 85 percent of the crude oil output of the European Satellites comes from Rumanian wells, with Hungary producing most of the rest. All countries, however, with the exception of Bulgaria, have some output of petroleum products -- either natural or synthetic, as in the case of East Germany. Extensive exploration has been undertaken throughout the area, but the likelihood of discovery of large deposits in regions not already producing is not great.

The main difficulties facing the individual petroleum industries throughout the European Satellites generally are lack of machinery and spare parts and shortages of skilled and trained personnel. Others include the shortage of raw materials for construction and repair purposes, the lack of catalysts in the synthetic oil industry, and the inadequacy of the electric power supply to support an expanded effort in the refining phase of the petroleum industry. With the possible exceptions of Poland and Rumania, none of the countries is self-sufficient in the production of drilling equipment. Tubular goods are in short supply generally throughout the whole area.

On the refining side, the technological problems concerned with the output of refined products are centered in maintenance and repair. Much of the equipment is run continuously until breakdown occurs, and then a patchwork-type repair job is effected so that the plant can continue operating at a maximum rate. Particularly in the synthetic oil industry in East Germany is this practice pronounced. Perhaps Rumania, with about 65 percent of the refining capacity in the European Satellites, is least affected by technological problems which confront the other countries.

B. Metals.

1. Iron and Steel.

The principal weakness of the iron and steel industry of the European Satellites lies in the inadequate supply of essential raw and alloying materials. Only in chromite and coke does the Satellite area as a whole possess a high degree of self-sufficiency, and even for these materials there is some dependence on imports from the USSR. Manganese is in short supply in East Germany, Poland, and Czechoslovakia. As a group the Satellites are able to supply only between one-third and one-half of their requirements of iron ore. The burden of supplying iron ore has fallen largely upon the USSR, although some ore is imported from Communist China and from non-Bloc sources, especially Sweden, Brazil, and India.

From a technical point of view there are great difficulties entailed in the adaptation of production techniques to the use of inferior raw materials. Notable technical problems have arisen in East Germany where the industry has thus far failed to produce satisfactory

metallurgical coke from local brown coal or to produce high-grade pig iron in low-shaft blast furnaces. Also, abnormal wear and tear on facilities has resulted from the unrelenting pressure to meet production goals and from the operating uncertainties involved in reliance on foreign sources for imports of essential raw materials.

None of the European Satellites was able to produce to the limit of capacity in 1954, primarily because of a shortage of metallics (pig iron plus scrap). The existence of excess steel-producing capacity and the announced intentions of the Satellite governments to add to present capacity give scope for increasing future output, provided adequate supplies of raw and alloying materials can be acquired.

2. Copper, Lead, and Zinc.

Production of copper, lead, and zinc is hampered by low labor productivity, resulting to some extent from inadequate mechanization and in some cases from the necessity of continuing operations in areas where the nature of the deposits makes their exploitation difficult and costly, such as the copper and lead deposits of East Germany. Although each producing European Satellite country has attempted to increase its output of copper, lead, and zinc from indigenous ores, the principal evidences of Satellite strength are in the production of lead and zinc in Poland and Bulgaria, where present and potential output is substantial.

3. Aluminum.

The demands for power in 1954 by other consumers restricted the production of aluminum in Hungary, the major European Satellite producer, by approximately 25 percent below official expectations. The Hungarian aluminum industry is designed to utilize approximately one-third of the country's power. It is presumed that Hungary will adopt a long-range policy of producing more alumina and less aluminum.

4. Tin and Antimony.

Ore reserves of tin, of extremely low grade, are confined in the European Satellites to East Germany. Because of the low tin content of the ores and the consequent high cost of tin, the European Satellites are almost completely dependent upon imports to meet their

tin needs. Satellite deposits of antimony ore are limited to Czechoslovakia and East Germany, with those in the former country being extensive and of high grade. It is expected, however, that East German ore reserves will be exhausted by the end of 1955.

C. Machinery and Equipment.

1. Motor Vehicles and Tractors.

The automotive industry in the Satellites generally has developed rapidly in the postwar period. For example, in Czechoslovakia, an important producer among the European Satellites, there is no evidence that shortages of materials have restricted output. On the contrary, it seems possible that difficulties in finding foreign customers may have caused a reduction in Czechoslovak passenger car output. The Czechoslovak tractor industry produces its own components and exports tractors to countries both inside and outside the Sino-Soviet Bloc.

Poland's motor vehicle industry, in the first stages of its postwar growth, initiated the production of a truck which bears a strong resemblance to French and Italian cab-over-engine types. The Poles also produced significant numbers of a tractor which, though useful in most kinds of farm operations, was not satisfactory for all the needs of Polish agriculture. Consequently, the Polish industry is now preparing to produce a model of a track-laying tractor already produced in the USSR.

Soviet technical assistance to Rumania, which in the postwar period did not have a motor vehicle industry, helped the Rumanians begin operations in 1947. In 1951, production of a track-laying tractor was begun which was a considerable improvement over the antiquated type of tractor which the industry began producing in 1947. Rumania has also started producing trucks but in the main has had to rely upon imported parts.

There have been some strains upon the development of the automotive industry in the Satellites. Although the area of which East Germany is composed has been engaged in motor vehicle and tractor production for half a century, the East Germans have had postwar difficulties in reestablishing their motor vehicle and tractor industry. Many of their problems were the result of the dismantling of plants by Soviet occupation authorities and of dissociation from West German industry, on which East German plants depended for supply of materials and components.

Hungary's motor vehicle and tractor industry was never important before World War II, and such production as existed depended on imports of many essential components. At the present time, Hungary still depends on Austria and Czechoslovakia for fuel systems and electrical equipment for trucks. Hungary specializes in the production of buses of the so-called "frameless" type, which are exported to countries on both sides of the Iron Curtain. There is evidence, however, that Czechoslovakia will produce this type of bus to its own design and probably enter the bus market in competition with Hungary.

2. Railroad Equipment.

Although the condition of rolling stock in the Satellite railroad networks has been depicted as deplorable, Satellite production of railroad equipment during most of the postwar period has been oriented, by one means or another, toward the export market. Between 1946 and 1952 the railroad equipment industry of East Germany functioned primarily as a supplier of mining and industrial locomotives, freight cars, and passenger coaches to the USSR. Exports averaged well over 80 percent of total output. The preemption of East German production by the USSR had two results: inability to satisfy urgent domestic needs for transport and industrial equipment and postponement for 8 years of mainline steam locomotive manufacturing. Although East German plants had a prewar annual capacity of about 200 mainline locomotives, manufacture was not resumed until late 1954. In 1953 and 1954, exports of railroad equipment substantially declined, although over one-half of total output continued to be exported. In the future, apparently, a growing share of output will be made available to the East German railroad system.

The Hungarian railroad equipment industry, too, is primarily oriented toward export rather than satisfaction of domestic transport and industrial needs. A basic vulnerability of this industry is one which affects the entire range of Hungarian industrial activity -- a domestic shortage of basic raw materials. Two other factors responsible for lagging production in 1953 and 1954 were inadequate capital investment and low productivity within the plants themselves.

As in the other Satellites, production of railroad equipment in Poland far exceeds the domestic demand, although there is considerable evidence that Polish needs for railroad and industrial transport equipment are not being met, because of excessive export commitments. Especially during the first part of the Six Year Plan, production was limited

by shortages of raw materials (especially copper and steel) and of workers trained in locomotive manufacturing. The Czechoslovak railroad equipment industry, likewise, has been hindered by scarcity of skilled labor, low productivity, and shortage of quality materials. Nevertheless, Czechoslovakia has considerable experience in the manufacture of railroad equipment -- freight cars having been produced for over 50 years -- and its technological capability is generally high.

Rumania, with one of the smallest railroad equipment industries, produces primarily for export. In 1953 and 1954 there were no indications that the industry was suffering particularly from the raw material shortages that limited output very severely in the period 1947-50. The most serious difficulty during the last few years has been a shortage of skilled labor for the locomotive plants.

Bulgaria, the smallest manufacturer of railroad equipment with the exception of Albania, produces freight cars, a very few passenger coaches, and small mining locomotives. In 1954, even this limited production was made possible only by importing wheel sets and other parts.

3. Shipbuilding.

Like the products of the railroad equipment industries, most of the output of Satellite shipbuilding companies is exported to the USSR. Facilities, material, manpower, and technical ability appear to be sufficient to carry out the planned production, but the industry is dependent upon foreign sources for propulsion machinery. Albanian production has been almost entirely of small coastal merchant and fishing vessels of wooden construction. As in Bulgaria, the Albanian industry is dependent upon outside sources for propulsion machinery. Unlike most other Satellites, Poland has been constructing a very wide variety of merchant-type ships, mostly for the USSR. In the early 1950's shipbuilding in Poland was restricted primarily by material shortages and labor problems. Many vessels were launched but had to wait many months for engines and other components. A constantly increasing production in recent years indicates that these shortages are being overcome rapidly. The Poles have reached the point where they are technically proficient in serial production of vessels.

The shipbuilding industries of Czechoslovakia and Hungary export almost their entire production to the USSR. The exports of the former consist entirely of river vessels, especially river passenger boats, whereas Hungary has concentrated on cargo ships of 1,194 gross register tons. The Czechoslovak industry possesses the necessary requirements for production -- that is, available materials, power, manpower, and technical ability -- and production of ship components is more than ample for domestic requirements.

The main weakness of East Germany's shipbuilding industry is a lack of materials. There is an apparent surplus of facilities and labor. A large part of production has been exported to the USSR. Fishing vessels continue to comprise a major part of the exports, although the volume of these is decreasing whereas that of both oceangoing and inland vessels is increasing. Taking advantage of East German facilities and technical abilities, the USSR has caused an expansion of the shipbuilding industry in order to release the larger Soviet shipyards to naval construction. As a result, the industry has expanded far beyond the native needs and is dependent upon Soviet orders for its continuance.

4. Antifriction Bearings.

The Satellite antifriction bearings industry, except in East Germany, where present production surpasses the former peak reached during World War II, has been a development of the postwar period. In general, the output of the industry is insufficient to satisfy Satellite requirements and is especially deficient in high-precision bearings. In recognition of this shortage, the regimes have continued to stress the expansion of the industry; its growth has been restricted by bearing steels of substandard quality, a paucity of precision machine tools, and a scarcity of technically skilled labor.

5. Machine Tools.

Although precision machine tools are in short supply, production of machine tools generally has progressed to the point where several of the Satellite countries have been in position to export. There is some evidence which suggests that continued high output of machine tools has reflected the desire of the European Satellites to

augment supplies of foreign exchange with which to purchase consumer goods by selling machine tools in foreign markets. There is not much doubt that some production for stock was continued in anticipation of opening up foreign markets. The main problem facing the industry appears to have risen out of this effort to expand foreign trade. Since 1953 the European Satellites have been faced with increased output of machine tools by non-Bloc nations. The European Satellites have thus faced increased competition throughout the world, with the result that sales have been low and stocks have increased.

6. Electrical and Electronic Equipment.

East Germany and Czechoslovakia have been able to achieve volume and diversity of production in the field of electrical and electronic equipment. There is a comparatively high percentage of skilled personnel with technical knowledge and capabilities for research and development. The quality of the goods manufactured has declined, however, owing to forced production and norm requirements and to a scarcity of necessary raw materials.

The Hungarians are the largest producers of telephone and telegraph equipment in the European Satellites; they also produce large quantities of electric motors and transformers. As in East Germany and Czechoslovakia, Hungary's production in this field is hampered by poor quality and paucity of raw materials, especially copper, and forced production has resulted in a high reject rate. In addition, lack of skilled labor hampers both production and research, and delayed replacement of outmoded production equipment has acted as a drag on the industry.

Poland is a large producer of wire and cable, motors, and generators, and, to a lesser extent, communications and electronic equipment. Rumania and Bulgaria manufacture some electrical equipment but almost no electronic equipment. All three of these countries (and Albania, of course) must rely upon other Bloc countries to supply deficient electrical and electronic items.

D. Chemicals.

The chemical industries of the European Satellites make a significant contribution to the output of the Sino-Soviet Bloc. Nevertheless,

short-run limitations upon the expansion of production are apparent in most of the Satellites. Most of these limitations could be eliminated by international exchange of equipment, raw materials, or "know-how." Under existing international tensions, however, the only likely exchange will result in no net increment to Bloc potential.

The major shortcomings of the Czechoslovak chemical industry are (1) an inadequate raw material base for several of the basic chemicals, (2) the growing obsolescence of established plants, (3) the difficulty of constructing new plants incorporating newer and more effective processes for basic chemical production, and (4) limited capabilities in manufacturing small-tonnage but indispensable items such as catalysts and special chemicals. The production of organic chemicals is an important segment of the chemical industry; however, the industry is fairly well diversified, with generally adequate production facilities to meet domestic demand, and technical talent is of high caliber.

In East Germany a shortage of two basic raw materials for the chemical industry, pyrites and hard coal, has restricted the production of sulfuric acid and coal chemicals. Electric power generating limitations and inadequate availabilities of new equipment and replacement parts, labor, building materials, and transport (mostly rail) also check expansion of the chemical industry. Nevertheless, East Germany makes a substantial contribution to the European Satellite potential in chemicals.

Although in technical capabilities the Hungarians are competent to install and operate almost all the equipment utilized in the production of basic chemicals, Hungary is plagued by an inadequate raw material base for the production of most of the significant chemicals. Pyrites, used in sulfuric acid manufacture, come almost exclusively from imports. Caustic soda and chlorine production necessitate imports of rock salt. The inferior grade of indigenous hard coals is handicapping the byproduct coking plants which would supply coal chemicals.

The Polish chemical industry is hampered by a deficiency in technical knowledge. Production is further restricted by obsolescent machinery, which has been operated in some cases with improper maintenance and can no longer be depended upon. The abundant coal deposits in Poland, however, furnish raw materials for coal chemicals, and newly found gypsum deposits will furnish raw materials for the manufacture of sulfuric acid.

In Rumania the lack of technical experience in the production of all but the basic chemicals limits the diversification of chemical production. Heavy industry has been unable so far to fabricate the complex chemical equipment which would be required to expand existing facilities. The strength of the industry resides in the fact that there are larger reserves of raw materials, such as oil, gas, coal, salt, and pyrites, for developing a chemical industry. The output of the Bulgarian chemical industry, negligible before 1950, is scheduled to be sufficient to fill domestic requirements, except for chlorine and coal chemicals, by the end of 1957.

E. Building Materials.

Although raw materials supplies are adequate, the building materials industry of the European Satellites is lagging seriously behind industrial needs. In brick production the main cause has been the absence of expansion in producing capacity commensurate with the growth of industry in general. The shortfalls in the production of cement have been aggravated by the increasing use of cement as a key trade commodity for obtaining needed materials from the USSR.

F. Forest Products.

A continued need for large quantities of wood during the postwar period, primarily for construction purposes, has kept output of forest products at a high level. In 1954, however, as in previous years, shortages of wood and wood products continued to hamper economic development in several of the European Satellites. Pitprops, railroad crossties, and packaging materials were in especially short supply, necessitating careful utilization of existing stocks and, in many instances, the use of more costly and often inconvenient substitutes. Fuelwood shortages, especially those occurring during the two past severe winters, increased consumer difficulties in domestic heating. Rumania, according to reports, was particularly hard hit in this respect. In most of the Satellites, reforestation of cutover areas is still believed to be inadequate, and continued depletion of standing timber reserves, which results from an annual cutting in excess of annual growth, will limit long-run exploitation.

G. Processed Foods.

Until recently the chief complication for the food-processing industries has been the industrial investment pattern which prevailed in the European Satellites. Desiring to create a heavy industrial base in each of the Satellite countries, the Communist regimes emphasized the development of producer goods industries to the detriment of the consumer goods industries in general and food processing in particular. Wartime destruction was replaced to a large extent, but new construction has been confined mainly to the most essential plants. As a result, throughout most of the industry, machinery and equipment are becoming obsolete or are being worn out without adequate replacement. In some sectors, however, especially in flour milling, processing capacity is far in excess of needs because of the operation of numerous small, inefficient plants. The food-processing industries of the European Satellites also are plagued by a shortage of agricultural raw materials. Additionally, inadequate storage, cold storage, and refrigeration facilities coupled with unsatisfactory packaging not only limit the duration of the storage period but also result in abnormal waste and spoilage in the industry. The existing agricultural procurement practice of demanding immediate fulfillment of compulsory delivery obligations tends simply to aggravate this condition.

H. Light and Textile Industry.

The light and textile industry of the European Satellites has suffered from the relatively low quality of output, compared with prewar standards. To a large extent, this has probably been due to the tremendous pressures exerted on workers and managers to meet the established quotas. Under the existing system of control, managers are compelled to produce those types of goods that are easiest to make rather than the types best suited to consumer preferences in style, variety, and quality. Aside from low quality, significant gains have been made in the production of light and textile goods in the last few years.

Czechoslovakia has the highest per capita output of fabrics and footwear in the Sino-Soviet Bloc, but it is estimated that between one-third and one-half of its total production goes into export markets. In Poland the light and textile industry has reached the phase in its development at which stress is being placed on improving the quality and assortment of merchandise rather than on the quantity produced.

There is some evidence that the Poles achieved a large measure of success in the direction of these aims in 1954. Hungary also has attained considerable gains in the production of cotton and rayon fabrics. Shortages are reported, however, in other textiles and in shoes of good quality.

In East Germany the postwar recovery of the light and textile industry has been hampered by the heavy reparations requirements which were levied. Since the beginning of 1954, however, the reparations payments have been cancelled and East German plants under Soviet control have been returned; thus prospects for increasing output in the future appear to be bright. In the remainder of the Satellites, the industry has received additional attention under the "new course," although in some cases investment allocations have appeared inadequate in light of current plans, and substantial strides in production have resulted.

I. Military End Items.

The production of military end items in the European Satellites is small compared with that in the USSR. Czechoslovakia, Poland, and East Germany, in that order, are the chief producers of military end items. The aircraft effort is virtually all concentrated in Czechoslovakia at present. In the field of naval vessels, East Germany is the only producer, and its naval vessel output is small. In ground ordnance, the most significant development has been the entry of Czechoslovakia and Poland into the field of tank production.

1. Ground Ordnance.

For the production of ground ordnance, Czechoslovakia has the most modern production facilities, and its personnel are probably the most skilled in the European Satellites. It is the only European Satellite believed to be developing and producing a complete range of weapons in quantity. East Germany is experienced in modern production methods and has many skilled personnel available for armaments production, but in recent years very few of them have been able to apply their skills to armaments. With a change in Soviet plans and sufficient time for a conversion of facilities, an efficient armaments industry could be developed.

Hungary has some experience in armaments production, but the available industrial capacity is not very large, and much of it is utilized for civilian production, with the armed forces relying on imports of heavy equipment from the USSR and Czechoslovakia. Its small arms industry, however, is well developed, with experienced labor and modern equipment. The armaments industry of Poland is still being developed. Latest production techniques undoubtedly are being introduced by the USSR. A shortage of trained personnel probably is deferring the full utilization of these techniques at the present time. Rumania has little armaments production and, unlike the other major Satellites, is apparently not trying to develop any extensive capacity, relying on the northern European Satellites or the USSR for the bulk of its equipment.

2. Aircraft.

Czechoslovakia is by far the most important aircraft producer in the European Satellites, with Poland occupying a secondary place. Except for East Germany, the remaining countries have neither the factories, the production experience, nor the technical background required to produce combat aircraft. The major problems facing European Satellite aircraft producers are shortages of metals, especially alloying elements for jet engine production. Alloying elements have to be supplied by the USSR, and inadequate Soviet support has forced the European Satellites to resort to less satisfactory substitutes which lower the quality of the finished product.

V. Agricultural Problems and Production.

Following the example set by the USSR under Stalin, the Communist regimes, upon their rise to power in the European Satellites, almost immediately instituted a program of rapid development of the hitherto relatively retarded industrial sectors of their economies. (The far-reaching effects of this emphasis are depicted in Section III, above.) After several years of this program, however, it became increasingly apparent that an imbalance had arisen -- the development of the agricultural and consumer goods sectors had not been commensurate with the needs of the Satellites' expanding economies. The limited foreign exchange supplies which could be earned in their somewhat restricted export markets were being used more and more to acquire foodstuffs and less and less to import vital industrial raw materials and equipment. Such a situation could not long be tolerated while the goal of rapid

industrialization remained paramount. It is, then, little wonder that many of the specific measures of the broad policy program which the Satellites inaugurated in the fall of 1953 were directed to redressing this structural imbalance by substantially expanding the output of the agricultural sectors and by increasing the share of agricultural production which would reach consumer markets. In general, those specific measures of the "new course" which were designed to accomplish these tasks followed two guiding principles: allocation of an increased share of investment funds and technical knowledge to the development of agriculture and greater reliance on an incentives program, based on the relaxation of controls over peasant producers.

A. Problems.

The Satellite governments under the "new course" have had to try to counteract the declining trend of the agricultural labor force resulting from the adoption of forced collectivization and industrialization programs. They have approached this problem by trying to raise the productivity of the existing supplies of agricultural workers, through the greater use of equipment and more effective farming methods and by attempting to reverse the exodus of laborers from agricultural into industrial pursuits.

The agricultural program has not produced any notable increase in efficiency. Chemical fertilizers have been produced in greater amounts, but there is little information as to how effectively they have been used. In 1954 the number of tractors and other farm implements increased over 1953 deliveries, but apparently the Satellite officials considered that the progress made was unsatisfactory. As usual, the machine tractor stations were frequently criticized for inefficient and costly operations. The impact of these steps on agricultural productivity cannot be measured; it can be assumed, however, that they did little to alleviate the critical farm labor shortages in most of the Satellites.

Policies designed to get the people back to the land also met with only limited success. The propaganda campaigns which stressed the recruitment of permanent farm workers achieved almost nothing. All the Satellite governments emphasized the important role of the private peasant in determining agricultural production and reinstituted the practice of "voluntary" membership in the collectives. In Czechoslovakia, East Germany, and Hungary, collective farmers at first were permitted even to

resign, but this policy was reversed in the middle of 1954 when pressures were applied to discourage members from leaving the collective organizations. In most Satellites, the only tangible consequence of this drive was to stop the rate of decline in the agricultural labor force. Only Czechoslovakia was able to bring about an actual increase in the number of people engaged in agricultural activity (see Table 18*).

B. Production.

Although the extreme dependence of agricultural production upon climatic conditions makes a short-term evaluation rather tenuous, it is probable that "new course" efforts have not as yet borne fruit. As a matter of fact, fruition should not have been expected so soon. Agricultural investments have a gestation period of notoriously long duration, and the relaxation of controls on a long-suffering peasantry could serve initially only to lessen the degree of suffering of the peasants themselves, with little effect upon marketed supplies.

The indexes of total estimated agricultural output in Table 30** show that the European Satellites as a whole produced only 1 percent more agricultural commodities in 1954 than in 1953. In general, the production of foodstuffs made a less favorable showing that the production of industrial crops (see Table 31***). The production of grain, especially of bread grains, was adversely affected by weather conditions in 1954, with a resultant reduction in output in Hungary, Czechoslovakia, and East Germany. Potato production for the Satellites as a group increased in 1954, but it is estimated that the quality of the potato crop was below that of 1953, so that losses from storage could mean that the amount actually utilized did not exceed 1953 levels. A similar reduction in the sugar content of the sugar beet crop was evident and, coupled with the lack of success in beet production in most Satellite countries, probably has led to a shortage of sugar, either as an export item or in domestic consumption.

Animal husbandry has received extensive attention under the "new course," but there were no significant gains in livestock numbers in

* P. 44, above.
** Table 30 follows on p. 78.
*** Table 31 follows on p. 79.

Table 30

Indexes of Agricultural Production
in the European Satellites a/
1938 and 1948-54

1953 = 100

Country	1938	1948	1949	1950	1951	1952	1953	1954
	Total Agriculture							
Bulgaria	113	112	101	104	105	99	100	107
Czechoslovakia	117	78	86	94	94	102	100	98
East Germany	125	65	70	84	99	99	100	100
Hungary	154	92	104	105	111	104	100	98
Poland	126	72	83	103	96	91	100	102
Rumania	136	102	96	95	106	91	100	99
European Satellites a/	126	77	84	97	99	96	100	101
	Industrial Crops							
Bulgaria	67	84	81	80	93	86	100	108
Czechoslovakia	87	89	89	109	102	89	100	104
East Germany	113	89	78	110	112	84	100	115
Hungary	62	85	91	92	95	83	100	100
Poland	87	67	77	93	81	78	100	97
Rumania	74	83	85	90	98	92	100	102
	Foodstuffs							
Bulgaria	134	114	103	106	106	100	100	106
Czechoslovakia	119	78	86	93	93	103	100	98
East Germany	126	63	70	82	98	101	100	99
Hungary	160	92	105	106	112	105	100	98
Poland	127	72	83	104	97	92	100	102
Rumania	141	104	97	95	107	91	100	99

a. Excluding Albania.

Table 31

Indexes of Production of Selected Field Crops and of Livestock Numbers in the European Satellites 1954

1953 = 100

	Albania	Bulgaria	Czechoslovakia	East Germany	Hungary	Poland	Rumania
	Field Crops						
Total grains	103	106	90	95	87	108	100
Potatoes	111	94	101	112	107	100	100
Sugar beets	93	91	104	120	100	95	97
	Livestock Numbers						
Horses	100	96	100	97	100	100	102
Cattle	102	104	95	98	97	104	100
Hogs	129	96	90	99	98	100	104
Sheep	108	96	127	109	101	125	101

1954 except in the case of sheep as shown in Table 31. In fact, it has been estimated that the animal production plan was underfulfilled in every Satellite. Swine, which account for a large part of meat production in the Satellites, diminished in numbers in 1954. This may have been the result of inadequate supplies of feed or of an effort on the part of the Satellite governments to provide consumers with a better diet. Although livestock numbers generally were above prewar levels in 1954 because of larger numbers of pigs and sheep, production of animal products was still below prewar levels because feed supplies were not sufficient to maintain comparable slaughtering weights. Numbers of cattle and horses have yet to surpass prewar levels in most of the Satellites.

The output of industrial crops -- wool, cotton, flax, hemp, and sugar beets -- made a better showing than did the production of food crops in every Satellite except Poland (see Table 30). Of course, a

possible reason for this could have been that the industrial crops were less adversely affected by the relatively poor weather in 1954 than were the food crops. In view, however, of the recovery of production in 1953 from the drought of the preceding year, a more promising explanation appears to be that the intensive program to raise the output of textile fibers, which the Satellites had adopted in 1950, was beginning to have some success.

On balance, it would seem that the agricultural sector in 1954, even after the intended fillip provided by the "new course," is still acting as a depressant on the economic growth of the Satellites. It is true that the attempt to meet industrial needs for textile fibers from indigenous sources has achieved some progress. Nevertheless, the quantities of foodstuffs which can be supplied domestically have been insufficient to satisfy economic requirements. This has given rise to a double drain: foreign exchange supplies have had to be employed to allay the demands of consumers (rather than to meet the investment requirements of a rapidly expanding industrial sector), and funds which under less pressing conditions would have gone into industrial investment have had to be allocated to the agricultural sector. The maintenance of the agricultural program embodied in the "new course" is a recognition of this situation.

VI. Transportation and Communications.

A. Transportation.

The European Satellites are served by a network of relatively well-integrated systems of transportation. Standard-gauge railroad tracks permit the convenient interchange of traffic among all of the European Satellites (except Albania). Highways and inland waterways facilitate the domestic and international movement of goods through the region. The Danube is a particularly important commercial thoroughfare for the Satellite region from Czechoslovakia south. All of the countries, even those with no direct access to the sea, have maritime fleets, but the Polish fleet accounted for two-thirds of the total maritime traffic (ton-kilometers) of the European Satellites in 1954. All of the Satellites except East Germany and Albania operated airlines in 1954, and an East German airline was expected to begin operations in 1955. The Soviet airline Aeroflot has extensive operations in the European Satellites, and the USSR exercises a strong influence over European Satellite airlines.

In terms of ton-kilometers, the railroads accounted for over 80 percent of European Satellite commerical transport in 1954; ocean freight accounted for 10 percent; inland waterways, 6 percent; and highway transportation, 3 percent of total ton-kilometers of freight (see Table 32*). It should be noted, however, that in terms of tonnage carried rather than ton-kilometers, highway transport would appear to be somewhat more important, and ocean transport somewhat less important than these percentages indicate. The reason is that trucks carry relatively large amounts of freight for short distances, usually within metropolitan areas or between farm and market, whereas ocean freight often consists of small cargoes carried relatively long distances.

Poland alone accounted for 42.5 percent of total European Satellite transport (in ton-kilometers) in 1954. This ratio reflects the fact that it is the largest Satellite in area, population, and GNP and also has a relatively large volume of transit traffic. Czechoslovakia and East Germany ranked next, with each accounting for about 19 percent of ton-kilometers in 1954. Rumania, Hungary, and Bulgaria accounted for 9.6, 5.2, and 4.2 percent, respectively, of total European Satellite transport. Albania contributed less than 0.2 percent to the total in 1954. (See Figure 5** for distribution of freight traffic by country.)

Generally speaking, the fixed facilities of the railroads of the European Satellites are adequate to support the current level of economic activity even though they are not in very good repair. Only in East Germany is the deterioration of the rail lines a very serious problem. A principal difficulty in all of the European Satellites is that a large part of the rolling stock is old and in poor condition. In East Germany, moreover, the freight car park appears to be too small. The shortage of serviceable rolling stock has had an adverse effect upon economic activity in East Germany and perhaps in the other European Satellites, particularly during the harvest season. A chronic shortage of coal also has hampered rail operations from time to time in East Germany and Czechoslovakia and, to a lesser extent, in Bulgaria and Hungary.

The most important additions to the railroad networks of the Satellites in 1954 consisted of (1) further work on the Berlin ring,

* Table 32 follows on p. 82.
** Following p. 82.

Table 32

Freight Traffic in the European Satellites
1938 and 1948-54

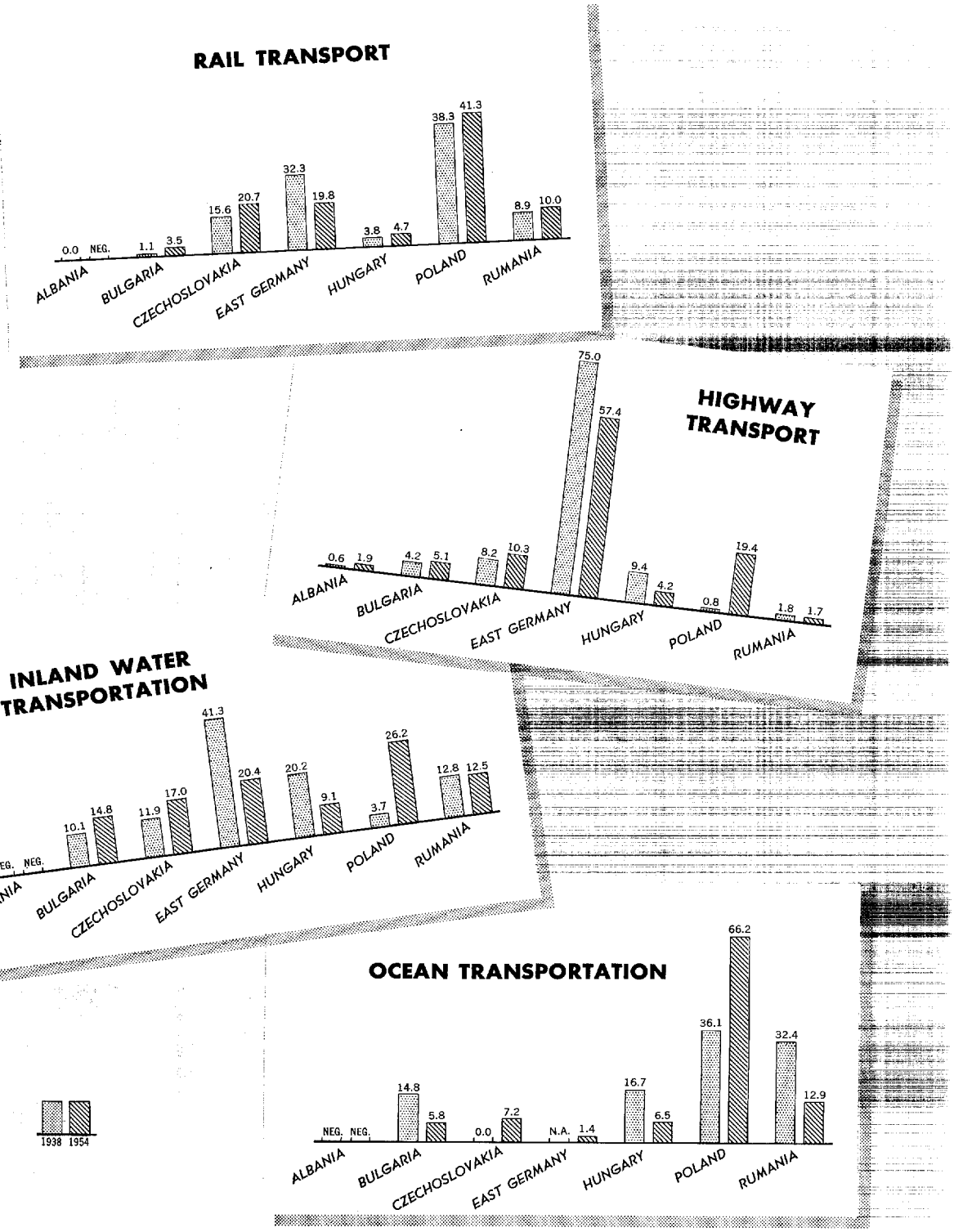
	Total		Rail		Highway		Inland Water		Ocean	
Year	Million Ton-Kilo-meters	Percent	Million Ton-Kilo-meters	Percent	Million Ton-Kilo-meters	Percent	Million Ton-Kilo-meters	Percent	Million Ton-Kilo-meters	Percent
1938	91,031	100	68,236	75	1,095	1	10,900	12	10,800	12
1948	68,446	100	60,358	88	1,588	2	3,200	5	3,300	5
1949	82,571	100	71,213	87	2,058	2	4,000	5	5,300	6
1950	93,516	100	79,355	85	2,561	3	4,500	5	7,100	7
1951	109,397	100	90,442	82	3,055	3	5,200	5	10,700	10
1952	120,304	100	97,842	81	3,662	3	6,600	6	12,200	10
1953	135,653	100	110,761	82	4,392	3	7,800	6	12,700	9
1954	143,995	100	116,191	81	5,104	3	8,800	6	13,900	10

Figure 5

DISTRIBUTION OF FREIGHT TRAFFIC

1938 and 1954

(In percent of Satellite totals)



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which is nearing completion; (2) further restoration of double-tracked lines in East Germany; (3) completion of the Lukow-Skiernewice line, which permits east-west traffic to bypass Warsaw; (4) further double tracking of the Prague-Chop line to the USSR border; (5) completion of a short line in northern Hungary permitting traffic to bypass Budapest; (6) completion of the Bucharest-Craiova line, which joins railroads in southern and western Rumania; (7) completion of the Giurgiu-Ruse rail and highway bridge between Rumania and Bulgaria, and (8) completion of the Sofia-Burgas line, which improves connections between eastern and western Bulgaria. (See Table 33* for an inventory of transport facilities.)

The river and canal systems of the Satellites are well developed, but operations are handicapped by the use of old and poorly maintained vessels and by the lack of adequate cargo-handling facilities at some of the river ports. Several major plans for improving inland waterway facilities have been announced in recent years, but little has actually been done. Poland and East Germany have the largest volume of inland waterway traffic in terms of ton-kilometers.

The highway systems of East Germany, Czechoslovakia, and Hungary are relatively well developed and in fair condition. Except for the highways in the Polish-occupied territories of Germany, the Polish highway system is more primitive and less dense than in East Germany and Czechoslovakia. Poland has put considerable emphasis on improving roads and increasing the truck park and as a consequence has had the greatest increase in commercial road traffic of any of the European Satellites in the last 5 years. In 1954, however, highway transport constituted only 1 percent of the ton-kilometers of freight carried by the Polish transport systems. The Rumanian, Bulgarian, and Albanian highway networks are sparse, and few highways are first class. Throughout the European Satellites there is a serious shortage of spare parts for trucks.

Poland owns 78 percent of the oceangoing vessels belonging to the Satellites, and in 1954 Polish vessels carried 80 percent of the ton-kilometers of oceangoing freight carried by Satellite vessels. A large part of the cargo carried in Polish bottoms consists of goods destined for Communist China.

* Table 33 follows on p. 84.

Table 33

Characteristics of Selected Transport Facilities in the European Satellites
1955

	Units	Albania	Bulgaria	Czechoslovakia	East Germany	Hungary	Poland	Rumania
Standard-gauge rail lines	Route miles	77	2,318	8,388	9,010	5,314	15,349	6,130
Rail-line density	Miles per square mile	.007	.054	.168	.216	.140	.128	.067
Locomotives	Units	7	700	6,161	6,488	2,211	5,600	N.A.
serviceable	Units	N.A.	N.A.	4,000	3,801	1,900	3,480	2,000
Freight cars	Units	80	16,000	88,221	130,000	58,000	200,000	51,000
Commercial vehicles	Units	1,627	13,750	70,000	123,911	47,000	66,000	12,500
Navigable waterways	Route miles	N.A.	293	572	888	567	3,075	672
Barge capacity	Metric tons	N.A.	56,340	350,000	867,000	126,000	900,000	300,000
Oceangoing vessels (over 1,000 GRT)	GRT	0	12,484	17,220	6,475	2,100	286,316	32,411
Airfields (Class 1 and 2)	Number	1	10	15	30	12	45	12
Air transport planes a/	Units	0	13	30	N.A.	13	20	21

a. As of October 1953.

The airlines of the European Satellites, except for East Germany and Albania, operate a total of about 100 aircraft. Most of their flight routes are within the Soviet Bloc, but the Polish and Czechoslovak airlines also have scheduled flights to Western capitals. In the fall of 1954 the USSR withdrew its participation in the airlines of Hungary, Rumania, and Bulgaria. There are about 125 first- or second-class airfields within the territory of the European Satellites, and there is an equal or greater number of inferior fields. Most of these airfields were built after World War II for military purposes. The Satellite airlines appear to be able to meet all demands for commercial passenger transportation. Probably very little freight is transported by air.

In all of the Satellite countries, the morale of the labor force in the transportation industries is reported to be poor. A pervasive complaint is that most supervisory positions are filled with professionally incompetent persons, appointed for their political reliability. Reports of bureaucratic inefficiency are also prevalent.

B. Communications.

1. Telephone and Telegraph.

The wireline facilities of the European Satellites provide a fair geographical coverage, but the systems do not permit so rapid and efficient communications as a modern high-capacity system. The telephone and telegraph facilities are now hardly more than adequate to meet the economic requirements of most of the countries, although the facilities have been continually increased during the postwar period. Most of the European Satellite countries are engaged in a program of automation in order to increase the efficiency of their communications systems. From 1950 to 1954 the kilometers of telegraph and telephone wireline in the European Satellites increased from 7.3 million to 8 million kilometers, an increase of 8.2 percent (see Table 34* for individual country data). The estimated number of telephone subscribers increased from 1,151,000 to 1,229,000 during the same period. The average number of persons per telephone in the European Satellites decreased slightly, from 78 in 1950 to 76 in 1954 (see Table 35** for number of persons per telephone, by country.)

* Table 34 follows on p. 86.
** Table 35 follows on p. 87.

Table 34

Number of Telephone Subscribers, Number of Telegraph Offices, and Kilometers of Communications Wire in the European Satellites 1950 and 1954

	Telephone			
	Number of Subscribers		Kilometers of Wire	
Country	1950	1954	1950	1954
Albania	1,100	1,400	1,000	1,504
Bulgaria	87,000	100,000	435,000	500,000
Czechoslovakia	385,000	405,000	1,697,000	1,786,000
East Germany	205,049	224,000	1,371,000	1,682,300
Hungary	112,700	117,000	1,000,000	1,040,000
Poland	226,000	243,700	1,358,000	1,464,000
Rumania	134,000	138,000	864,000	890,000
Total	1,150,849	1,229,100	6,726,000	7,363,804

	Telegraph			
	Number of Offices		Kilometers of Wire	
Country	1950	1954	1950	1954
Albania	39	64	7,000	8,517
Bulgaria	1,430	1,850	60,700	78,530
Czechoslovakia	6,082	6,530	157,700	169,000
East Germany	3,013	3,600	31,930	38,160
Hungary	3,000	3,560	77,000	89,000
Poland	5,000	5,960	77,020	91,780
Rumania	N.A.	N.A.	153,000	159,000
Total	18,564	21,564	564,350	633,987

Table 35

Number of Persons Per Telephone in the European Satellites
1950 and 1954

Country	1950	1954
Albania	1,090	935
Bulgaria	124	124
Czechoslovakia	35	32
East Germany	96	85
Hungary	81	82
Poland	110	110
Rumania	111	120

The basic wireline system of the European Satellites not only allows alternate routing in the event that certain lines are temporarily out of order but also provides a network that is, to a high degree, invulnerable to jamming.

2. Radiobroadcasting.

The domestic radiobroadcasting transmission and reception base of the European Satellites is believed adequate to provide good geographical coverage of the countries. It is estimated that in 1954 there were slightly more than 10 million independent radio receivers in the Satellites, an increase of 45 percent since 1950. The number of persons per independent radio receiver ranged from 4 in Czechoslovakia and East Germany to 62 in Albania (see Table 36*). Through the use of group-listening centers and wire-diffusion** networks (wired loudspeakers),

* Table 36 follows on p. 88.

** Wire-diffusion is a system of networks in which loudspeakers are connected to a central program distribution point either by telephone circuits or by specially strung wirelines. The program distribution points are in turn connected to the broadcasting station either by wirelines or, in the case of remote areas, by radio receiving units.

Table 36

Number of Radio Receivers and Wired Loudspeakers and Number of Persons Per Radio Receiver and Wired Loudspeaker in the European Satellites 1950 and 1954

	Number of Radio Receivers		Persons Per Radio Receiver	
Country	1950	1954	1950	1954
Albania	17,500	21,000	69	62
Bulgaria	209,200	270,000	35	28
Czechoslovakia	2,360,000	3,050,000	5	4
East Germany	2,621,800	4,070,000	7	4
Hungary	619,000	968,000	15	10
Poland	900,000	1,400,000	28	19
Rumania	250,000	312,000	65	55
Total	6,977,500	10,091,000		
	Number of Wired Loudspeakers		Persons Per Wired Loudspeaker	
Country	1950	1954	1950	1954
Albania	Negligible	6,000	83	218
Bulgaria	87,000	230,000	25	32
Czechoslovakia	500,000	500,000	N.A.	26
East Germany	N.A.	N.A.	5,808	N.A.
Hungary	1,600	320,000	45	30
Poland	555,000	1,400,000	573	19
Rumania	28,500	190,000		90
Total	1,172,100	2,646,000		

the authorities are endeavoring to maximize the size of their audience and to control reception. There were no wired loudspeakers in the Satellites in 1938, but in 1950 there were over a million, and by 1954 the number had increased to over 2.5 million, not counting East Germany for which information was not available. In 1954 there was an average of 1 radio receiver or wired loudspeaker for every 7 persons in the European Satellites, compared with 1 radio for each person in the US.

3. Television.

With the possible exception of East Germany, television in the European Satellites is in the very early stages of development, although all of the Satellites except Albania now have television. There are a total of 11 television stations, 2 of which are in East Berlin. The total number of television receivers is believed to be small, receivers being available only for clubs and other institutional reception points and for high-ranking Party members. Most of the Satellites' production of equipment for sending and receiving television programs is believed to have gone to the USSR in recent years.

VII. Consumer Welfare.

Under the system of resource allocation which was adopted by the European Satellite Communist governments, the usually accepted goal of enriching the people's economic well-being was relegated to satisfaction in the distant future. In the short run, the regimes thought that it was enough merely to furnish the population with an adequate standard of living, in the sense that the level of consumption permits labor productivities and rates of saving which are consistent with high rates of economic growth. This decision appears to have been modified, at least temporarily, with the promulgation of the "new course." Under the "new course," all of the Satellites have continued to stress the development of educational, medical, and recreational facilities, and per capita consumption of these services has surpassed prewar levels. Production of manufactured consumer goods has been steadily rising over the last 3 years so that now consumption of such goods, too, is considerably in excess of that of the late 1930's. Nevertheless, per capita availabilities of foods in the European Satellites are still below prewar levels. Residential housing also has been given until recently a low priority status, with the result that in the postwar period extreme overcrowding, especially in the mushrooming industrial towns, has been commonplace.

Also, marketing outlets have not been allotted the materials and manpower needed to provide convenient and efficient service.

A. Availability of Foodstuffs.

The decline in the per capita production of foodstuffs since the prewar period, as shown in Table 37,* is a striking indication of the Communists' neglect of the agricultural sectors of the Satellite economies. For the area as a whole, per capita production of cereals and potatoes was about 22 percent lower in 1954 than before the war. This failure of grain and potato production to keep abreast of population growth had the added effect, because of shortages of livestock feed, of reducing the per capita production of meat and other animal products. Hungary, East Germany, and Rumania had the greatest declines in per capita output of foodstuffs (to about 70 percent of prewar). Of the rest of the Satellites, only Albania was able to increase its production of foodstuffs more rapidly than its population expanded.

These decreases in per capita production of foodstuffs resulted in lowered per capita caloric consumption of foodstuffs in all of the Satellites except Poland and Bulgaria in the postwar period (see Table 38** and Figure 6***). In the other countries, however, per capita caloric consumption has more nearly approached the prewar level than have per capita production figures. Part of the explanation of the apparent inconsistency can be found in the drastic shift in the foreign trade pattern of the Satellites. In the prewar period the area was a net exporter of grain, whereas the Satellites are now net importers of grain, chiefly from the USSR, and possibly of foodstuffs in general (see Section VIII, below). In addition to this altered trade pattern, there also has been a deterioration in the quality of the diet of several of the Satellites, the exceptions being Poland, Hungary, and Rumania. This deterioration has taken the form of a marked substitution in the consumption pattern of basic, starchy foods of high caloric content for protein foods of lower caloric content. These two shifts have kept caloric consumption higher than would be indicated by the decline in the production of foodstuffs.

B. Availability of Consumer Goods Other Than Foodstuffs.

There is no doubt that the destruction accompanying World War II reduced the availability of manufactured consumer goods in the European

* Table 37 follows on p. 91.
** Table 38 follows on p. 92.
*** Following p. 90.

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Figure 6

INDEXES OF AVERAGE DAILY PER CAPITA CALORIC CONSUMPTION OF FOOD

PREWAR, 1952/53, 1953/54, AND 1954/55

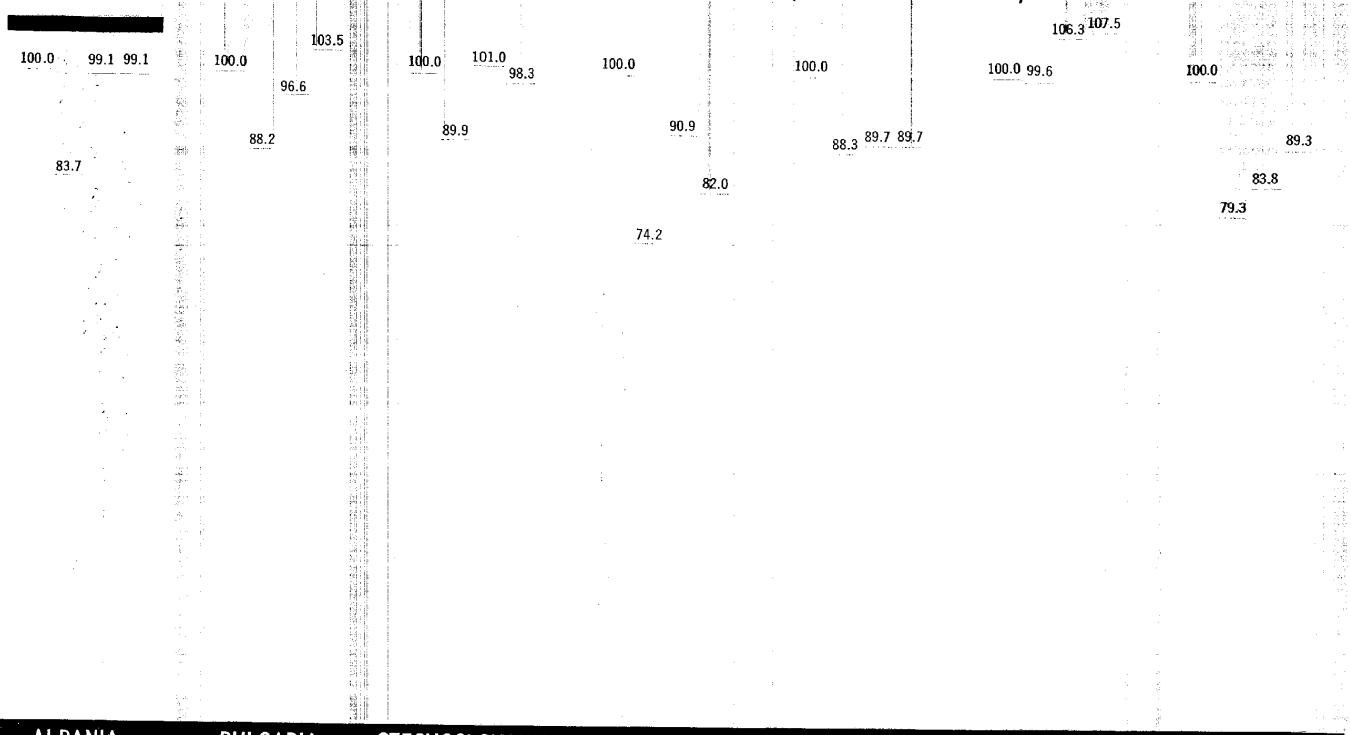

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Table 37

Per Capita Production of Selected Agricultural Products in the European Satellites
Prewar and 1954

Kilograms Per Capita

Country	Total Grains		Potatoes		Meat		Fat		Milk	
	Prewar a/	1954	Prewar a/	1954	Prewar a/	1954	Prewar a/	1954	Prewar a/	1954
Albania	188	197	2	3	9	12	2	2	N.A.	N.A.
Bulgaria	532	485	17	11	23	15	6	3	69	58
Czechoslovakia	384	342	642	394	26	27	10	9	298	276
East Germany	421	238	889	654	38	30	15	10	306	259
Hungary	670	455	239	159	31	21	18	8	190	114
Poland	432	410	1,188	1,124	30	28	12	12	319	333
Rumania	508	334	86	46	19	15	4	2	92	105

a. 1935-39 average.

Table 38

Average Daily Per Capita Caloric Consumption of Food in the European Satellites a/ Prewar and 1952/53, b/ 1953/54, b/ and 1954/55 b/

	Calories Per Capita			
Country	Prewar	1952/53	1953/54	1954/55
Albania	1,758 c/	1,471	1,742	1,741
Bulgaria	2,424 c/	2,177	2,341	2,482
Czechoslovakia	2,501 c/	2,262	2,540	2,423
East Germany	2,810 d/	2,102	2,555	2,304
Hungary	2,632 c/	2,324	2,362	2,360
Poland	2,791 e/	2,745	2,929	2,963
Rumania	2,606 c/	2,080	2,184	2,329

a. The estimates take into account grains, sugar, potatoes, animal fats and vegetable oils, fish, and milk, which normally account for 90 to 95 percent of total caloric consumption.
b. 1 July to 30 June.
c. 1933-37 average.
d. 1935-38 average.
e. 1934-38 average.

Satellites to levels considerably below prewar levels. The low rates of investment in light, as opposed to heavy, industry; the Soviet confiscation of Satellite industrial capital; and the curtailment of raw material imports from non-Bloc countries in the immediate postwar period were contributing factors in the slow recovery record of the consumer goods industries. Beginning in 1950, however, the countries of the Soviet Bloc decided to facilitate a more rapid development of this sector. An intensive program to produce supplies of textile fibers sufficient to satisfy existing textile capacity was undertaken. Increased efforts were made to obtain agricultural raw materials from outside of the Bloc. The "new course" initiated an economic program of broad scope which ostensibly has as its major aim a rapid rise in standards of living. In the past few

years, as a result of these new policy commitments and the progress already made before their implementation, substantial gains have been realized in per capita consumption of textiles, and similar gains are implied by increases in the production of footwear and other manufactured consumer goods (see Tables 39 and 40*). Of all the Satellite peoples, only Rumanians and Bulgarians have levels of consumption for manufactured consumer goods which are below prewar levels. Even so, all of the Satellites have found it necessary to cope with specific shortages. In general, these shortages of specific types of consumer goods have been relieved by the growth in intra-Bloc exchange of this type of product. Nevertheless, the satisfactions derived from the increased availability of manufactured consumer goods have been dissipated somewhat by a deterioration in the quality of these goods compared to prewar standards.

Table 39

Estimated Per Capita Consumption of Textile Fibers in the European Satellites a/
Prewar and 1952-54

	Kilograms Per Capita			
Country	Prewar	1952	1953	1954
Bulgaria	4.5	3.9	4.2	4.4
Czechoslovakia	5.1	7.9	8.1	8.3
East Germany	7.4	7.5	8.5	10.1
Hungary	3.8	4.5	4.3	4.5
Poland	4.4	5.7	5.9	6.2
Rumania	4.1	3.7	3.7	3.8

a. The prewar estimates which include only cotton, wool, and rayon fibers, are from source 162/. All postwar figures include synthetic fibers as well. The 1953 figures are taken from source 163/, except for Rumania, where the figure has been changed to include 0.5 of a kilogram of synthetics. The figures for 1952 and 1954 were derived by taking the 1953 figures and changing them in proportion to changes in production and population.

* Table 40 follows on p. 94.

Table 40

Estimated Per Capita Production of Manufactured Footwear
in the European Satellites
Prewar and 1948-54

Pairs Per Capita

Year	Bulgaria	Czechoslovakia	East Germany	Hungary	Poland	Rumania
Prewar	0.27	3.5	2.4	0.44	0.50	0.33
1948	0.18	5.3	1.0	0.44	0.36	0.19
1949	0.21	5.4	1.3	0.50	0.53	0.36
1950	0.23	5.5	1.8	0.76	0.60	0.46
1951	0.27	5.6	2.0	0.97	0.83	0.53
1952	0.32	5.7	2.4	1.11	0.88	0.58
1953	0.33	5.7	2.5	1.07	1.38	0.70
1954	0.35	5.7	3.0	1.32	1.48	0.81

C. Housing.

The development programs initiated by the Communist regimes in the European Satellites gave a high priority to the growth of heavy industry. Consequently, up to the implemention of the "new course," the attention given to the expansion of housing facilities was inadequate to meet the needs of the expanding populations. Most of the new housing was constructed in the growing industrial towns, but this was still insufficient to provide adequate housing for the tremendous influx of new industrial workers. Overcrowding was the usual condition for the bulk of the populations and, especially in Rumania, Bulgaria, and Poland, conditions were becoming rapidly worse (see Table 41*). The regimes are now making an effort to lessen the extent of overcrowding. In 1954 the construction industries of Czechoslovakia and Hungary provided 4 new dwelling units for each 10 persons added to the population, but Rumania, with 1 new dwelling unit for each 15 persons added, was making little progress. (In East Germany, which is omitted from Table 41, new

* Table 41 follows on p. 95.

Table 41

Ratio of the Increase in Population to the Number of New Urban Dwelling Units a/ in the European Satellites b/ 1949-54

Year	Bulgaria c/	Czechoslovakia	Hungary	Poland	Rumania
1949	32.6	4.7	3.2	10.5	35.5
1950	20.8	4.2	4.0	10.7	15.6
1951	6.5	3.1	4.6	10.1	15.4
1952	5.9	3.3	7.2	10.1	20.6
1953	11.1	3.0	3.5	9.7	22.3
1954	6.9	2.4	2.4	8.1	14.8

a. Population increases used are from figures presented in Table 16, p. 41, above. The original figures in square meters which are used for new dwelling units have been converted to dwelling units on the following basis (from official plans): 35 square meters per dwelling unit in Bulgaria, Czechoslovakia, and Rumania; 30 in Hungary; and 45 in Poland.
b. The ratios for East Germany, although available, are omitted because the computation of the ratios leads to figures which are not easy to interpret, either being negative or having zero as a dividend.
c. The figures for Bulgaria include only state-constructed urban housing; they do not include urban housing construction by individuals or cooperatives.

dwelling units were being built at an average rate of 42,000 per year after 1950, while its population was decreasing or stable.) The table gives only a rough indication, however, of the degree of amelioration of crowded housing conditions. In the first place, an extremely low ratio of population increase to new housing would have to be the rule for some time before the deleterious effects of the high ratios in the recent past could be completely offset. Second, the figures are for

urban dwellings only. Finally, the figures in the table make no allowance for the deterioration of, and hence the need for replacement of, the existing stock of housing or for the replacement of housing destroyed during the war. On balance, it seems reasonable to conclude that housing conditions in the European Satellites grew rapidly worse during the war and in the years following and that remedial efforts recently undertaken have not yet brought a return of prewar standards.

D. Services.

The accurate measurement of the amount of services provided in the Satellite economies is an elusive task. There is, however, little doubt that in the last few years about the same quantity of services is being supplied as before the war. The provision of many types of services, especially those that could be easily adapted to large-scale supervisory techniques, has been assumed by the state apparatus. But whereas in some fields under government control, such as health and education, notable achievements have resulted, marketing channels have continued to provide a service which on the whole is inconvenient and inefficient. Other services, such as laundry and domestic services, which formerly entered into the market nexus are now to a greater extent performed in the home and thus do not lend themselves to national income computations. Almost nothing can be said about the performance of these latter types of services. Nevertheless, there are available partial indicators of the amount of services being supplied in some fields (see Table 42*). These show that per capita availabilities of health and educational services are greater now than during the prewar period, and although no figures are at hand, it is also likely that the accessibility of recreational facilities to the people has increased under the direction of the Communist regimes.

VIII. Foreign Economic Relations.**

The two most important phases of the evolution of the postwar international trade position of the European Satellites have been the rapid

* Table 42 follows on p. 97.

** The discussion of this section is based upon data which are seriously deficient in many respects. In order to maintain continuity of presentation, description of these deficiencies has been relegated to Appendix C. It is suggested that the reader acquaint himself with the inadequacies in the data before reading further.

Table 42

Standards of Health and Education in the European Satellites a/
Prewar and Postwar

	Bulgaria		Czechoslovakia			Hungary			Poland			Rumania		
	1939	1952	1937	1948	1953	1938	1948	1953	1938	1948	1953	1938	1948	1953
Doctors per 10,000 persons	5	10	8	9	13	12	10	12	3.7	3.5	5.4	N.A.	N.A.	9 b/
Hospital beds per 10,000 persons	17	33	35	58	66	54	52	63	22	28	44	13	28	44
Illiteracy in the population above 7 years (percent)	44	Negligible c/	4 d/ e/	Negligible	Negligible	9.6	6 f/	Negligible	23 e/	N.A.	Negligible	43 d/	N.A.	17 g/
University students per 10,000 persons	17	42	19	47	37	13	25	52 b/	14	39	47	14	33 h/	36 b/

a. Adapted from source 164/.
b. 1954.
c. Negligible below 50 years.
d. 1930.
e. Above 10 years.
f. 1949.
g. 1951.
h. 1950.

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intensification of commercial ties between the Satellites and the USSR* and the gradual alteration of the prewar commodity composition of Satellite trade. In most of the Satellites, these two movements began under conditions of increased commercial isolation of the Satellites from their former markets and were prolonged by the mutual severance of relations between the Satellites and their prewar trading associates. It appears, therefore, that the two new movements in the pattern of Satellite trade in the postwar period had their origin in the attempts on the part of the Satellites to fill the economic vacuum created by the loss of access to their prewar markets and on the part of the USSR to gain economic hegemony over its Eastern European neighbors.

Under these circumstances, there naturally has been a substantial increase in the interdependence of the Satellite and Soviet economies. The extent of such interdependence is not a matter for exact measurement, but the following material should provide an intuitive impression of the existing degree of economic interdependence between the USSR and the Satellites and the general direction of its development.

A. Value of Foreign Trade.

The value of the total trade turnover of the European Satellites in 1953 was about US $6.54 billion,** or about 102 percent of the value of the foreign trade of the USSR. In current prices, Satellite foreign trade in 1953 was 2 1/2 times greater than in the prewar period, but in real terms it showed little increase. 165/ Before the war the Satellites

* The value of Satellite trade with non-Bloc countries increased in 1953 and 1954, but the dominance of intra-Bloc trade continued. See pp. 101-103.

** This figure differs from the value of total trade turnover of the Satellites given in Table 43, which follows on p. 99, because of a different method of calculation. For the purposes of the comparison made it was thought that the most valid concept of trade turnover of the Satellites would be one which considered each Satellite individually and yet avoided double-counting when considering them as a group. The figure, US $6.54 billion, equals the sum of the value of the trade turnover of each Satellite (except Albania) with countries outside of the Satellite area plus half the value of total intra-Satellite trade. This latter value was used in lieu of a value for the total of intra-Satellite exports or imports, neither of which was available.

accounted for about 6 percent of world trade; in 1953 their share had fallen to about 5 percent of a world total which, after allowing for price increases, was substantially larger than before the war.

As Table 43 shows, in 1953 most of the Satellites' trade, about 75 percent, was conducted, in about equal proportions, by the three northern European Satellites. The trade of each of these was about twice as large as that of Hungary, which ranked fourth in value of trade. The trade of Hungary, in turn, was almost equal to that of Rumania and Bulgaria combined.

Table 43

Trade Turnover of the European Satellites a/
1953

Billion US $

Country	Billion US Dollars	Percent
Bulgaria	0.39	5
Czechoslovakia	1.87	24
East Germany	2.02	26
Hungary	0.97	12
Poland	1.99	25
Rumania	0.59	8
Total	7.83	100

a. Based on Appendix A, Table 52. Excludes Albania.

Although the total trade of the European Satellites was very small compared with the world total, it nevertheless provided important increments to Satellite well-being. A comparison of the ratios of trade turnover to the GNP's of each of the Satellites is only a crude indication of the importance of foreign trade to their economies; among other things, it glosses over the role of strategic or limiting imports and the

importance of particular markets. Nevertheless, such a comparison, presented in Table 44, is of some value. One feature is readily apparent: the Satellites were much less autarkic than the USSR and even the US. On the other hand, they were much less dependent upon foreign trade than was the UK,and, as a whole, less dependent upon trade than the other European countries shown in the table. It might be said that, in terms of economic self-sufficiency, the Satellites can be grouped in an intermediate position. Within this grouping, East Germany and Poland were most independent of, and Hungary most dependent upon, foreign trade channels.

Table 44

Trade Turnover as a Percent of Gross National Product in the European Satellites and Other Selected Countries a/ 1951

Country	Percent of GNP
Bulgaria	23.0
Czechoslovakia	23.8
East Germany	9.0
Hungary	28.8
Poland	12.1
Rumania	17.4
European Satellites b/	19.0
USSR	3.8
US	7.9
UK	42.7
France, West Germany, and Italy	23.2-24.4

a. GNP figures for the USSR and Soviet trade turnover data are from source 166/. Trade turnover figures for the non-Bloc countries are from source 167/. GNP figures for western European countries are from source 168/. The GNP figure for the US is from source 169/. GNP data for the Satellites are from Section III, above.
b. Excluding Albania.

B. Geographic Distribution of Trade.*

The trade pattern of the European Satellites in the postwar period has exhibited a progressive increase in the concentration of trade within the Sino-Soviet Bloc and, correspondingly, a rapid diminution of the relative importance of trade with countries outside the Bloc. More than 80 percent of the prewar trade of the European Satellites was with countries which do not now form part of the Bloc, and most of the remainder of their trade was with one another. At that time the USSR accounted for less than 3 percent of their total trade, and commerce with Communist China was negligible. By 1953 this prewar geographic pattern had been radically altered. Trade with the West had fallen to about 24 percent of total European Satellite trade turnover, trade among the Satellites constituted about 32 percent, and 44 percent was with the USSR and Communist China -- with Communist China sharing a small but growing proportion of this amount.

This redirection of European Satellite trade was already apparent in 1948, and until recently the trend had continued along the same lines. Since the announcements of the "new course," however, there is evidence of a minor resurgence of trade outside the Sino-Soviet Bloc. 171/ For example, East Germany's total trade turnover with non-Bloc countries increased by about 50 percent in 1954 over 1953. In 1954 the value of Satellite trade with the non-Bloc area was greater than in any year since 1951. Figures for 1954 show that the value of Bloc imports from the US was the largest since 1951, and statistics for the first quarter of 1955 point to at least a doubling of the 1954 value. The value of US imports from the Bloc in 1954 was also the highest since 1951, and the indications are that 1955 will be even higher. 172/ Additional

* The discussion in this subsection refers to Figure 7, following p. 102, and Table 45, which follows on p. 102. A somewhat less conventional graph (similar to those employed in source 170/) of the same material is presented in Appendix B as Figure 20. Like any unfamiliar tool, the graph in Appendix B requires that the user expend some time and effort to master the technique of reading it before it can be employed easily. It is believed, however, that this graph depicts the relationships discussed in this section more clearly and concisely than other forms of presentation and that the time and effort needed in order to become acquainted with its use will not be wasted.

Table 45

Geographic Distribution of the Trade Turnover a/
of the European Satellites
1936-38 and 1948-53

Percent

Country	1936-38	1948	1949	1950	1951	1952	1953
Bulgaria							
USSR and China		36.0	34.7	45.2	58.2	57.7	57.9
Rest of Sino-Soviet Bloc	13.2	42.2	47.3	43.7	33.8	31.1	28.1
Non-Bloc area	86.8	21.8	18.0	11.1	8.0	11.2	14.0
Czechoslovakia							
USSR and China	3.0	15.8	25.1	30.9	34.2	43.1	45.6
Rest of Sino-Soviet Bloc	14.4	14.4	20.4	23.8	26.2	27.9	32.4
Non-Bloc area	82.6	69.8	54.5	45.3	39.6	29.0	22.0
East Germany							
USSR and China	5.3	33.0	38.0	36.0	48.0	48.9	51.0
Rest of Sino-Soviet Bloc	10.9	30.0	20.0	29.0	33.0	26.3	25.8
Non-Bloc area	83.9	37.0	42.0	35.0	19.0	24.8	23.2
Hungary							
USSR and China	0.2	18.0	17.7	23.0	29.0	30.9	37.1
Rest of Sino-Soviet Bloc	19.0	16.1	28.8	38.5	38.3	40.3	39.9
Non-Bloc area	80.8	65.9	53.5	38.5	32.7	28.8	23.0
Poland							
USSR and China	1.6	21.7	22.3	27.3	27.9	35.0	32.7
Rest of Sino-Soviet Bloc	10.7	19.2	21.0	32.0	30.3	32.0	37.3
Non-Bloc area	87.7	59.1	56.7	40.7	41.8	33.0	30.0
Rumania							
USSR and China	0.2	22.7	46.9	59.7	53.5	58.0	54.5
Rest of Sino-Soviet Bloc	25.5	48.2	35.1	23.2	25.3	26.7	29.5
Non-Bloc area	74.3	29.1	18.0	17.1	21.2	15.3	16.0
European Satellites b/							
USSR and China	2.8	21.0	27.7	33.3	37.0	42.7	43.9
Rest of Sino-Soviet	14.1	21.2	24.5	29.8	30.4	30.2	32.5
Non-Bloc area	83.1	57.8	47.8	36.9	32.6	27.1	23.6

a. The percentages are based on data presented in Appendix A, Table 52. The percentages shown for "Rest of Sino-Soviet Bloc" are derived from values which are residuals; that is, which equal the value of total trade minus the sum of the values of trade with the USSR and China and with the non-Bloc area.
b. Excluding Albania.

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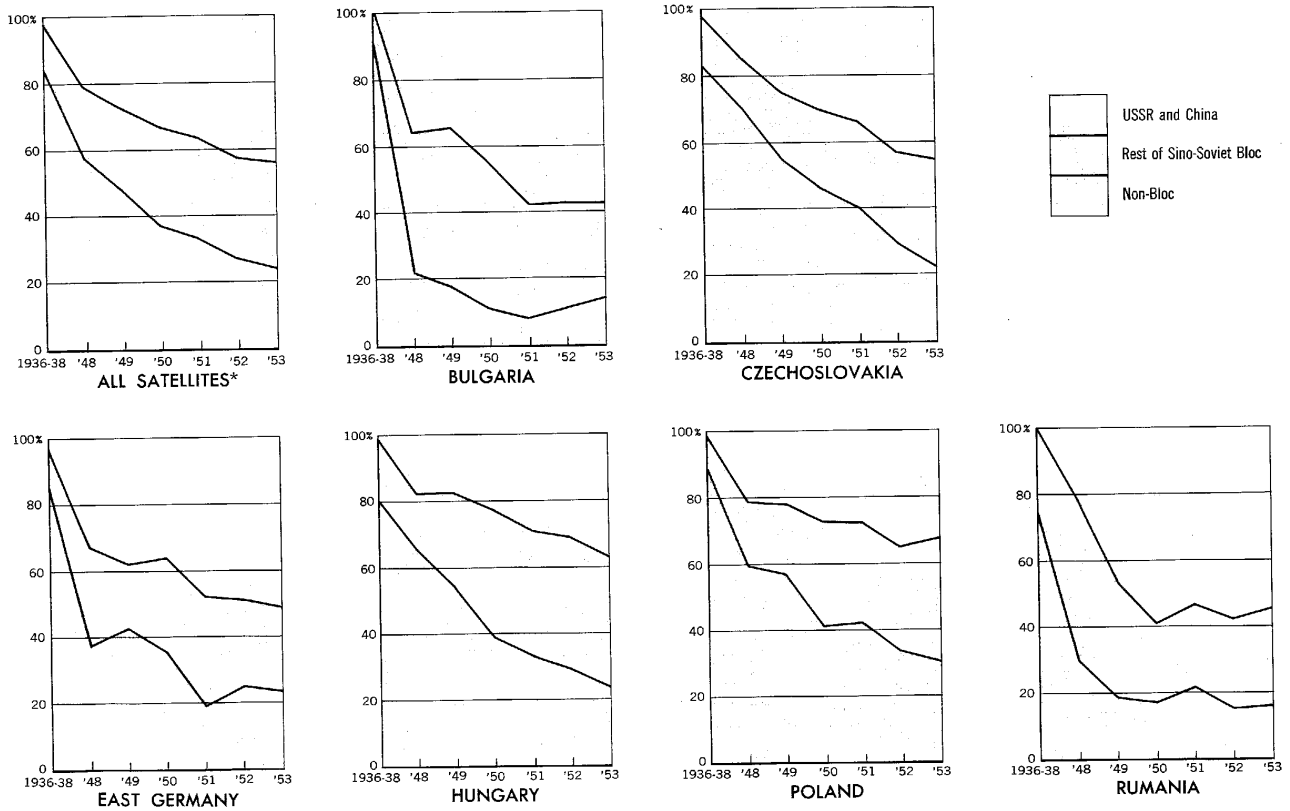
Figure 7

EUROPEAN SATELLITES*

GEOGRAPHIC DISTRIBUTION OF TRADE TURNOVER
1936-38 Average and 1948-53

(In percent)



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*Excludes Albania

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evidence exists in Communist theoretical writings which have espoused a reappraisal of foreign trade policies.

Although the postwar developments of the trade pattern of each Satellite generally displayed a trend toward a greater proportion of trade with the USSR and Communist China and with the other European Satellites, with a resulting decline in the share of trade with countries outside the Bloc, there was little uniformity. The most rapid redirection occurred in Bulgaria, Rumania, and East Germany, where a tremendous change was obvious as early as 1948. The first available postwar data for Bulgaria and Rumania indicated that the initial shifts in their trade patterns were more predominantly in favor of greater trade with the other Satellites and to a much greater extent at the expense of the non-Bloc area than was the case in the more northern Satellites. This was followed by a second reorientation in the Bulgarian and Rumanian trade pattern, which greatly increased the proportion of trade turnover accounted for by the USSR and Communist China at the expense of both intra-Satellite and extra-Bloc commerce. The trade of East Germany and the other Satellites, however, showed an almost continuous movement in the direction of more commerce with both the USSR and Communist China and with the rest of the Satellites.

In the postwar period the USSR and Communist China had a greater proportion of the trade of Bulgaria, Rumania, and East Germany than of the other European Satellites. In 1953, the latest year for which information is complete, commerce with the USSR and Communist China contributed over 50 percent of the trade turnover of Bulgaria, Rumania, and East Germany, while the proportion was about 46 percent for Czechoslovakia and less than 40 percent for Hungary and Poland. As might be expected, the non-Bloc area shared least in the trade of Bulgaria and Rumania (14 percent and 16 percent, respectively, in 1953) and most with Poland (30 percent in 1953). Intra-Satellite trade was greatest in the case of Hungary and Poland (40 percent and 37 percent, respectively, in 1953) and least in the case of East Germany, Bulgaria, and Rumania (all between 26 percent and 30 percent in 1953). Thus the geographical pattern of European Satellite trade as of 1953 was as follows: Bulgaria and Rumania and, to a lesser degree, East Germany were most completely tied by trade bonds to the USSR and Communist China and least tied to the other Satellites and non-Bloc countries. Hungary and Poland had the smallest proportions of trade with the USSR and Communist China and the largest proportions with other Satellites and non-Bloc countries. Czechoslovakia occupied an intermediate position in all respects.

1. Distribution of Trade within the Sino-Soviet Bloc.*

The USSR, in 1953, was far and away the most important intra-Bloc trading partner of each of the European Satellites. The value of trade between the USSR and even the smallest (measured by the value of trade turnover) of its Satellite trading partners, Bulgaria, was barely exceeded by the value of trade between the two most important intra-Satellite traders. During most of the postwar period the USSR's share of the Satellites' commerce has been growing steadily. There have been fluctuations, however. Between 1950 and 1953 the USSR's share of total Rumanian trade vacillated between 53 and 60 percent; between 1951 and 1953 its share of Bulgarian commerce remained constant at about 58 percent; and its share of Polish trade turnover fell in 1953 (see Figure 7**).

Communist China, whose prewar trade with the European Satellites was, with the exception of East Germany, of relatively minor importance, has been gaining an increasing share of the total Satellite trade turnover. In 1953, Communist China was a more important trading partner of Czechoslovakia, East Germany, and Poland than was Hungary, Rumania, or Bulgaria; it had become Czechoslovakia's third (after the USSR and Poland) and East Germany's fourth (after the USSR, Poland, and Czechoslovakia) most valuable intra-Bloc trading associate.

Measured by the value of trade turnover, the most important bilateral relationships among the European Satellites in 1953 were between East Germany and Poland and between Czechoslovakia and Poland. These were followed by the value of the trade of Rumania and Hungary with Czechoslovakia. The relatively low volume of trade between such highly developed countries as Czechoslovakia and East Germany is significant. It highlights an already known fact: neither country has an outstanding raw material to trade, and the economic structures of the two countries are too similar to complement one another very effectively.

A striking development of the period since 1948 has been the rapid increase in the trade volume of East Germany, which now has the largest total trade turnover among the Satellite countries. Next to Communist China, it is the USSR's largest trading partner. In terms of its prewar status in world trade, however, East Germany is still trying to

* The discussion in this subsection refers to Table 46, which follows on p. 105.
** Following p. 102.

Table 46

Geographic Distribution of the Trade Turnover of the European Satellites with the Rest of the Sino-Soviet Bloc a/
1953

	Bulgaria		Czechoslovakia		East Germany		Hungary		Poland		Rumania	
	Percent	Million US $	Percent	Million US $	Percent	Million US $	Percent	Million US $	Percent	Million US $	Percent	Million US $
Sino-Soviet Bloc	100	339	100	1,455	100	1,549	100	745	100	1,396	100	493
USSR	66	224	47	684	59	915	43	319	42	594	65	320
Communist China	1	4	11	166	7	113	5	40	4	59	N.A.	N.A.
Albania	N.A.	N.A.	N.A.	N.A.		4	N.A.	N.A.		6	N.A.	N.A.
Bulgaria			4	59	3	40	N.A.	N.A.	2	27	N.A.	N.A.
Czechoslovakia	17	59			8	119	18	137	16	219	28	138
East Germany	12	40	8	119			10	76	16	228	10	48
Hungary	N.A.	N.A.	9	137	5	76			2	33	N.A.	N.A.
Poland	8	27	15	219	15	228	4	33			8	40
Rumania	N.A.	N.A.	9	138	3	48	N.A.	N.A.	3	40		
Errors and Omissions	-4	-15	-5	-67		6	19	140	14	190	-11	-53

a. Data are from Appendix A, Table 52.

catch up. Even if allowances are made for the usual sharp differences in the relative intensity of intranational and international commerce, it seems likely that this rapid postwar trade expansion has only incompletely compensated East Germany for the violent drop in interzonal exchange of goods. 173/

Czechoslovakia's intra-Satellite trade was most nearly equally distributed. In terms of the percentage of trade turnover of each of the other Satellites it ranked as the premier trading partner of every country except East Germany. Poland's intra-Satellite trade was highly concentrated with East Germany and Czechoslovakia, as was the intra-Satellite trade of Bulgaria. Rumania heavily emphasized its trade with Czechoslovakia, whereas in Hungary the role given to trade with Czechoslovakia was important but less dominating. Therefore, on the basis of volume only, the maintenance of open trade channels with Czechoslovakia is an important aspect of Satellite trade policy, although it is overshadowed completely by Soviet-Satellite trade relationships.

2. Distribution of Trade with Non-Bloc Countries.*

Table 47 shows the geographical pattern of European Satellite trade in 1953 with countries outside the Sino-Soviet Bloc. As in the past, Western Europe continued to absorb the greatest share of Satellite trade with non-Bloc areas. In 1953, Western Europe's trade with the Satellites constituted about 81 percent of their total non-Bloc trade. Western Europe's share of the imports of the European Satellites as a whole has risen significantly since 1948, while its share of the Satellites' exports has fallen moderately. Within this general movement, however, Western Europe's share of Czechoslovak imports has fallen by more than 16 percent; its share of Polish imports has increased by about 14 percent; its share of Rumanian imports has more than doubled; and its shares of the imports of the other Satellites have remained about constant. On the export side, the most significant decreases in Western Europe's shares were observed in its trade with Hungary and East Germany. Nevertheless, in the postwar period the European Satellites as a whole maintained a favorable balance of trade in regard to Western Europe owing mainly to the excess of exports over imports in Czechoslovak, Rumanian, and Polish commerce.

The next most important Satellite trading area was the Near East and Africa, with which the Satellites have been able to maintain a

* The discussion in this subsection refers to Tables 47, 48, and 49, which follow on pp. 107, 108, and 109, respectively.

rather large favorable balance of trade. Seven percent of total Satellite trade was transacted with this area in 1953. As a source of imports, the Near East-African area was especially valuable to Hungary, Czechoslovakia, and Bulgaria. As a field for exports, the area was most important, in percentage terms, to Rumania, followed closely by Hungary, Czechoslovakia, and Bulgaria. In 1953 the Far East and the Latin American countries each participated to the extent of 3.6 percent of the Satellites' non-Bloc trade turnover. Satellite trade with Latin America was favorably balanced, while trade with the Far East showed an unfavorable balance. Figures for 1954 show that a change was occurring: an unfavorable trade balance had developed in regard to Latin America, and Satellite trade with the Far East was almost balanced. Oceania's share of Satellite non-Bloc imports in 1953 was 5.6 percent, significantly larger than in 1948. Nevertheless, its 1953 share of Satellite non-Bloc exports, less than 1 percent, was less than 1948. This change in the structure of trade gave rise to a large import surplus in the balance of trade with Oceania.

Table 47

Geographic Distribution of the Total Trade Turnover of the European Satellites with Non-Bloc Countries a/ 1953

Country	Value (Thousand US $)	Percent
United States and Canada	31.7	2.1
Western Europe	1,203.2	80.7
Near East and Africa	103.8	7.0
Far East	54.0	3.6
Oceania	44.7	3.0
Latin America	53.2	3.6
Total	1,490.6	100.0

a. Data are from Appendix A, Table 53.

Table 48

Geographic Distribution of the Trade of the European Satellites with Non-Bloc Countries a/
1948, 1952, and 1953

Area	1948		1952		1953	
	Value (Thousand US $)	Percent	Value (Thousand US $)	Percent	Value (Thousand US $)	Percent
	Imports					
US and Canada	124.5	13.4	1.7	0.2	2.2	0.3
Western Europe	649.6	70.1	527.2	78.4	553.7	80.4
Near East and Africa	36.3	3.9	49.0	7.3	39.3	5.7
Far East	35.1	3.8	55.5	8.3	30.4	4.4
Oceania	8.6	0.9	18.3	2.7	38.7	5.6
Latin America	73.2	7.9	20.5	3.1	25.0	3.6
Total	927.3	100.0	672.2	100.0	689.3	100.0
	Exports					
US and Canada	34.6	3.6	27.7	3.6	29.5	3.7
Western Europe	823.2	84.4	627.1	80.4	649.5	81.2
Near East and Africa	52.1	5.3	63.4	8.1	64.5	8.0
Far East	19.3	2.0	20.9	2.7	23.6	2.9
Oceania	16.2	1.7	11.5	1.5	6.0	.7
Latin America	29.1	3.0	28.5	3.7	28.2	3.5
Total	974.5	100.0	779.1	100.0	801.3	100.0

a. Data are from Appendix A, Table 53.

Table 49

Geographic Distribution of the Trade of the Individual European Satellites with Non-Bloc Countries a/
1948 and 1952-54

Percent

	Imports				Exports			
	1948	1952	1953	1954	1948	1952	1953	1954
Bulgaria								
US and Canada	13.4	b/	b/	b/	12.8	1.6	1.2	1.1
Western Europe	85.2	87.4	88.9	94.7	74.4	89.0	85.9	92.3
Near East and Africa	b/	11.0	7.4	4.4	11.8	9.3	12.4	6.5
Far East	1.2	b/	3.5	b/	N.A.	b/	b/	b/
Oceania	b/	b/	b/	b/	1.0	b/	b/	b/
Latin America	b/	b/	b/	b/	b/	b/	b/	b/
Czechoslovakia								
US and Canada	8.9	b/	b/	b/	6.4	2.2	2.4	2.1
Western Europe	74.0	65.1	61.8	63.3	74.0	66.3	70.8	59.9
Near East and Africa	5.5	14.4	9.9	11.7	7.8	16.6	14.0	15.6
Far East	4.3	10.9	11.9	6.9	3.6	5.6	5.2	6.5
Oceania	0.8	2.6	8.6	3.2	3.5	3.6	1.9	2.4
Latin America	6.5	6.7	7.7	14.2	4.7	5.9	7.2	13.5
East Germany								
US and Canada	N.A.	b/	b/	b/	N.A.	6.3	4.4	1.9
Western Europe	100	98.7	96.9	97.7	100	90.3	90.9	92.6
Near East and Africa	N.A.	b/	1.9	b/	N.A.	1.1	b/	1.9
Far East	N.A.	b/	b/	1.0	N.A.	1.5	3.6	2.7
Oceania	N.A.	b/	b/	b/	N.A.	b/	b/	b/
Latin America	N.A.	N.A.	N.A.	b/	N.A.	N.A.	N.A.	N.A.
Hungary								
US and Canada	9.9	b/	b/	2.0	1.9	3.9	2.9	1.7
Western Europe	82.5	82.2	83.2	79.0	89.8	74.8	70.3	71.6
Near East and Africa	5.2	10.1	11.5	6.4	7.0	8.4	14.4	11.6
Far East	1.5	2.2	1.1	2.4	0.5	3.9	5.8	4.1
Oceania	b/	b/	1.2	b/	b/	1.4	b/	b/
Latin America	0.9	5.3	2.9	10.0	b/	7.6	5.8	10.2
Poland								
US and Canada	19.7	b/	b/	b/	b/	3.8	5.6	8.4
Western Europe	63.9	73.5	72.8	67.7	96.2	91.3	90.6	75.9
Near East and Africa	2.3	5.1	4.5	4.9	1.0	2.9	3.9	5.1
Far East	4.3	13.8	5.7	5.2	0.9	1.0	1.1	b/
Oceania	1.5	5.8	11.9	9.0	b/	b/	b/	b/
Latin America	8.3	1.6	4.8	12.4	1.4	2.2	2.6	9.6
Rumania								
US and Canada	17.3	b/	b/	b/	1.1	b/	b/	b/
Western Europe	43.6	91.5	92.4	73.4	79.4	79.3	76.3	80.6
Near East and Africa	2.1	3.4	2.9	12.7	11.4	17.3	19.2	10.7
Far East	2.5	3.3	b/	b/	b/	b/	b/	b/
Oceania	b/	b/	b/	N.A.	b/	b/	b/	b/
Latin America	34.4	1.6	3.4	13.1	7.7	4.4	4.2	7.6

a. Based on data in Appendix A, Table 53.
b. Less than 1 percent.

For the Satellites as a whole, the least significant non-Bloc trading area was the US and Canada. These two countries in 1953 contributed only 0.3 percent of Satellite non-Bloc imports and purchased 3.7 percent of Satellite non-Bloc exports. This is in sharp contrast to 1948 when the share of non-Bloc imports of the Satellites from the US and Canada was in excess of 13 percent, and the purchases of US and Canada were 3.5 percent of non-Bloc exports of the Satellites. This drastic drop in import shares is a measure of the effectiveness of the US embargo on trade in strategic goods with the Satellites. However, Satellite trade with the US was greater in 1954 than it had been in other recent years.

The increased European Satellite activity in concluding trade agreements with non-Bloc areas, evident in 1953 and 1954, is, perhaps, indicative of future trends. Before 1953, most of these agreements were concluded with Western European countries; in 1953 and 1954, however, the Satellites greatly increased the number of commercial agreements with the countries of the Near East, Asia, and Latin America. Hence, it appears that the Satellites have undertaken to amplify their trade with the more underdeveloped areas outside the Sino-Soviet Bloc. A further development, which may be of some economic significance to the Satellites depending on the nature of the particular trade agreements, has been the renewal of Satellite-Yugoslav commercial relations.

C. Commodity Composition of Trade.

As with the geographical pattern of trade, the commodity composition of Satellite trade has been extensively transformed in the postwar period. This transformation has taken on the following characteristics: (1) The importance of trade in machinery and equipment has expanded along with the increased development of heavy industry and the growth of both the demand for and the ability to supply these goods. (2) While there has been a continuing demand for semifinished materials and raw materials for consumer goods production (especially for textile fibers), semifinished manufactures and raw materials to satisfy industrial needs (particularly metals and minerals) have been increasingly required. (3) Fuel resources have been consumed in growing quantities leading to new international flows of coal and petroleum. (4) The Satellites, as a group, are now net importers of grain and perhaps of foodstuffs in general.

In the case of Czechoslovakia and East Germany, the above changes were only extreme accentuations of the previously existing product-mix in

foreign trade. Bulgaria and Rumania displayed a contrasting commodity configuration in the prewar period, exporting chiefly foodstuffs and raw materials and importing mainly manufactures. In Bulgaria the prewar pattern has been essentially maintained, although with two important exceptions: the share in exports of tobacco, fruits, and vegetables has increased, whereas machinery and equipment have overwhelmingly replaced consumer goods in Bulgarian imports. In Rumania, also, imports of investment goods have largely superseded imports of consumer goods; exports of industrial products have now assumed some importance, while the large prewar exports of grain have now become of only occasional and marginal significance. Poland and Hungary have had the most sweeping changes in the commodity composition of their trade. Poland now imports rather than exports grain and Hungary is only a sporadic grain exporter. In both countries, the products of heavy industry enter much more heavily than before the war into both imports and exports.

1. Commodity Pattern of Intra-Bloc Trade.

In the postwar period the commodity pattern of the trade of the European Satellites developed into one which was largely geared to feed their rapidly growing industrial sector with raw materials and to provide markets for the output of their enlarged industrial capacity. Raw materials, industrial machinery, heavy equipment, fuels, transportation equipment, and agricultural products constituted the bulk of intra-Bloc trade. Among the Satellites, the three northern countries were major suppliers of industrial and heavy equipment, in addition to providing fuels and raw materials. The other Satellites were major sources of agricultural products and crude materials. The USSR provided a market for the machinery, transportation equipment, and raw material surpluses of the more industrialized Satellites. The less industrialized Satellites supplied the USSR with foodstuffs, raw materials, and some transportation equipment.

On the import side, the Satellites absorbed mainly foodstuffs, industrial equipment, agricultural equipment, and industrial raw materials from the USSR. Communist China provided the Satellites with foodstuffs and metallic ores, in compensation for which it received industrial machinery, heavy equipment, raw materials, fuels, and some consumer goods.

a. Trade in Machinery and Equipment.

Trade in machinery and equipment amounted to about one-third of the total exports of goods moving within the Sino-Soviet Bloc, as compared with a share of about one-seventh in the exports of the non-Bloc area. The major exporter of capital goods within the Bloc was East Germany. Over one-half of its exports of machinery and equipment went to the USSR, by far the largest Bloc importer of this line of goods. Czechoslovakia and Hungary also exported substantial quantities of their production of capital goods to other Bloc countries, especially to the USSR. Poland and Rumania exported some capital equipment, but, on balance, they were substantial net importers of these products, with Poland being the second largest buyer within the Bloc.

Electrotechnical equipment formed an important commodity group in intra-Bloc trade. East Germany, the major exporter of these products, sent electrical, electronic, and communications equipment to all other countries of the Bloc. Hungary and Czechoslovakia exported appreciable quantities of this group of products but also imported supplementary items from East Germany and from each other. Poland supplied some electrical equipment to the USSR and Communist China.

All the European Satellites, with the exception of Bulgaria and Albania, produced some form of wheeled vehicle that was exported to another Soviet Bloc country, especially Communist China. East Germany and Czechoslovakia both exported passenger cars, trucks, and tractors. Poland and Rumania produced various types of tractors for export but satisfied nearly all of their requirements for other types of vehicles by imports originating within the Bloc. Hungary's exports included considerable numbers of buses and one type of tractor; these were imported mainly by East Germany, Czechoslovakia, and Communist China.

Nearly all types of railroad equipment were exported by Hungary, Poland, Czechoslovakia, and East Germany. In each case, the USSR was the major recipient of the rolling stock, but there was also considerable trade among the Satellite producers. Bulgaria and Albania fulfilled almost all of their needs for railroad equipment by imports from other Bloc countries.

East Germany and Poland were suppliers of the larger types of seagoing shipping. Seventy-six percent of Soviet imports of ships originated from yards in these two countries. The other Satellites

provided the USSR with vessels of other types, mainly for fishing and use on inland waterways. Hungary, for instance, has contracted to build 11 large river and oceangoing barges for the USSR.

Other types of capital equipment exported in significant quantities by the Satellites were machine tools by East Germany and Czechoslovakia; mining machinery by Poland; and oil drilling equipment and pipes and tubes by Rumania. Czechoslovakia was the sole Satellite exporter of aircraft; something like 22 percent of its domestic output has been shipped to other Bloc countries.

b. Trade in Crude Materials and Semifinished Goods.

Until recently the USSR has been the major source of iron ore for the European Satellites, supplying more than one-half of the total requirements of their steel industries. Bulgaria was the only Satellite country exporting iron ore in any appreciable amounts. Its exports found markets mainly in Hungary, Czechoslovakia, and East Germany, which were also major importers of iron ore from all sources.

The Satellites, collectively, were net importers of steel material. Most of this came from the USSR in the form of scrap, pig iron, and crude and semifinished steel but did not represent a drain on the Soviet economy, because the materials usually were reimported into the USSR in a more finished state of production. Czechoslovakia delivered considerable quantities of semifinished steel products. Poland and Hungary were also net exporters, but the potential Satellite surplus provided by these three countries was overbalanced by the large deficit of East Germany and the smaller ones of Bulgaria and Rumania. The status of pig iron in Satellite trade was similar to that of steel -- though not significant exporters, Czechoslovakia and Poland were at least self-sufficient, and the other Satellites all imported large quantities.

Although the USSR was the chief supplier of most other types of industrial raw materials, some of the Satellites had important exportable surpluses. Bulgaria, Hungary, and Rumania were major Satellite sources of manganese ore; Poland, Czechoslovakia, and East Germany were major importers. Hungary and Rumania were the sole exporters of bauxite; East Germany was the major Satellite importer. Albania, Bulgaria, and Rumania were suppliers of pyrites ores; the other Satellites consumed the bulk of the exports of this commodity. Raw concentrates of

zinc and lead moved from Bulgaria to Poland, Czechoslovakia, and the USSR; refined zinc and zinc products moved from Poland, Rumania, and the USSR to the other Satellites. Hungary was the major Satellite source of finished aluminum; the USSR and East Germany were the main recipients of this product. Also, Albania, Bulgaria, and Rumania were totally dependent upon foreign supplies of aluminum, whereas Czechoslovakia and Poland were able to meet their own requirements internally. In addition, Albania exported chrome ore; Bulgaria was an important Satellite source of hides and leather; and Rumania was a major supplier of timber. With the exception of materials useful to the ceramics industry, the raw material exports of Czechoslovakia were of minor importance.

All the Satellites produced and exchanged chemical compounds. East Germany was the predominant chemical supplier for Czechoslovakia, Hungary, Poland, and the USSR. East Germany and the USSR were important markets for the Polish chemical industry. Czechoslovakia had a large exportable surplus of sulfuric acid and coal tar derivatives, which was absorbed by all the other Satellites, except Poland, and by the USSR.

The Satellite needs for textile fibers were satisfied mainly within the Soviet Bloc. The USSR provided approximately three-quarters of the Satellite consumption of raw cotton, but there was still a shortage of the long-staple variety. The bulk of the wool requirements was supplied by Bloc countries or neighboring countries such as Afghanistan, but imports from Commonwealth countries were important as a source of high-grade apparel wool.

c. Trade in Fuels.

Poland was the major exporter of coal and metallurgical coke. Almost all of these exports, which represented about 30 percent of Polish production, went to other Sino-Soviet Bloc countries. The USSR took about 9 million tons, but East Germany was also an importer of substantial amounts, as was Czechoslovakia, although the latter was also the second most important Satellite exporter of these products. Polish and Czechoslovak shipments satisfied nearly all of Hungary's coal and coke requirements. The USSR exported increasing quantities of coke to the Satellites, but at the same time it was a net importer of hard coal. East Germany was the leading exporter of brown coal briquettes.

The major Satellite source of petroleum and petroleum products was Rumania, which exported most of its domestic production. In 1954, Rumania shipped approximately 5 million metric tons to other Sino-Soviet Bloc countries -- 87 percent went to the USSR, 11 percent to other Satellites, and the rest to Communist China. About 750,000 metric tons of Hungarian and East German petroleum products entered into intra-Bloc trade. Albania, too, exported sizable quantities of petroleum to the Bloc. The Satellites also absorbed petroleum products from the USSR, which was the major supplier of aviation fuels and general lubricants.

d. Trade in Foodstuffs and Consumer Goods.

Certain changes which have occurred in trade in foodstuffs within the Sino-Soviet Bloc have been, at least partly, a resultant of the program of rapid industrialization undertaken by the Satellite regimes. In the prewar period, the Satellites produced a surplus of grains. In recent years the USSR has had to supply the Satellites with between 2 million and 3 million tons of grain annually, making it the main grain exporter within the Bloc. Of the traditional prewar Satellite grain exporters -- Bulgaria, Rumania, Hungary, and Poland -- only Bulgaria still has a reliable, though small, export surplus. In the last few years, Poland has become a heavy buyer of grain; Hungary and Rumania have been only erratic exporters of grain to other Bloc countries.* East Germany and Czechoslovakia, importing about one-third of their grain requirements from other members of the Bloc, have become more dependent upon foreign-grown food than before the war. In Czechoslovakia, for example, food accounted for about 13 percent of total imports in 1937 whereas in 1953 it accounted for almost 30 percent.

Intra-Bloc trade in other foodstuffs and consumer goods also has grown in importance. Most of these commodities were shipped to the USSR, which in 1953 had planned to import about 2.7 billion rubles

* In the immediate prewar period, Hungary and Rumania were able to maintain a net export of grain even though harvests were bad. In the postwar period, until the implementation of the "new course," a surplus of grain exports was continued, often at the expense of internal supplies. Since the "new course," however, the countries have been net importers of grain in years when harvests were poor.

worth of foodstuffs and consumer goods from the countries of the Bloc. Thus substantial amounts of sugar from the Satellites, chiefly from Poland, East Germany, and Czechoslovakia, went to the USSR and the other Bloc members. Bulgaria exported significant quantities of tobacco and also fruits and vegetables. Both Poland and Hungary supplied the Bloc with meat and poultry products.

Among manufactured consumer goods, Czechoslovakia, Hungary, and Poland were sources of textiles, shoes, glassware, pottery, and furniture. Bulgaria exported certain lines of textiles and cigarettes. Rumania's main exportable consumer good was textile products. In East Germany, consumer goods accounted for a relatively small share of exports, but efforts were being made to develop an export line in ceramics, toys, and textiles.

2. Commodity Pattern of Trade with Non-Bloc Countries.

The product mix of the 1953 trade of the European Satellites with countries outside of the Sino-Soviet Bloc is apparent from an examination of Figures 8 and 9.* Crude materials and manufactured goods made up most of the Satellite imports from the non-Bloc area. Machinery and transportation equipment and foodstuffs were also important categories of goods moving into the Satellites from outside the Bloc. Among the Satellites, Czechoslovakia, Hungary, and Poland were large importers of crude materials, especially rubber, cotton, wool, and iron ore from Malaya, Indonesia, Turkey, Egypt, Australia, Belgium, Sweden, and India. East Germany was highly reliant upon non-Bloc food supplies, particularly upon the Scandinavian countries for dairy and fish products. Manufactures from Western Europe weighted heavily in the imports of Rumania and Bulgaria.

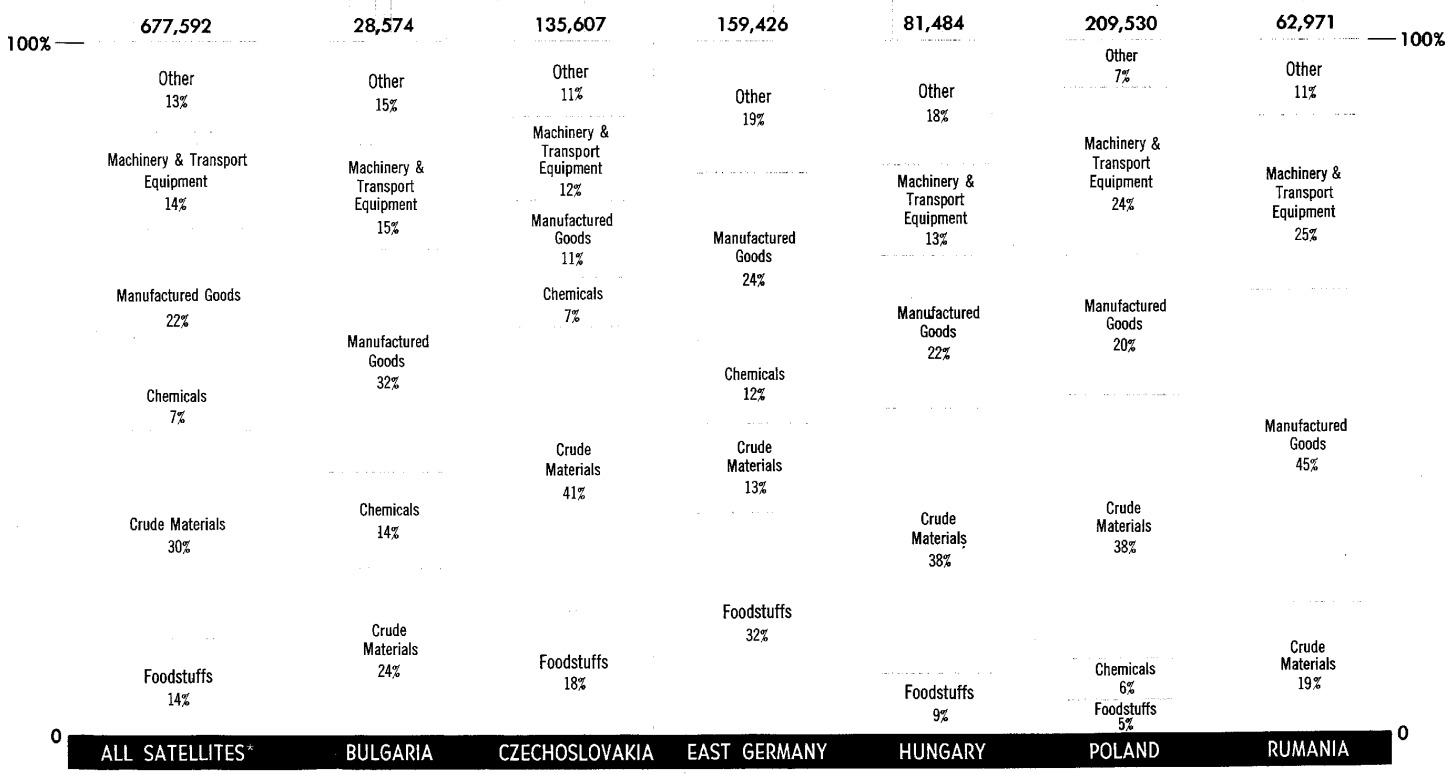
In order to pay for their imports from outside the Bloc, the Satellites supplied chiefly foodstuffs and a group of products composed of minerals, fuels, lubricants, and the like. Crude materials, manufactures, and machinery and transportation equipment also were exported to the non-Bloc area. Bulgaria's exports were largely composed of foodstuffs going to Western Europe and Egypt. Foodstuffs and fuels were important groups of exports from Poland and Rumania. The share of Polish exports contributed by the coal industry declined, however, in 1953, while the proportion

* Following p. 116. See also Appendix A, Tables 54 and 55.

Figure 8

COMMODITY COMPOSITION OF IMPORTS FROM THE WEST, 1953

(In thousands of current U. S. dollars)

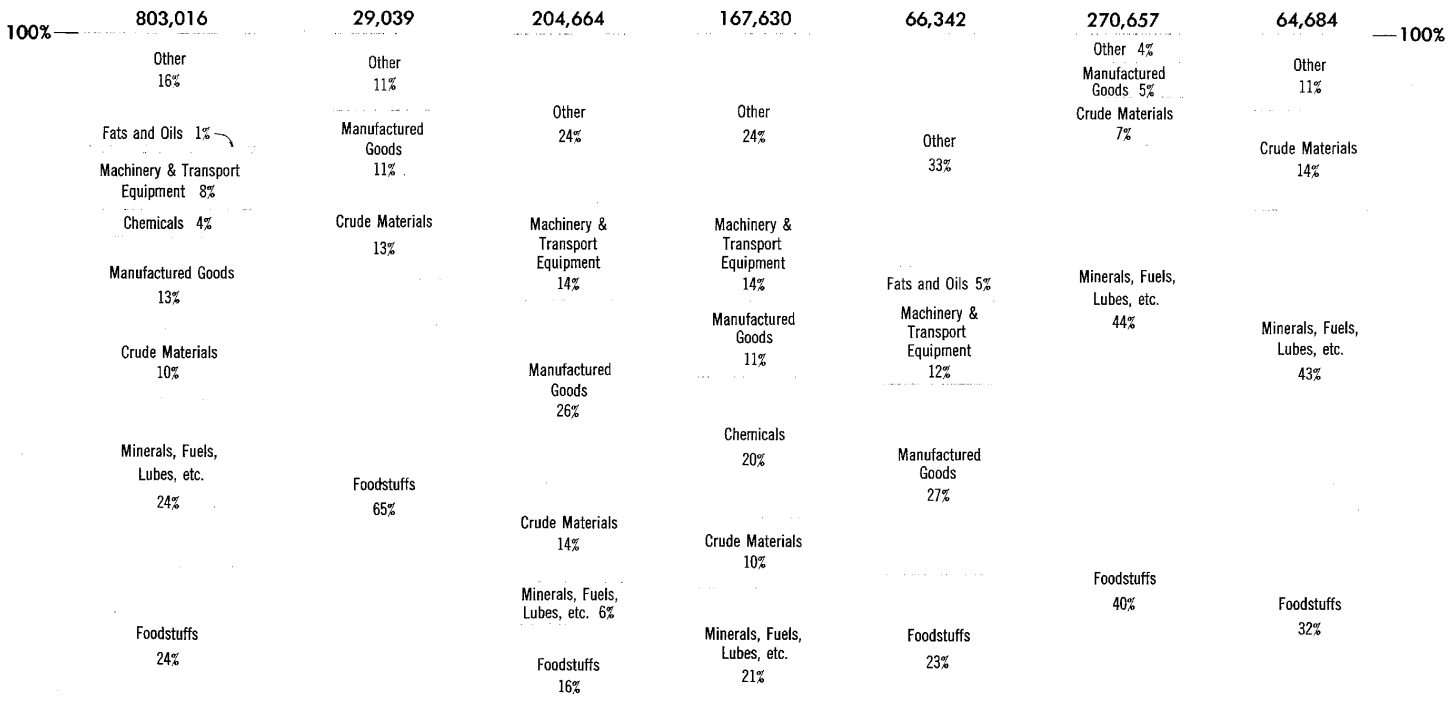


*Excludes Albania

Figure 9

COMMODITY COMPOSITION OF EXPORTS TO THE WEST, 1953

(In thousands of current U. S. dollars)



Excludes Albania

attributed to foodstuffs increased. The petroleum industry's share of Rumanian exports increased significantly over 1952 levels. Manufactured goods bulked large in the export structure of Czechoslovakia and Hungary. Of all the Satellites, only East Germany exported no foodstuffs to non-Bloc countries. Its chemical industry, on the other hand, was a major source of Satellite sales of chemicals outside of the Sino-Soviet Bloc.

D. Economic Interdependence and Plan Coordination.

Since the introduction of the "new course" in 1953, there have been several developments affecting the related matters of the economic interdependence of the Sino-Soviet Bloc countries, Soviet control of European Satellite economic development, and intra-Bloc coordination of economic plans. Some of these changes have tended to reduce the degree of direct Soviet control of the Satellite economies and, in a sense, the degree of interdependence among the Bloc economies. Other changes have had the effect of increasing the degree of coordination of production, investment, and foreign trade plans. So far, however, this coordination appears to be largely bilateral and, in the case of production and investment plans, selective and sporadic. Much uncertainty remains concerning the degree of control exercised over the formulation of detailed Satellite economic plans by the USSR or the Soviet-dominated Council for Economic Mutual Assistance (CEMA). It seems clear, in any case, that Soviet control over broad economic policies in the Satellites and thus over major aspects of Satellite economic development is secure and effective.

1. Interdependence of the Economies.

Although it is premature to speak of the USSR and the European Satellites as constituting an economic unit, there has been a considerable growth since the war in the degree of interdependence of the Soviet and Satellite economies. Several familiar developments affecting the Satellite economies have contributed to this increased interdependence: (a) the postwar assumption of political power by Communist regimes subservient to the USSR and the resulting reorientation of economic relations toward other Bloc countries; (b) the adaptation of investment and production in some of the Satellites to meet Soviet demands for specific types of goods as reparations payments; (c) complete or partial ownership by the USSR of key enterprises in East Germany, Hungary, Rumania, and Bulgaria; and (d) the growing dependence of the Satellites on the USSR and on one another for raw materials, certain types of capital equipment, and technical assistance as they undertook programs of rapid industrial expansion.

The combined effect of these developments was a redirection of each Satellite's trade toward the USSR, toward other European Satellites, and, to a smaller extent, toward Communist China. Whereas non-Bloc countries accounted for roughly 75 to 90 percent of the trade turnover of individual Satellites before the war, the proportions ranged from about 15 to 30 percent in 1953. A large part of this shift had been accomplished by 1948 in Rumania, Bulgaria, and East Germany. In all three of these countries, the percentage of total trade turnover with the West had levelled off or had begun to increase slightly 2 or 3 years before the announcement of the "new course." In Czechoslovakia, Hungary, and Poland, on the other hand, the reorientation of trade toward the Bloc took place more gradually but continued almost without interruption until 1954.

The rapid growth in trade between the Bloc countries has, of course, been paralleled by an extension of institutional arrangements to promote such commerce and to gear the exchanges of goods into the various national economic plans. Among these arrangements may be mentioned the councils for economic and technical collaboration, some inter-Satellite enterprises, commissions attempting to standardize industrial specifications, and the Council for Economic Mutual Assistance. Soviet advisory groups, economic missions attached to the Soviet embassies in the Satellites, and the Soviet corporations (in East Germany) and the joint Soviet-Satellite enterprises (in Hungary, Rumania, and Bulgaria) also furthered the growth of trade in the more special sense of insuring high priorities for Soviet reparations deliveries, transfer of Soviet profits in kind, and other exports to the USSR.

A major feature of the "new course" policy was the intention of the USSR and the Satellites to expand foreign trade considerably, including some increase in trade with non-Bloc countries. As already indicated, East-West trade has increased significantly since mid-1953, probably more than total Satellite trade. The extent of the increase in East-West trade in 1954 probably could not be expected to be repeated year after year, even if the Satellites and the USSR continue policies favorable to such exchanges. Moreover, slight changes in the presently small proportions of total Satellite trade with non-Bloc countries have limited significance from the viewpoint of Bloc interdependence and cooperation because of the political relationships and international economic institutions which have been established within the Bloc.

2. Soviet Control of the Satellite Economies.

Since the beginning of the "new course," the USSR has relinquished its interests in certain enterprises in the Satellites and has reduced the number of Soviet economic and technical advisers in the Satellites. These moves, added to the previous cessation of Satellite reparations payments, have somewhat reduced Soviet opportunities for direct, detailed control of specific enterprises or industries in the Satellites. At the end of World War II, Soviet negotiators insisted that reparations payments by former enemy states be made in goods rather than in currency. As a result, the USSR was able to command a considerable voice in the determination of the pattern of investment, production, and exports of East Germany, Hungary, Rumania, and Bulgaria. With the discontinuance of reparations payments, this means of direct Soviet control was eliminated. Because of the high priority which exports to the USSR have in the Satellites, and because of Satellite dependence on imports from the USSR, however, some of the same results can be obtained in all of the Satellites through the regular Soviet-Satellite trade agreements.

The extent of overt Soviet economic control has also been reduced by the USSR's relinquishment of its interests in most of the joint companies in Rumania, Hungary, and Bulgaria and by the return of all of the Soviet corporations in East Germany with the exception of the uranium mining enterprise. In general, however, the close Party and government ties, Soviet dominance in Satellite trade, and the remaining economic institutions are sufficient to permit a large degree of direct and indirect control of over-all Satellite economic development by the USSR. The degree of this control does not appear to have changed significantly during the past 2 years.

3. Coordination of Economic Plans.

The nature and extent of plan coordination among the Satellites and the USSR are of special interest at present because of the above-mentioned instances of reduced direct Soviet control and, more importantly, because of the approach of the next series of long-term economic plans, which will cover the same time period (1956-60) in the USSR and all of the European Satellites except Bulgaria. Information on the subject of plan coordination, and particularly on the role of CEMA in such activities, is rather meager in amount and, in many instances,

is difficult to evaluate and interpret. Consequently, opinions concerning the extent and significance of plan coordination and the nature of CEMA's participation in such activities vary considerably.

The consensus of opinion in the intelligence community concerning this matter is expressed in a recent publication by the Economic Intelligence Committee. 174/ This report states that CEMA's "activities have been conducted with great secrecy" and that information about the organization is "extremely sparse," but that the broad purpose of CEMA "seems to be the coordination of the economies of the member countries within a general economic plan, and a harmonious specialization of the Satellite economies within limits set by Soviet policies." More specifically, it appears probable that CEMA has assisted in arrangements for a few inter-Satellite development projects, performed some coordinating functions with respect to Bloc trade plans, and exercised some functions in the field of long-term planning and material allocation. While it may supplement other Soviet control mechanisms in conveying Soviet decisions on economic policy to the planning commissions in the Satellites and observing their implementation, there is little information indicating coordination by CEMA of over-all national production and investment plans. There apparently are some instances, however, of coordination of investment and production plans for a particular commodity or industry between one or more pairs of Satellites. In almost all reports of CEMA activities, its part in the proceedings is very uncertain. Interpretation is also hampered seriously by the lack of information regarding CEMA's relations with Soviet governmental agencies.

APPENDIX A

STATISTICAL TABLES

Table 50

Indexes of Gross National Product and Production in Selected Economic Sectors for the European Satellites a/ 1938 and 1948-54

1953 = 100

Country	1938	1948	1949	1950	1951	1952	1953	1954
	Gross National Product							
European Satellites	95	69	74	83	88	93	100	105
Bulgaria	83	87	85	90	94	97	100	105
Czechoslovakia	82	76	81	85	86	93	100	103
East Germany	108	60	64	76	85	94	100	106
Hungary	84	67	75	82	91	96	100	101
Poland	91	69	76	85	88	90	100	108
Rumania	106	88	89	93	102	93	100	103
	Industry Sector							
European Satellites	73	48	56	68	78	88	100	108
Bulgaria	51	52	57	69	79	92	100	109
Czechoslovakia	56	65	72	74	78	87	100	104
East Germany	101	37	44	64	78	91	100	110
Hungary	55	48	58	69	82	93	100	103
Poland	56	49	59	68	76	83	100	111
Rumania	60	50	60	71	81	90	100	107
	Transportation and Communications Sector							
European Satellites	66	57	66	73	81	90	100	106
Bulgaria	41	60	70	76	83	90	100	105
Czechoslovakia	45	62	70	77	78	93	100	105
East Germany	94	54	67	69	80	88	100	106
Hungary	82	61	67	75	84	92	100	100
Poland	58	55	64	74	83	89	100	108
Rumania	56	56	63	72	83	89	100	100

a. Agricultural sector indexes appear in Section V.

Table 51

Output of Selected Products in the European Satellites and the USSR
1954

	Units	Albania a/*	Bulgaria	Czecho-slovakia	East Germany	Hungary	Poland	Rumania	Total European Satellites	USSR	European Satellites as Percent of USSR
Energy products											
Electric power	Million kilowatt-hours	90	1,710	13,800	26,000	5,100	15,400	4,000	66,100	147,000	45.0
Lignite and brown coal	Thousand metric tons	303	8,360	37,740	180,722	19,450	5,900	4,550	257,025	104,950	244.9
Hard coal	Thousand metric tons		440	21,560	2,648	2,550	91,600	450	119,248	243,050	49.1
Gasoline	Thousand metric tons	5	N.A.	260 b/	770	270	230 b/	2,800	4,335	13,808	31.4
Diesel fuel	Thousand metric tons	5	N.A.	220	730	320	180	1,200	2,655	9,988	26.6
Crude oil c/	Thousand metric tons	260	50	135	0	1,118	230	10,500	12,293	53,600	22.9
Metals											
Finished steel	Thousand metric tons		40	3,000	1,786	756	2,300	540	8,422	32,100	26.2
Pig iron	Thousand metric tons		0	2,800	1,318	700	2,400	500	7,718	29,800	25.9
Refined copper	Thousand metric tons	1.5	2.5	0.6	42.3	0	20.0	1.0	67.9	404	16.8
Bauxite	Thousand metric tons		0	0	0	1,300	0	60	1,360	880	154.5
Primary aluminum	Thousand metric tons		0	20.0	24.0	32.0	2.5	2.2	80.7	440	18.3
Secondary aluminum	Thousand metric tons		0	1.5	10.0	1.5	0.5	0.2	13.7	70	20
Lead	Thousand metric tons		47.0	10.0	19.6	0	31.4	10.0	118.0	193	61.6
Antimony	Thousand metric tons		0	3.0	0.2	0	0	0	3.2	6	53
Mercury	Flasks (34.5 kg)		0	1,000	0	0	0	250	1,200	32,000	3.8
Primary tin	Thousand metric tons		0	0	0.6	0	0	0	0.6	13	4.6
Zinc	Thousand metric tons		24.0	0	3.8	0	157.0	5.6	190.4	213	89.4
Chemicals											
Sulfuric acid	Thousand metric tons d/		16.0	367.1	531.3	119.0	453.0	58.6	1,545.0	3,150	49.0
Nitric acid	Thousand metric tons d/		48.0	90.3	268.0	34.0	96.1	12.0	548.4	1,420	38.6
Synthetic ammonia	Thousand metric tons e/		19.6	43.5	310.0	16.0	110.0	9.0	508.1	588	86.4
Caustic soda	Thousand metric tons		0	48.9	222.2	13.2	85.5	27.9	397.7	533	74.6
Chlorine	Thousand metric tons		0	36.5	206.2	8.0	6.0	19.5	276.2	296	93.3
Calcium carbide	Thousand metric tons		7.2	92.0	769.0	8.5	200.0	24.7	1,101.4	372	296
Refined benzol	Thousand metric tons		0	63.7	10.9	0	95.0	1.7	171.3	335	51.1
Toluol	Thousand metric tons		0	9.2	3.7	0	13.5	0.3	26.7	104	25.7
Refined phenol	Thousand metric tons		0	4.4	11.0	0.2	3.1	0.05	18.7	34	55
Naphthalene	Thousand metric tons		0	18.7	5.4	0.8	26.2	0.5	51.6	105	49.1
Reclaimed rubber	Thousand metric tons		0.2	9.5	5.5	Negligible	6.0	Negligible	21.2	66	32
Synthetic rubber	Thousand metric tons		0	2.0	66.3	0	5.5	0	73.8	213	34.6
Rubber tires	Thousands		110	1,850	1,139	190	420	145	3,854	11,350	34.0

* Footnotes for Table 51 follow on p. 124.

Table 51

Output of Selected Products in the European Satellites and the USSR
1954
(Continued)

	Units	Albania a/*	Bulgaria	Czecho-slovakia	East Germany	Hungary	Poland	Rumania	Total European Satellites	USSR	European Satellites as Percent of USSR
Building materials											
Cement	Thousand metric tons	45	900	2,400	2,621	1,160	3,600	2,000	12,726	19,000	67
Bricks	Millions	13	690	1,945	2,146	1,420	3,294	781	10,289	16,300	63.1
Forest products											
Fuel wood	Million cubic meters	1.8	7.5	2.5	3.5	2.0	3.7	7.5	28.5	165	17.3
Industrial wood	Million cubic meters	0.9	3.2	8.0	9.4	1.0	10.6	9.9	43.0	245	17.6
Machinery and equipment											
Machine tools	Units		100	18,500	28,000	3,400	9,000	1,200	60,200	92,000	65
Trucks	Units		0	12,000	11,000	5,500	11,500	Negligible	40,000	313,000	13
Tractors	Units		0	14,000	7,500	4,000	7,700	5,000	38,200	146,500	26.1
Passenger cars	Units		0	20,000	16,000	0	2,380	0	38,380	75,000	51
Bearings	Thousands			11,800	12,500	1,000	2,100	1,200	28,600	160,000	18
Steam locomotives	Units		0	300	Negligible	150	300	140	910	500	182
Freight cars	Units (2-axle equivalents)		800	15,500	12,300	8,000	16,500	7,000	60,100	131,000	45.9
Railway passenger cars	Units		Negligible	480	1,020	440	700	225	2,865	2,880	99.0
Turbines	Thousand megawatts		Negligible	1,090	590	120	100	40	1,940	4,500	43
Electric motors	Thousand kilowatts		450	2,300	1,750	800	970	340	6,610	11,000	60
Generators	Thousand kilowatts		16	900	890	260	15	150	2,231	5,600	40
Electrical wire and cable	Thousand metric tons f/		2	16	29	6.4	18.5	3.9	75.8	90	84
Shipbuilding											
Naval vessels	Standard displacement tons		0	0	5,300	0	0	0	5,300	158,000	3.4
Oceangoing and harbor vessels	Gross register tons	400	0	0	33,482	9,600	71,000	6,300	120,782	137,000	88.2
Inland vessels											
Self-propelled	Horsepower		1,014	19,200	9,000	9,000	N.A.	2,000	40,214	66,300	60.6
Nonself-propelled	Deadweight tons		11,463	2,400	0	0	N.A.	22,000	35,863	748,000	4.8
Fishing vessels	Gross register tons	200	0	0	37,250	0	9,800	0	47,050	48,000	98
Military end items											
Aircraft	Units		0	855	0	24	125	24	1,208	5,649	18.2
Tanks	Units		0	500	0	0	500	0	1,000	7,150	14
Small arms	Pieces		0	170,000	20,000	45,000	150,000	10,000	395,000	400,000	99
Ammunition	Short tons		900	10,000	200	3,000	2,000	1,100	17,200	660,278	2.6

* Footnotes for Table 51 follow on p. 124.

Table 51

Output of Selected Products in the European Satellites and the USSR
1954
(Continued)

	Units	Albania a/	Bulgaria	Czecho-slovakia	East Germany	Hungary	Poland	Rumania	Total European Satellites	USSR	European Satellites as Percent of USSR
Industrial crops											
Cotton, ginned	Thousand metric tons	4.3	18.5	0	0	2.5	0	7.5	32.8	1,410	2.3
Wool (grease basis)	Thousand metric tons	2.6	13.6	2.0	4.5	3.3	4.6	24.3	54.9	235	30.5
Hemp fiber	Thousand metric tons		6.0	4.1	2.5	16.7	6.2	31.4	66.9	178	37.5
Flax (scutched basis)	Thousand metric tons		1.0	13.0	8.0	3.9	38.1	6.4	70.4	400	12
Sugar beets	Thousand metric tons	50	425	4,430	6,000	1,866	6,565	862	20,198	19,000	106
Food crops											
Wheat	Thousand metric tons	112	2,000	1,295	848	1,452	1,939	2,058	9,704	36,400	26.6
Rye	Thousand metric tons	4	264	1,071	1,835	444	5,932	120	9,670	20,200	47.9
Barley	Thousand metric tons	8	419	1,054	535	457	1,094	360	3,927	7,100	55
Oats	Thousand metric tons	10	130	1,008	1,043	252	2,093	312	4,848	12,700	38.2
Corn	Thousand metric tons	120	808	N.A.	N.A.	1,793	N.A.	2,890	5,611	3,800	148
Rice	Thousand metric tons	7	25	0	0	40	0	48	120	400	30
Potatoes	Thousand metric tons	4	85	5,100	11,700	1,548	30,375	800	49,612	67,200	73.8
Processed foods											
Flour (wheat and rye)	Thousand metric tons	94	1,207	1,603	1,900	1,462	4,159	1,250	11,675	40,000	29
Animal fat	Thousand metric tons	2	23	114	187	81	319	40	766	475	161
Vegetable oils	Thousand metric tons	3	32	16	38	50	50	63	252	1,380	18.3
Sugar (raw)	Thousand metric tons	6	55	642	685	265	950	112	2,715	3,300	82
Meat	Thousand metric tons	16	114	348	534	203	766	257	2,238	3,950	56.6
Milk	Thousand metric tons		438	3,574	4,644	1,115	9,010	1,790	20,571	27,000	76
Shoes and textiles											
Leather footwear	Million pairs		1.4	34.7	19.3	10.5	22.6	10.3	98.8	280	35
Cotton fabric	Million linear meters		124	355.0	222.8	258.1	523.0	238.7	1,721.6	5,600	31
Wool fabric	Million linear meters		11.3	47.0	31.7	29.6	71.2	22.2	213.0	242	88

a. Where a figure is not given, output is either negligible or zero.
b. Including refined benzol.
c. Including bitumen.
d. 100 percent acid base.
e. As nitrogen.
f. Copper content.

Table 52

Geographic Distribution of the Trade Turnover of the European Satellites a/ 1936-38 and 1948-53

Million Current US $

Area	1936-38	1948	1949	1950	1951	1952	1953
	Bulgaria						
World	240	261	311	261	263	331	394
Non-Sino-Soviet Bloc	208	57	56	29	21	37	55
Sino-Soviet Bloc	32	204	255	232	242	294	339
USSR		94	108	118	153	187	224
China						4	4
Albania					1	2	N.A.
Czechoslovakia	6	27	21	33	38	41	59
East Germany	13	1	6	12	21	21	40
Hungary	2	3	17	20	10	N.A.	N.A.
Poland	6	12	26	24	18	N.A.	27
Rumania	6	4	8		4	N.A.	N.A.
Errors and omissions	-1	63	69	25	-3	39	-15
	Czechoslovakia						
World	692	1,505	1,588	1,417	1,815	1,753	1,866
Non-Sino-Soviet Bloc	572	1,050	866	642	718	508	411
Sino-Soviet Bloc	120	455	722	775	1,097	1,245	1,455
USSR	11	237	399	416	520	629	684
China	9	1		21	102	126	166

a. For the methodology and general statements on the sources for this table, see Appendix C. The discrepancies between the figures in this table and those given for 1953 in other tables are also explained in Appendix C.

Table 52

Geographic Distribution of the Trade Turnover of the European Satellites
1936-38 and 1948-53
(Continued)

Million Current US $

Area	1936-38	1948	1949	1950	1951	1952	1953
	Czechoslovakia						
Sino-Soviet Bloc (Continued)							
Albania						N.A.	N.A.
Bulgaria	5	27	21	33	38	41	59
East Germany	28	20	35	72	93	100	119
Hungary	14	43	72	70		137	137
Poland	16	94	93	146	172	186	219
Rumania	36	53	75	82		78	138
Errors and omissions	1	-20	27	-65	172	-52	-67
	East Germany						
World	1,011	305	614	971	1,143	1,600	2,017
Non-Sino-Soviet Bloc	847	112	255	338	214	397	468
Sino-Soviet Bloc	164	193	359	633	929	1,203	1,549
USSR	25	102	236	348	512	716	915
China	28				32	66	113
Albania					3	3	4
Bulgaria	13	1	4	8	20	21	40
Czechoslovakia	28	20	35	72	93	100	119
Hungary	23	2	8	33	38	61	76
Poland	20	68	74	166	212	207	228
Rumania	27		2	6	19	28	48
Errors and omissions						1	6

Table 52

Geographic Distribution of the Trade Turnover of the European Satellites
1936-38 and 1948-53
(Continued)

Million Current US $

Area	1936-38	1948	1949	1950	1951	1952	1953
	Hungary						
World	289	330	564	640	782	875	967
Non-Sino-Soviet Bloc	234	218	302	247	256	252	222
Sino-Soviet Bloc	55	112	262	393	526	623	745
USSR		59	100	147	227	254	319
China						16	40
Albania						N.A.	N.A.
Bulgaria	2	3	17	20	10	N.A.	N.A.
Czechoslovakia	12	42	72	70		137	137
East Germany	23	1	8	33	38	61	76
Poland	3	9	14	52	59	N.A.	33
Rumania	15	7	26	30		N.A.	N.A.
Errors and omissions		-9	27	41	192	155	140
	Poland						
World	438	1,055	1,258	1,298	1,686	1,650	1,994
Non-Sino-Soviet Bloc	384	624	714	529	705	544	598
Sino-Soviet Bloc	54	431	544	769	981	1,106	1,396
USSR	5	229	280	346	422	528	594
China	2			8	49	50	59
Albania			3	3	4	N.A.	6
Bulgaria	5	13	24	24	17	N.A.	27
Czechoslovakia	17	96	93	146	172	186	219
East Germany	20	68	74	165	224	207	228
Hungary	3	8	14	52	59	N.A.	33
Rumania	3	11	25	25	23	N.A.	40
Errors and omissions	-1	6	31		11	135	190

Table 52

Geographic Distribution of the Trade Turnover of the European Satellites
1936-38 and 1948-53
(Continued)

Million Current US $

Area	1936-38	1948	1949	1950	1951	1952	1953
	Rumania						
World	309	220	401	469	523	509	587
Non-Sino-Soviet Bloc	230	64	72	80	111	78	94
Sino-Soviet Bloc	79	156	329	389	412	431	493
USSR		50	188	280	280	295	320
China						N.A.	N.A.
Albania						N.A.	N.A.
Bulgaria	1	4	8	4	4	N.A.	N.A.
Czechoslovakia	33	53	75	82		78	138
East Germany	27		2	6	20	28	48
Hungary	14	6	20	30		N.A.	N.A.
Poland	4	11	25	25	23	N.A.	40
Errors and omissions		32	11	-38	85	30	-53

Table 53

Trade of the European Satellites with the Non-Bloc Countries a/*
1948 and 1952-54

Thousand US $

	Imports				Exports			
	1948	1952	1953	1954 b/	1948	1952	1953	1954 b/
Bulgaria								
US and Canada	2,429	26	8	13	3,040	278	358	311
Western Europe	15,455	13,901	25,379	19,735	17,726	15,410	24,810	27,052
Near East and Africa	16	1,751	2,119	907	2,801	1,618	3,591	1,919
Far East	214	217	1,006	128	N.A.	6	163	20
Oceania	12			6	238	1	3	5
Latin America	22	7	5	59	25	1	2	2
Total	18,148	15,902	28,517	20,848	23,830	17,314	28,929	29,309
Czechoslovakia								
US and Canada	36,070	450	165	1,311	27,988	5,116	4,898	4,916
Western Europe	300,182	110,872	82,546	117,804	322,745	157,096	142,790	142,785
Near East and Africa	22,354	24,479	13,222	21,770	34,157	39,428	28,984	37,240
Far East	17,377	18,720	15,940	12,912	15,518	13,186	10,712	15,622
Oceania	3,425	4,411	11,533	5,962	15,250	8,518	4,083	5,705
Latin America	26,578	11,398	10,239	26,457	20,463	14,201	14,893	32,191
Total	405,986	170,330	133,645	186,216	436,119	237,545	206,360	238,459
East Germany								
US and Canada	N.A.	662	1,079	599	N.A.	7,621	7,438	4,539
Western Europe	12,170	112,889	153,803	246,868	33,667	109,027	152,646	217,942
Near East and Africa	N.A.	721	3,114	2,187	N.A.	1,264	199	4,575
Far East	N.A.	91	425	2,518	N.A.	1,806	6,108	6,382
Oceania	N.A.	2	152	394	N.A.	871	1,286	1,867
Latin America	N.A.			181	N.A.			
Total	12,170	114,325	158,573	252,747	33,667	120,589	167,677	235,305

* Footnotes for Table 53 follow on p. 130.

Table 53

Trade of the European Satellites with the Non-Bloc Countries a/
1948 and 1952-54
(Continued)

Thousand US $

	Imports				Exports			
	1948	1952	1953	1954 b/	1948	1952	1953	1954 b/
Hungary								
US and Canada	9,734	152	57	2,512	1,725	3,198	1,902	1,550
Western Europe	81,304	66,865	78,596	96,913	83,643	61,503	45,536	64,308
Near East and Africa	5,082	8,257	9,448	7,901	6,546	6,936	9,343	10,420
Far East	1,432	1,815	933	2,986	466	3,192	3,732	3,662
Oceania	72		983	70	307	1,121	507	736
Latin America	906	4,295	2,462	12,260	461	6,266	3,723	9,177
Total	98,530	81,384	92,473	122,642	93,148	82,216	64,743	89,853
Poland								
US and Canada	67,454	357	809	2,164	67,454	10,816	14,543	21,988
Western Europe	218,391	174,820	155,105	168,297	218,391	257,712	235,127	198,958
Near East and Africa	7,810	12,051	9,554	12,141	7,810	8,191	10,095	13,415
Far East	14,847	32,918	12,060	12,844	14,847	2,738	2,844	2,260
Oceania	5,049	13,890	25,384	22,337	5,049	953	95	211
Latin America	28,198	3,954	10,158	30,853	28,198	6,528	6,868	25,218
Total	341,749	237,990	213,070	248,636	343,111	286,938	269,571	262,050
Rumania								
US and Canada	8,780	46	104	1	8,780	696	379	385
Western Europe	22,087	47,861	58,286	48,696	22,087	26,308	48,618	70,610
Near East and Africa	1,073	1,781	1,839	8,406	1,073	5,948	12,258	9,347
Far East	1,277	1,731	54	373	1,277		8	537
Oceania	6	36	665		6	12	3	3
Latin America	17,455	860	2,125	8,709	17,455	1,511	2,686	6,683
Total	50,678	52,315	63,073	66,326	44,532	34,475	63,952	87,565

a. Excludes Albania. Figures showing total Satellite trade with non-Bloc countries in 1953 are presented in Table 47. For the methodology and general statements on the sources for this table, see Appendix C. The discrepancies between the figures in this table and those given for 1953 in other tables are also explained in Appendix C.
b. Data for 1954 are estimates effective as of 11 July 1955 and are subject to revision.

Table 54

Commodity Composition of Imports of the European Satellites from Non-Bloc Countries a/*
1953

Importing Country	Thousand US $	Percent of Total
Bulgaria		
Crude materials	6,723	24
Chemicals	4,053	14
Manufactured goods	9,250	32
Machinery and transportation equipment	4,385	15
Other	4,163	15
Total	28,574	100
Czechoslovakia		
Foodstuffs	24,598	18
Crude materials	55,129	41
Chemicals	9,254	7
Manufactured goods	15,382	11
Machinery and transportation equipment	16,466	12
Other	14,778	11
Total	135,607	100
East Germany		
Foodstuffs	50,238	32
Crude materials	20,188	13
Chemicals	19,139	12
Manufactured goods	39,021	24
Other	30,840	19
Total	159,426	100

* Footnotes for Table 54 follow on p. 133.

Table 54

Commodity Composition of Imports of the European Satellites from Non-Bloc Countries a/*
1953
(Continued)

Importing Country	Thousand US $	Percent of Total
Hungary		
Foodstuffs	7,197	9
Crude materials	31,449	38
Manufactured goods	17,527	22
Machinery and transportation equipment	10,566	13
Other	14,745	18
Total	81,484	100
Poland		
Foodstuffs	11,410	5
Chemicals	12,997	6
Crude materials	77,866	38
Manufactured goods	40,897	20
Machinery and transportation equipment	50,827	24
Other	15,533	7
Total	209,530	100
Rumania		
Crude materials	11,890	19
Manufactured goods	28,656	45
Machinery and transportation equipment	15,461	25
Other	6,964	11
Total	62,971	100

* Footnotes for Table 54 follow on p. 133.

Table 54

Commodity Composition of Imports of the European Satellites from Non-Bloc Countries a/
1953
(Continued)

Importing Country	Thousand US $	Percent of Total
European Satellites b/		
Foodstuffs	93,443	14
Crude materials	203,245	30
Chemicals	45,443	7
Manufactured goods	150,773	22
Machinery and transportation equipment	97,705	14
Other	86,983	13
Total	677,592	100

a. For the methodology and general statements on the sources for this table, see Appendix C. The discrepancies between the figures in this table and those given for 1953 in other tables are also explained in Appendix C.
b. Excluding Albania.

Table 55

Commodity Composition of Exports of the European Satellites to Non-Bloc Countries a/*
1953

Exporting Country	Thousand US $	Percent of Total
Bulgaria		
Foodstuffs	18,909	65
Crude materials	3,723	13
Manufactured goods	3,249	11
Other	3,158	11
Total	29,039	100
Czechoslovakia		
Foodstuffs	32,982	16
Minerals, lubricants, and related products	11,804	6
Crude materials	28,274	14
Manufactured goods	53,732	26
Machinery and transportation equipment	29,287	14
Other	48,585	24
Total	204,664	100
East Germany		
Crude materials	16,099	10
Minerals, fuels, lubricants, and related products	35,605	21
Chemicals	32,895	20
Machinery and transportation equipment	24,326	14
Manufactured goods	18,181	11
Other	40,524	24
Total	167,630	100

* Footnotes for Table 55 follow on p. 136.

Table 55

Commodity Composition of Exports of the European Satellites to Non-Bloc Countries a/*
1953
(Continued)

Exporting Country	Thousand US $	Percent of Total
Hungary		
Foodstuffs	15,473	23
Fats and oils	3,177	5
Manufactured goods	17,661	27
Machinery and transportation equipment	8,217	12
Other	21,814	33
Total	66,342	100
Poland		
Foodstuffs	106,887	40
Crude materials	19,874	7
Minerals, fuels, lubricants, and related products	119,182	44
Manufactured goods	14,643	5
Other	10,071	4
Total	270,657	100
Rumania		
Foodstuffs	20,612	32
Crude materials	8,829	14
Minerals, fuels, and related products	28,414	43
Other	6,829	11
Total	64,684	100

* Footnotes for Table 55 follow on p. 136.

Table 55

Commodity Composition of Exports of the European Satellites to Non-Bloc Countries a/
1953
(Continued)

Exporting Country	Thousand US $	Percent of Total
European Satellites b/		
Foodstuffs	194,863	24
Minerals, fuels, lubricants, and related products	195,005	24
Crude materials	76,799	10
Manufactured goods	107,466	13
Chemicals	32,895	4
Machinery and transportation equipment	61,830	8
Fats and oils	3,177	1
Other	130,981	16
Total	803,016	100

a. For the methodology and general statements on the sources for this table, see Appendix C. The discrepancies between the figures in this table and those given for 1953 in other tables are also explained in Appendix C.
b. Excludes Albania.

APPENDIX B

ILLUSTRATIONS

Figures 10 - 19

European Satellites: Percentage Distribution of Output of Selected Products, 1954 (Maps)

Figure 20

European Satellites: Geographical Distribution of Trade Turnover, 1936-38 Average and 1948-53 (Chart)

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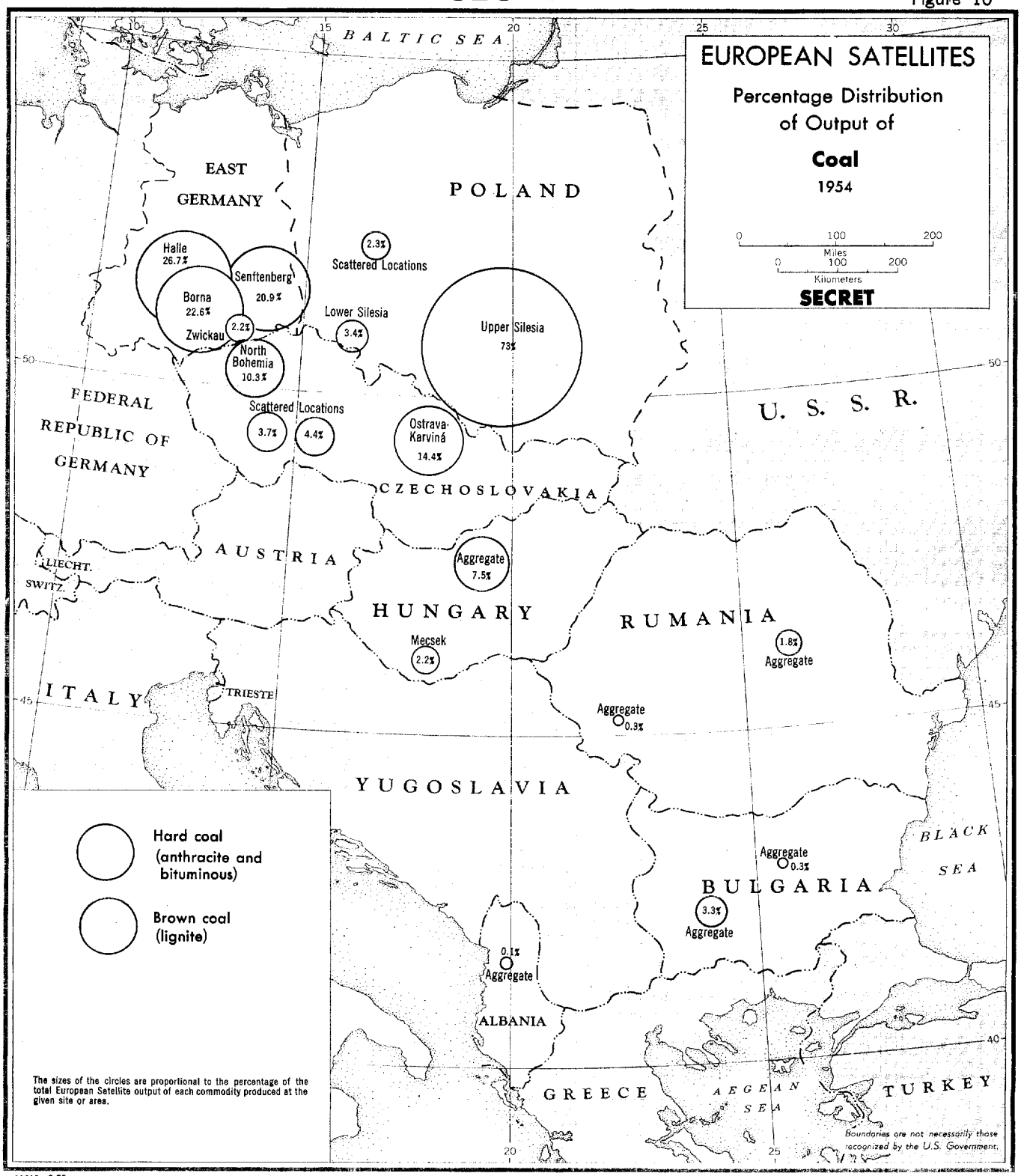
Figure 10



13813 8-55

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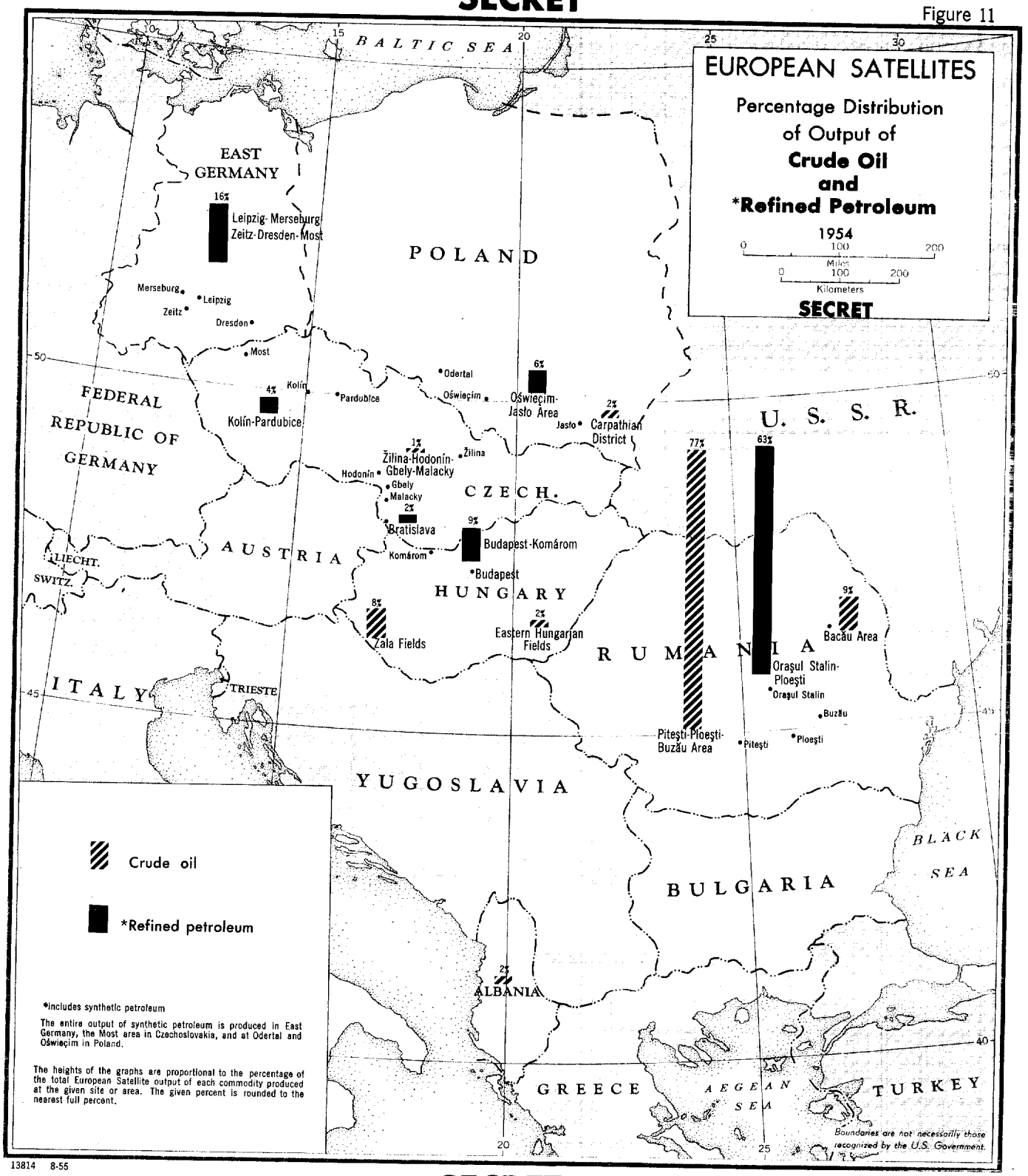
Figure 11



13814 8-55

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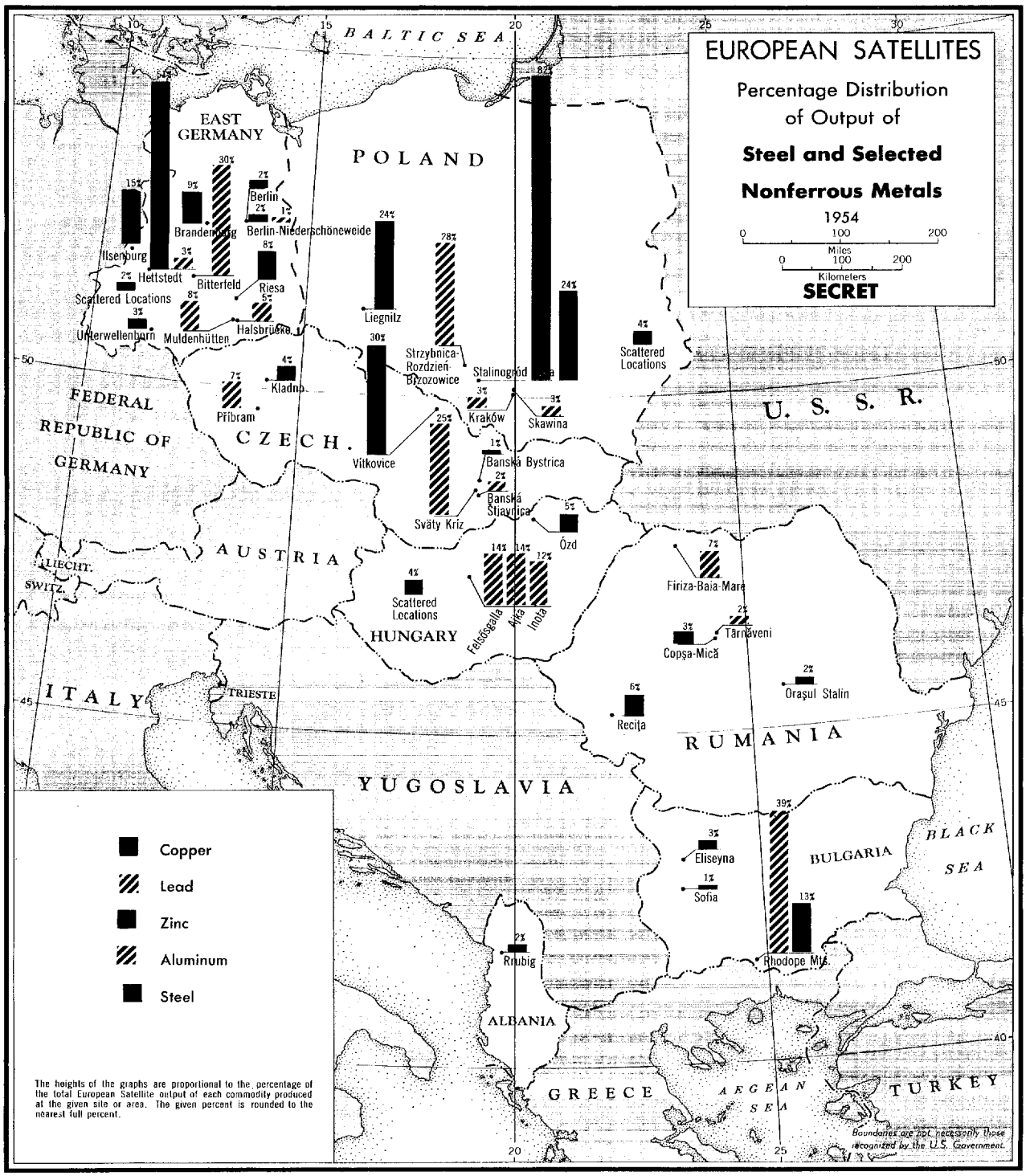
Figure 12



13812 8-55 (First Revision 3-56)

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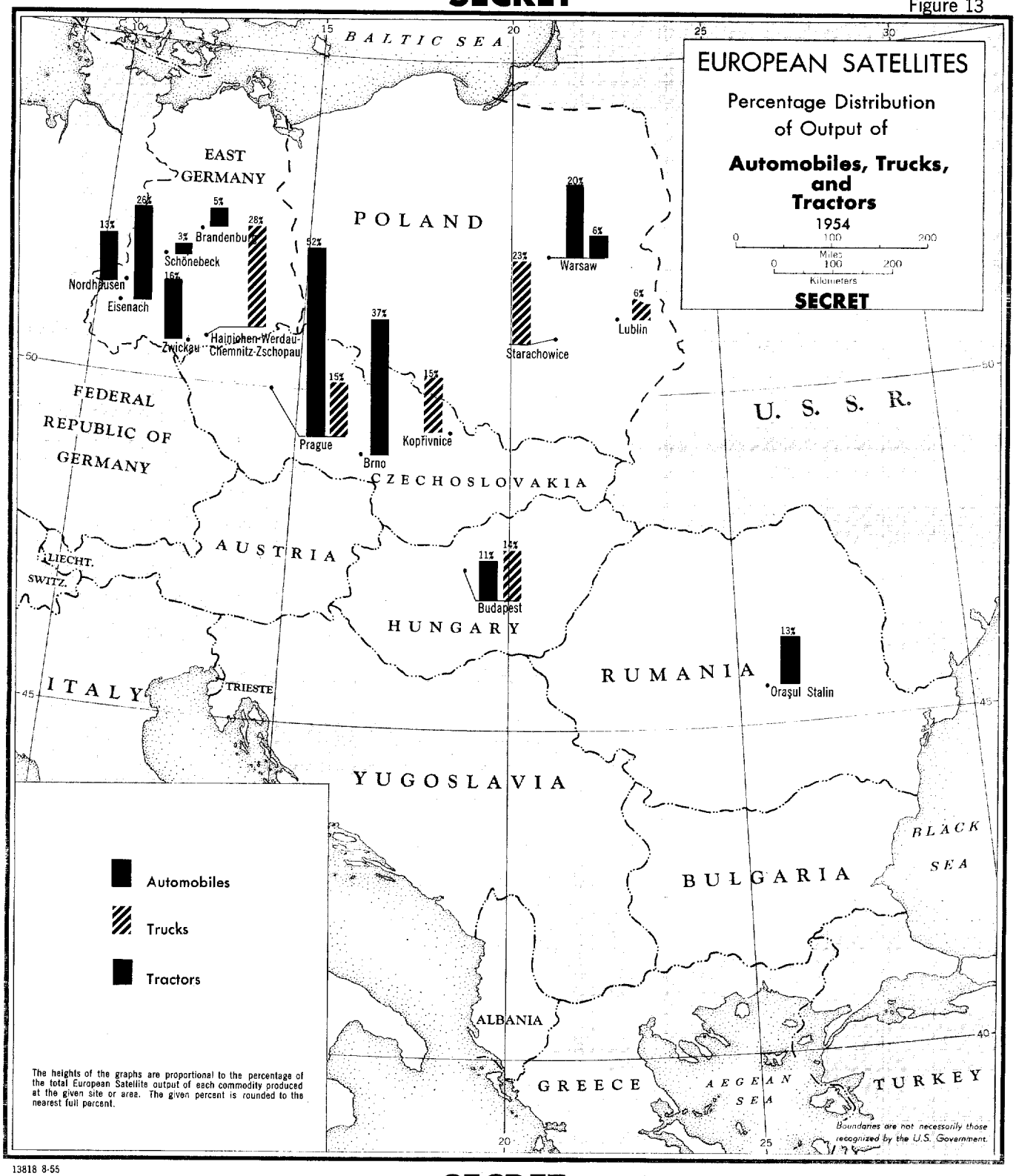
Figure 13



13818 8-55

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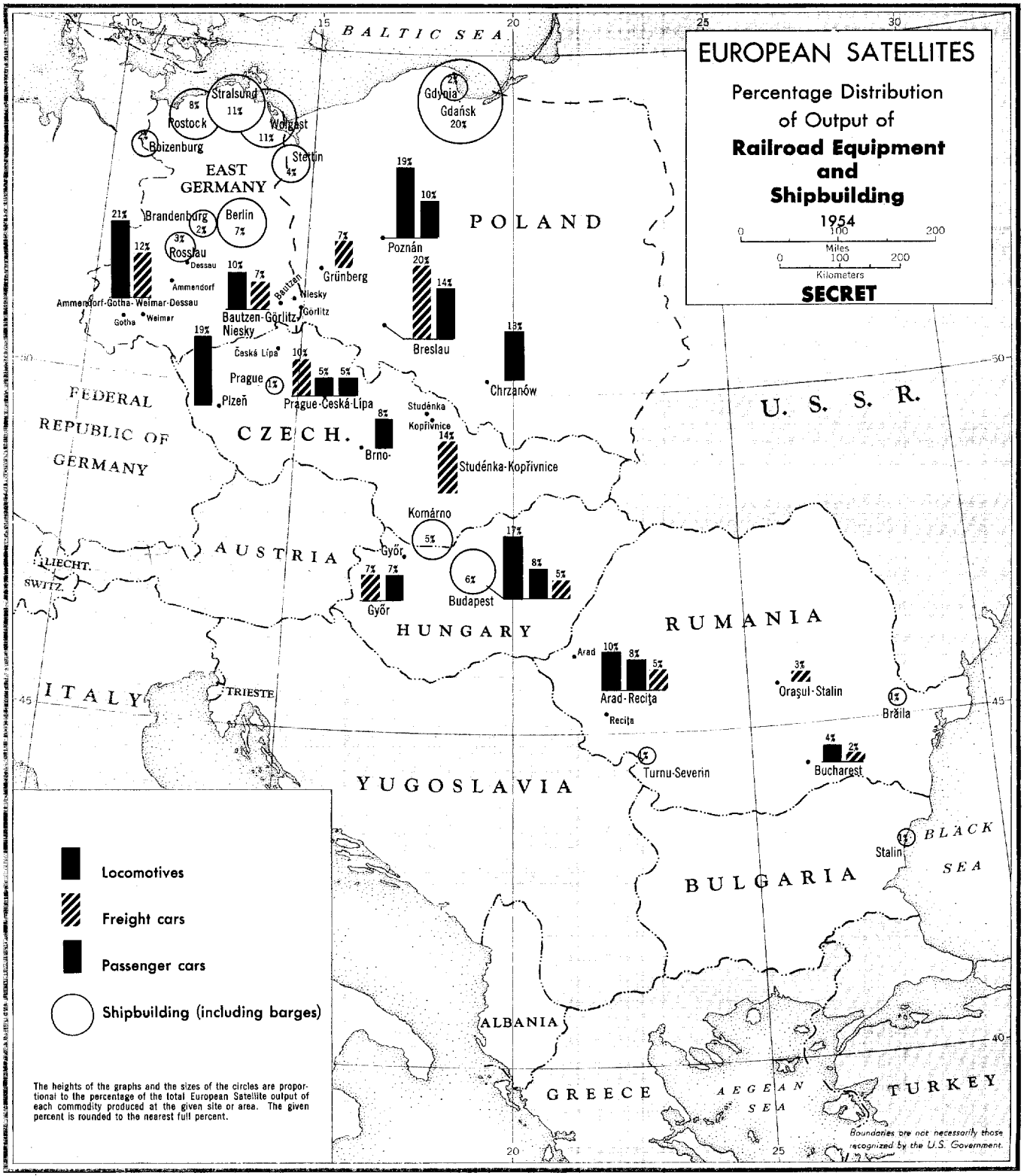
Figure 14



13819 8-55

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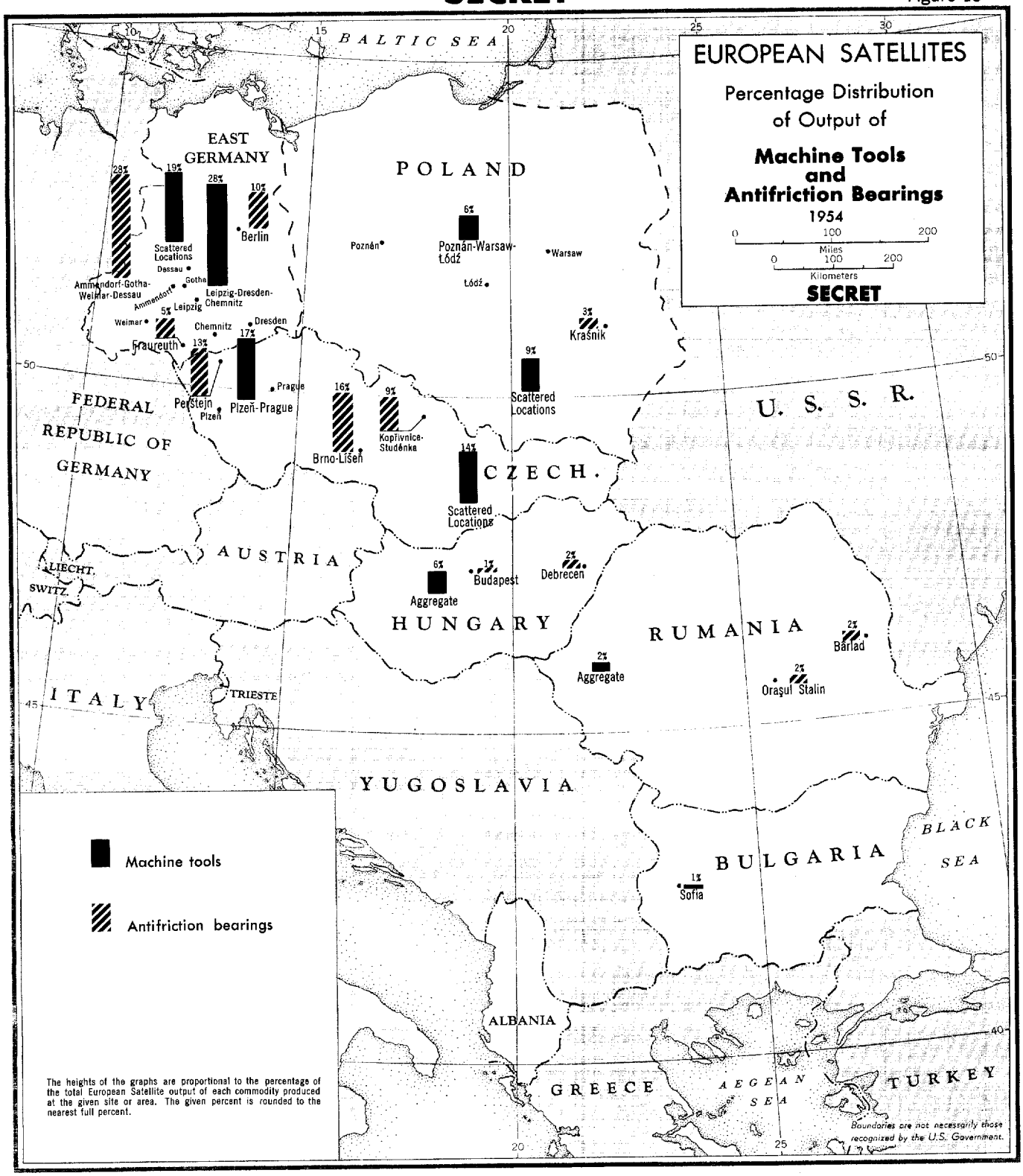
Figure 15



13817 8-55

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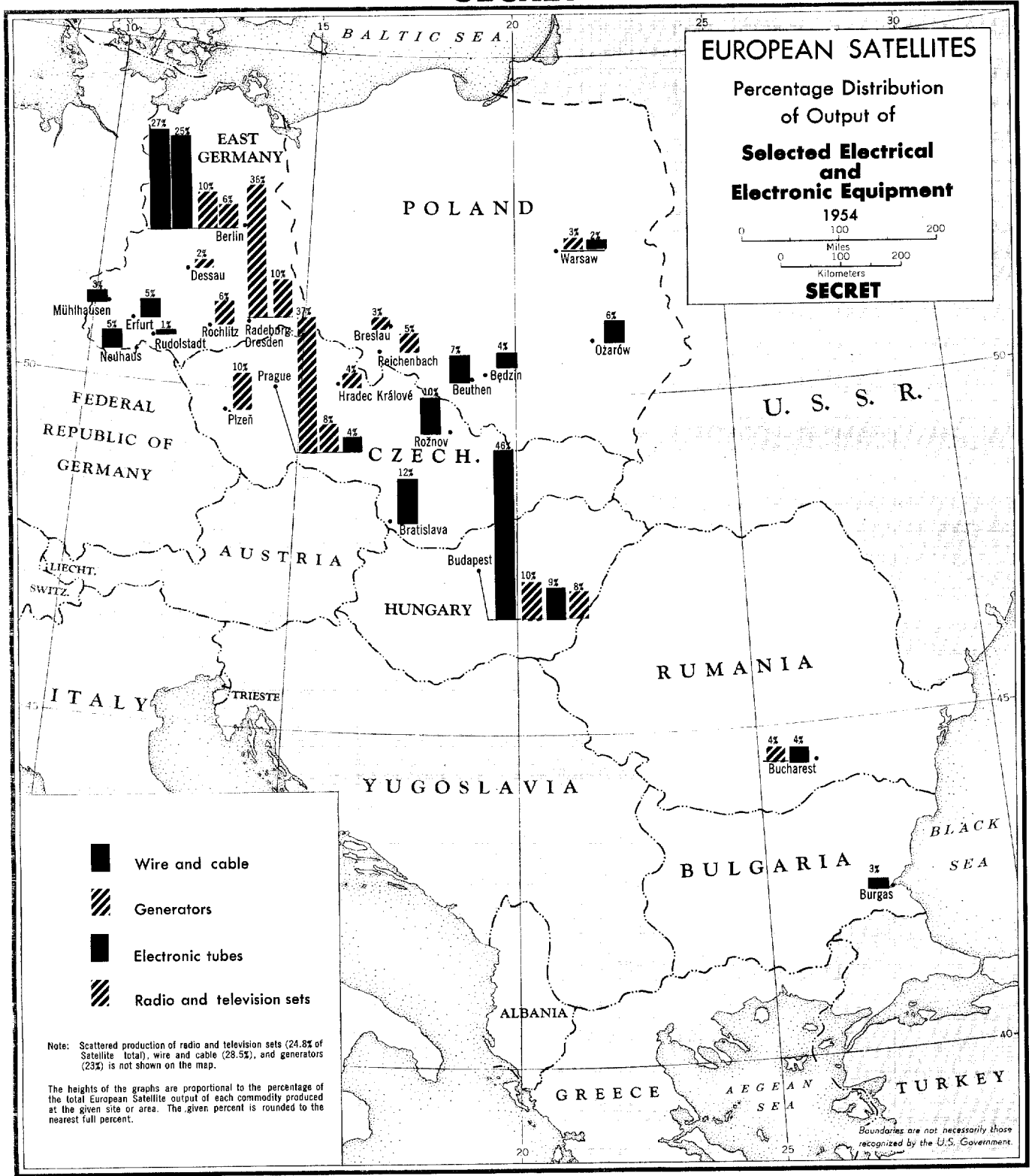
Figure 16



13821 8-55

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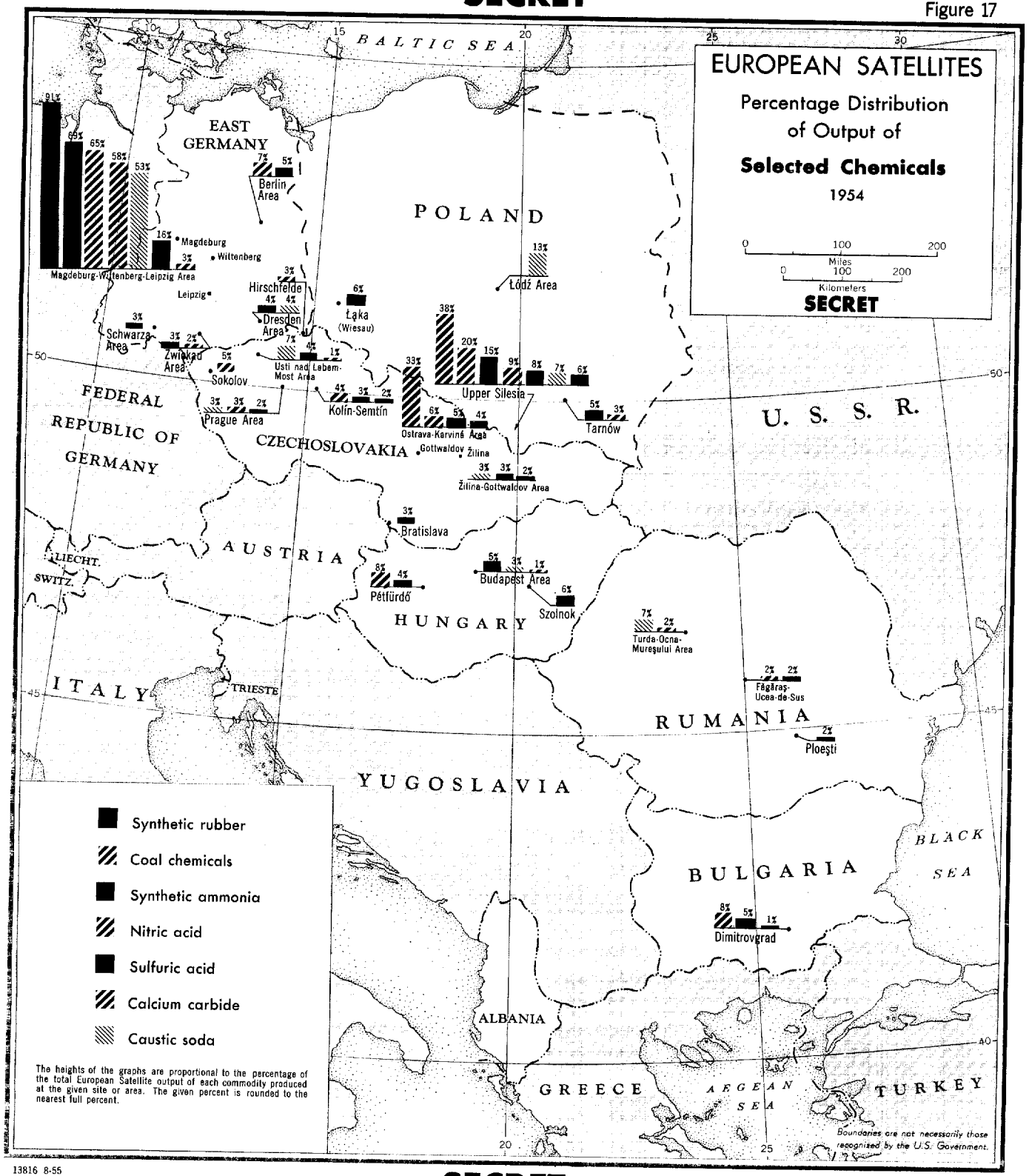
Figure 17



13816 8-55

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Figure 18

13815 8-55

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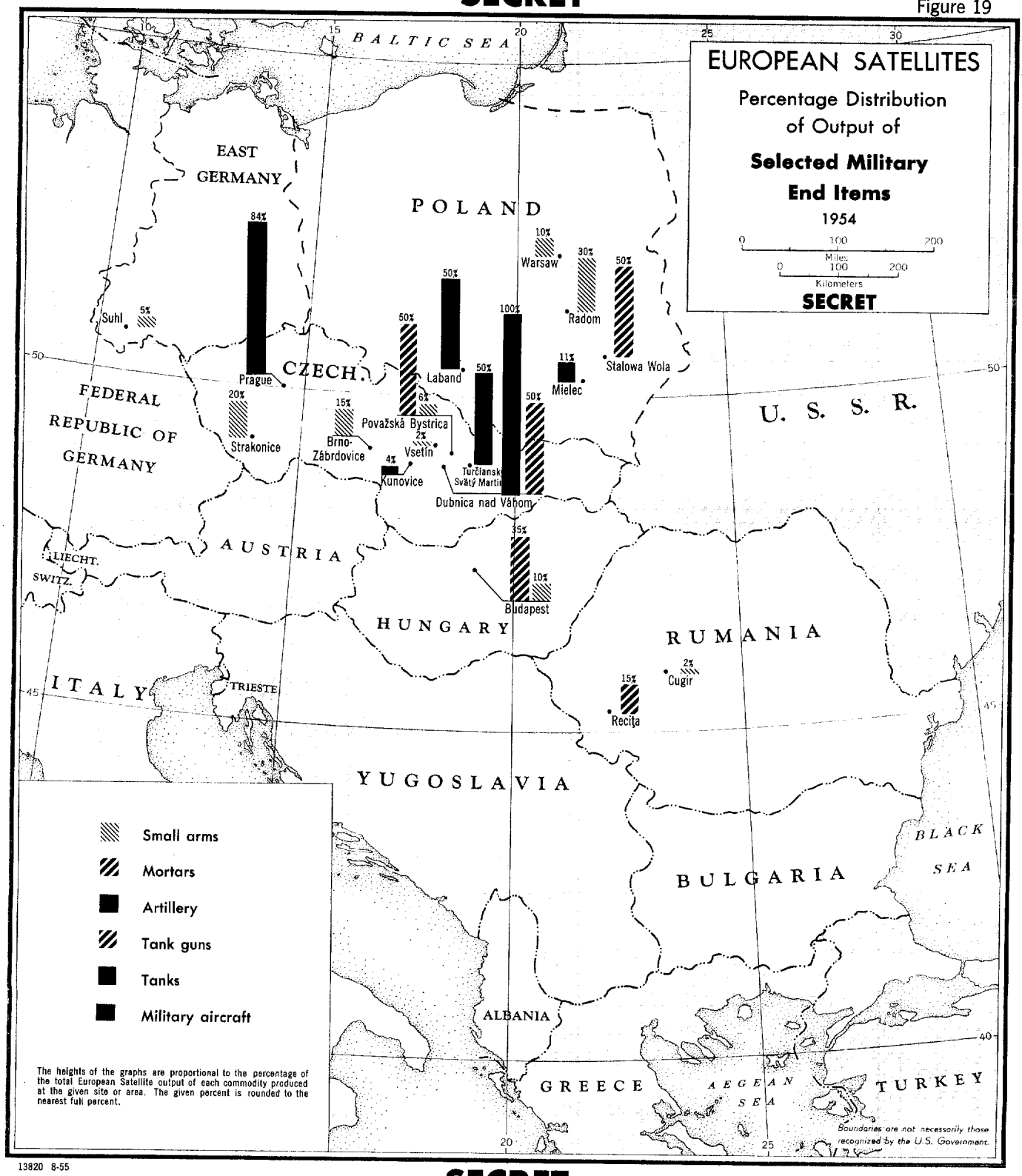
Figure 19



13820 8-55

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Figure 20

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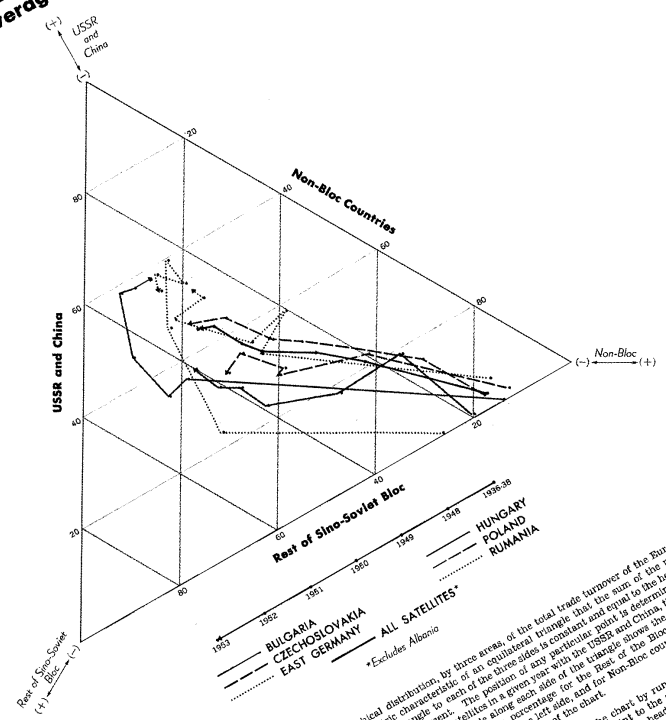
EUROPEAN SATELLITES* GEOGRAPHICAL DISTRIBUTION OF TRADE TURNOVER 1936-38 Average and 1948-53



The above chart shows the geographical distribution, by three areas, of the total trade turnover of the European Satellites. It is based upon the geometric characteristic of an equilateral triangle that the sum of the perpendiculars drawn from any point inside the triangle to each of the three sides is constant and equal to the height of the triangle, which in this case represents 100 percent. The position of any particular point is determined by the percentage breakdown of the trade turnover of the Satellites in a given year with the USSR and China, the Rest of the Sino-Soviet Bloc, and the Non-Bloc countries. The scale along each side of the triangle shows the percentage of trade turnover with the area indicated. For example, the left side of the triangle shows the percentage for the USSR and China, the bottom side of the triangle for the Rest of the Sino-Soviet Bloc, and the right side for the Non-Bloc countries. The yearly sequence is shown by the vector at the bottom of the chart.

The percentage of trade with a given area in a given year may be read off the chart by running a line (at right angles to the appropriate arrow) in one corner of the triangle) from the given point to the appropriate scale line. For example, the distribution of Hungary's trade in 1953 (represented by the arrow-head of the vector for Hungary) is as follows: USSR and China, 37 percent; Rest of the Sino-Soviet Bloc, 40 percent; and Non-Bloc countries, 23 percent. A point near the right corner typifies a situation in which most of the trade was conducted with Non-Bloc countries and less than 20 percent with the Rest of the Bloc and the USSR and China. The general movement of the vectors, that is, away from the right corner toward the opposite side of the triangle, depicts a common tendency in which the percentage of Satellite trade turnover with the USSR and China and the Rest of the Bloc is rising.

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APPENDIX C

METHODOLOGY

1. Computation of Gross National Product and Sector Indexes (Sections III and V).

The method employed in computing the GNP figures and the indexes of the various sectors is the same as that used in previous reports and described in CIA/RR PR-111, Construction of European Satellite Gross National Product Accounts, 15 April 1955, S/NOFORN, with the following major exceptions:

a. Use of 1953 as the Base Year.

For the purposes of the present report it was decided that indexes with 1953 = 100 would lead to greater ease of comprehension. Consequently, the indexes were constructed using 1953 as the base year.

b. Inclusion of Additional Items for East Germany.

In view of the importance of potash and uranium mining in the East German economy, it was thought that the industrial sector index would be more accurate if these items were included in the estimates. Therefore, value-added weights for these two mineral industries, derived by using wage-bill figures, were added to the value-added weights of the energy and mining subsector of the industrial sector. The effect of this adjustment has been to raise the industrial sector index, especially for the period since 1950, when the mining of uranium was first undertaken, relative to the sector index shown in CIA/RR PR-99, Economic Conditions in the European Satellites, 11 February 1955, p. 44, S/US ONLY and to raise the absolute value of the East German GNP relative to the GNP's of the other Satellites.

c. Use of Officially Announced Industrial Increases for 1954.

Officially announced rates of increase in gross industrial production were used in deriving the 1954 index number for the industrial sector of each of the European Satellites. Furthermore, in Hungary

the official announcements of the change in the amount of construction activity for 1954 were also employed. Since indexes of industrial production are a basic element in constructing the GNP estimates, the indexes of Satellite GNP's for 1954 and also the absolute values of the GNP's and the component sectors in that year are partially based upon official Satellite figures.

2. Notes on the International Trade Statistics (Section VIII).

The data presented in Section VIII show several rather serious deficiencies. Trade values compiled from Communist sources have been converted to current dollars at official exchange rates. In view of Communist exchange controls and methods of pricing goods on the international market, such a simple conversion can only be considered as being very tenuous. Nevertheless, it was thought that dollar figures would be of more value to the reader, and, therefore, the tenuous conversion was made. Furthermore, it should be remembered that the values are given in current dollars. Because of this, comparisons over long periods of time are not too meaningful unless deflated by a price index of goods entering into foreign trade. Such a deflator is not available.

The degree to which clandestine trade is included in the estimates is to some extent indeterminate. Insofar as the figures are derived from Western data, covert trade is excluded. It has been impossible for the most part to discern the extent to which Communist sources include a coverage of covert trade or, for that matter, whether such trade is included in their reports at all.

Most of the tables in Section VIII are based on the detailed trade statistics presented in Appendix A, Tables 52-55. The handling of the statistics and their sources are as follows:

a. Appendix A, Table 52.

With the exception of East Germany, figures for 1936-38 are from the Foreign Commerce Yearbook for 1939. For the purposes of this report, however, Soviet figures have been increased so as to include the trade of Estonia, Latvia, and Lithuania. The prewar figures for East Germany are derived from trade statistics for Germany as a whole for 1936-38, using information in Table 1, p. 26 of UN, ECE, Economic Bulletin for Europe, vol. 1, no. 3, third quarter 1949. This

table indicates that in 1936, 26 percent of imports and 21 percent of exports of the whole of Germany were destined for or originated in the areas now included in East Germany and the Soviet Sector of Berlin. These percentages were applied to German trade statistics for 1937 and 1938 as well, to obtain values for East Germany.

Again excepting East Germany, the postwar data in Appendix A, Table 2, are based predominantly upon Communist statistics. In general, the amount of trade with the non-Sino-Soviet Bloc has been computed as the difference between reported figures for intra-Sino-Soviet Bloc and total trade. Reported figures on trade between individual countries do not add up to the independently reported intra-Sino-Soviet Bloc totals in some instances, leaving the unclassifiable residuals shown in the table. To some extent these residuals are the result of gaps in information. They are also partly the result of statistical discrepancies involved when two countries have reported on the same flow of trade. Insofar as possible, all figures for trade between each pair of countries have been reconciled to eliminate any dissimilarity in the data reported.

Intra-Bloc trade turnover figures for East Germany in the postwar period were based upon official sources. In instances where official data were not available, mainly for East-West trade, US Department of Commerce compilations were relied upon. Unlike the derivation used in the other Satellites, total trade turnover for East Germany is the sum of Sino-Soviet Bloc and non-Sino-Soviet Bloc trade.

b. Appendix A, Table 53.

These statistics were compiled from a table prepared by the International Economic Analysis Division, Office of International Trade, US Department of Commerce. This is the most complete tabulation available on the geographic distribution of Satellite trade with non-Bloc countries. These data, however, are subject to a serious limitation: no attempt is made to estimate the volume, composition, or direction of clandestine trade. Since the data in this table are from non-Bloc sources and the statistics in Appendix A, Table 52 are from Bloc sources, discrepancies between the two sets of data are bound to arise. It has been impossible to reconcile these discrepancies. Therefore, the figures presented for East-West trade in this table are not consistent with the figures in Table 52.

c. Appendix A, Tables 54 and 55.

This material is based upon statistics prepared from official Western sources by the International Economic Analysis Division, Office of International Trade, US Department of Commerce. The same source was used in the compilation of Appendix A, Table 53, but there are some discrepancies in the values of imports and exports for 1953 because these tables include information which is more up to date than that appearing in Table 53.

These data suffer from a further limitation. Not all countries of the non-Sino-Soviet Bloc report their trade with the European Satellites in terms of a commodity breakdown. This has made it necessary to add the value of their trade with the Satellites to the "other" category in the tables rather than to distribute it among commodity groups.

APPENDIX D

GAPS IN INTELLIGENCE

Gaps in intelligence on the subjects covered by this report are generally the same as those outlined in an earlier publication, CIA/RR PR-99, Economic Conditions in the European Satellites, 11 February 1955, S/US ONLY.

The information used in calculating gross national product and its major components is still seriously deficient. Further improvement in the accuracy of production estimates is needed, and an expansion of the number of products used in the computations probably would make the sample more representative. Suitable indicators of the trend in economic activity in the trade and services sectors are also needed. Lists of local prices which can be used to value the estimates of physical output are not available at present for Poland, Rumania, and Bulgaria. More accurate and comprehensive data on the distribution of the labor force are required in order to weight the sector indexes properly and to estimate changes in labor productivity. Further information is also needed in order to break down gross national product by end use.

The usefulness of official statistics concerning planned or actual production and investment is limited by important gaps in the information. The coverage of the statistics is frequently spotty, and there are also difficult problems of comparability of official figures for various years. In the case of investment data, for example, it is important to know whether the figures relate to actual or planned investment; to gross or net investment; and to budgetary, state, or total investment. Breakdowns of production and investment data by major economic sectors and within the industrial and agricultural sectors are essential in appraising trends in national economic policy. There are many gaps in the published material of this type. Changes in the coverage of budget categories and lack of information for a given category have also handicapped analysis of Satellite economic plans and policies.

Available data on various aspects of consumer welfare in the Satellites are sufficient to indicate general trends but do not in most cases

permit quantification of changes in living standards. Such analysis is dependent on more adequate information concerning trends in wages, the cost of living, and the availability and quality of consumer goods. The relationship between production and consumption of different types of consumer goods is uncertain because of deficiencies in the foreign trade statistics. Other deficiencies and gaps in the foreign trade data are outlined in Appendix C, above.

APPENDIX E

SOURCE REFERENCES

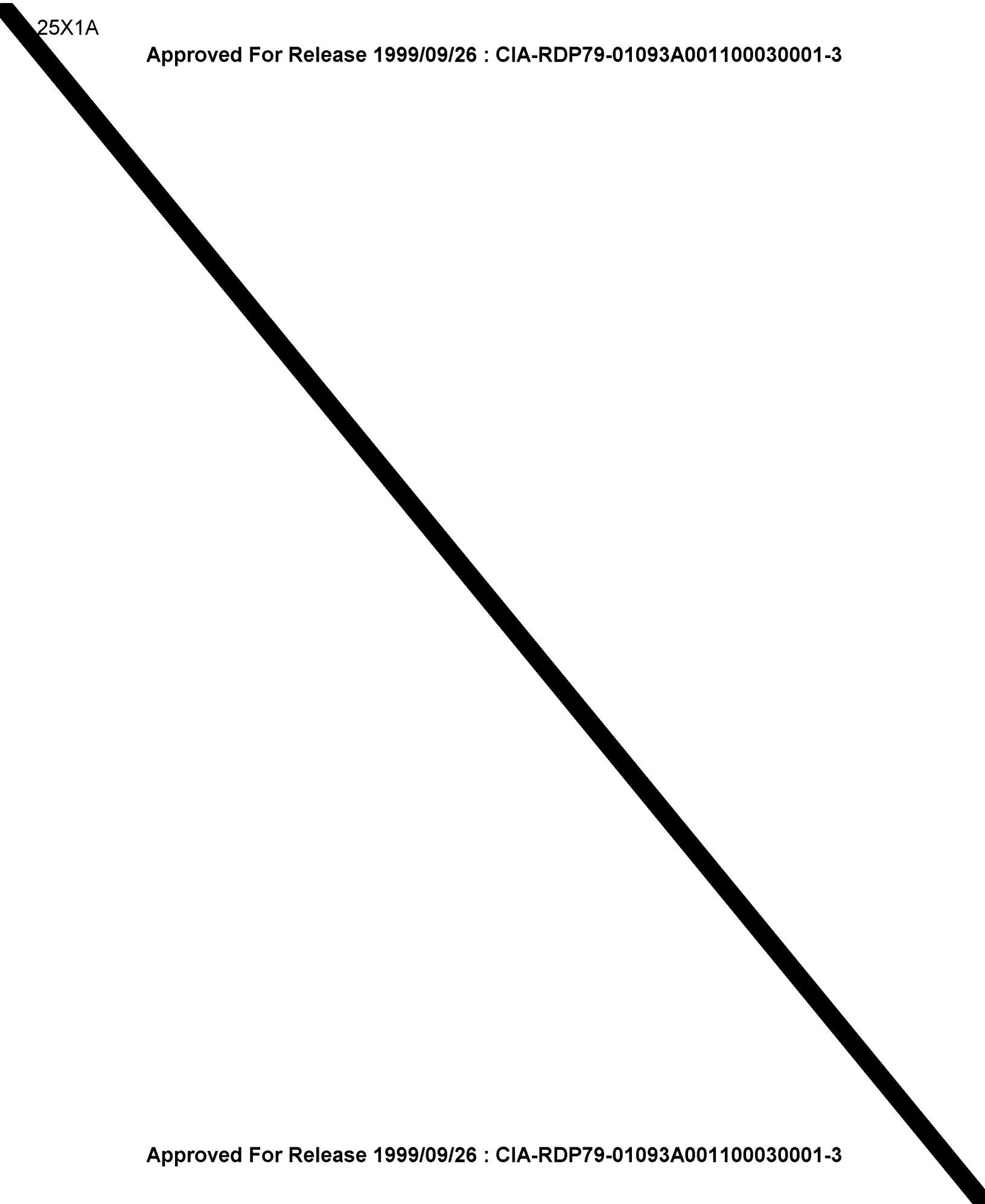
In general, sources are not given for the ORR estimates in this report. Consequently, only Section I, which is based largely on official Satellite sources, is documented in detail. Sources for the data in the other sections of the report are available in ORR files.

Evaluations, following the classification entry and designated "Eval.," have the following significance:

Source of Information	Information
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.



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