

CHK 261

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

SECRET

COUNTRY Bulgaria/Germany (Sovzone)
SUBJECT Mechanics of East German-Bulgarian Trade

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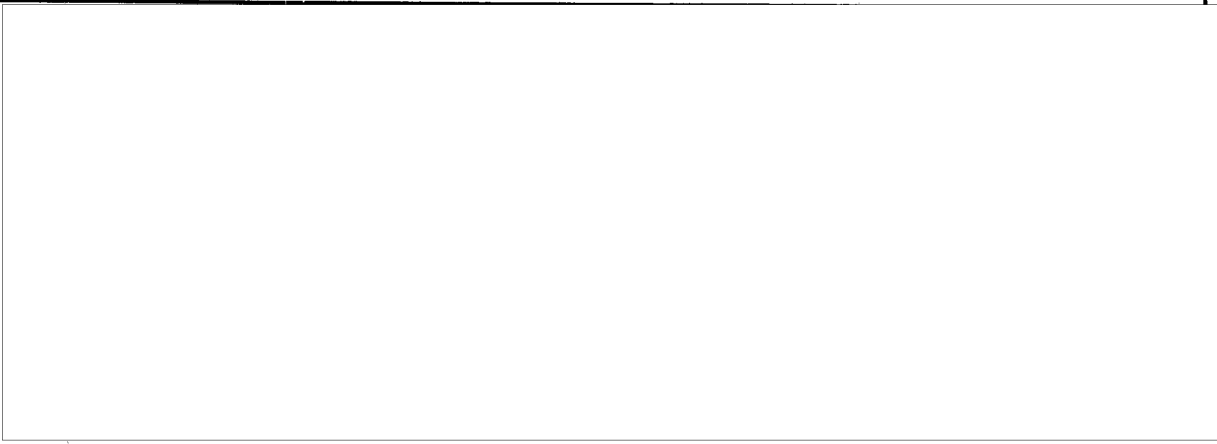
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- 1. Trade agreements between Bulgaria and the DDR are negotiated for a calendar year.
2. The delegation from Bulgaria usually consisted of a vice-minister of Foreign Trade...
3. In these discussions each one [redacted] would have a list of all the items...

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which Bulgaria could fill. After several days of discussions, the Bulgarian group would get together, and each list would be discussed in turn. A master list was then made up which contained the exact items and exact quantities which East Germany could furnish Bulgaria, as well as a second list of all the items Bulgaria could furnish the GDR. After some last-minute adjustments made jointly with the Germans, the agreements were signed by the chiefs of both delegations, and the negotiations, as such, ended. No Soviet personnel took part in these negotiations.

4. In order to understand the mechanics of GDR-Bulgarian trade, it is necessary to understand the relationships between the end consumer in Bulgaria, the Bulgarian State importing agency, DIA, and the East German manufacturer. Any firm in Bulgaria which wished to import something, requested it from the import agency which dealt with that particular product. Although the firm may have suggested a specific East German manufacturer, the State import agency was in no way bound to pay any attention to such a request. Since the nationalization of all industry, however, requests for imports seldom, if ever, include the name of the desired seller. The reason for this is that all those in Bulgaria who knew the comparative quality of manufacturers in any given field in any given country were kicked out of their jobs, and the people who are now running industry for the State do not have sufficient experience and/or knowledge to specify such a manufacturer.
5. Thus the State import agency acted as the buyer, and the end consumer in Bulgaria played no part whatsoever in procurement transactions. On the German side the picture was somewhat similar; in most cases the Bulgarian State agency dealt only with DIA. DIA would decide which East German manufacturer would furnish the goods, even though the Bulgarian import agency in its order had specified a particular manufacturer. In practice, DIA usually split the Bulgarian order among several manufacturers. When the merchandise was ready for delivery, the East German manufacturer notified DIA, which in turn notified the Bulgarian import agency. The import agency then arranged for delivery.
6. This rule had one exception. Since textile needles were such a highly specialized commodity, Industrialimport, the agency charged with procuring textile needles as well as other items, would deal directly with the German manufacturer, and vice-versa. This was carried to the extent that when any shipment of textile needles was ready for delivery, the manufacturer would notify Industrialimport directly and send only a copy of the invoice to DIA.
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- quality. Such inspection always took place in Sofia after delivery of the goods.
7. Under the plans for 1952, the above-mentioned exception would no longer be permitted. DIA has informed Sofia that all transactions will be handled through DIA. This will be enforced to the degree that Sofia will not be permitted to correspond with GDR manufacturers. DIA has stated that if Sofia continued to write to the manufacturers, DIA would issue strict orders to the manufacturer not to answer.
8. Until November 1951 financial settlement for goods was handled by letter of credit (akkreditiv). Under this system a transaction would be handled in the following manner. Say, for example, Industrialimport in Bulgaria had ordered paper from an East German manufacturer. When the manufacturer had the merchandise ready for delivery, he would notify the branch of DIA which handled paper, which in turn would notify Industrialimport

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in Sofia. The latter would then open the necessary letter of credit through the Bulgarian National Bank with the Deutsche Notenbank in Berlin. Deutsche Notenbank would credit DIA Papier, which, in turn, would order the manufacturer to ship the paper to Sofia. Industrialimport meanwhile would have issued shipping instructions to Derutra (forwarding monopoly in East Germany). The manufacturer, after receiving the order from DIA to ship the goods, would hand them over to Derutra, which would ship them to Desped, Sofia for Industrialimport.

9. In November 1951, settlement by "Takasso" was adopted in order to insure uniformity with the system used in other Satellite countries. Whereas under the "akkreditiv" method, settlement was effected while the goods were in the country of origin, under the "Takasso" arrangement settlement is made after the goods are received in Bulgaria. Thus when Industrialimport is informed that the merchandise is ready for shipment, it must notify DIA within ten days that it will accept the goods. Within ten days after receipt of the goods, Industrialimport must arrange for the Bulgarian National Bank to credit Deutsche Notenbank with the amount involved.

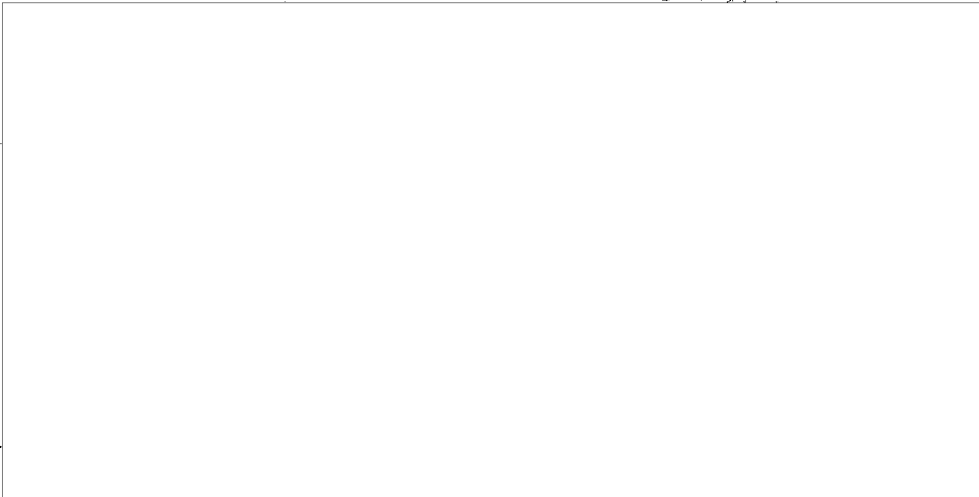
10. Bulgarian-East German trade agreements usually include a certain number of nonessential items for export from East Germany to Bulgaria. In the past, Bulgaria has frequently failed to place orders for such items, and as an excuse would show the Germans a better offer from a West German firm. Sometimes the Bulgarians would order such items, but when notified that the goods were ready for delivery, would delay taking delivery for several months or not take delivery at all, using as an excuse that the merchandise was inferior in quality or that they no longer needed it. In such cases Gruenes. (fnu), who was in charge of the Bulgarian section of the East German Ministry of Foreign Trade, would come to the Bulgarian Trade Mission in Berlin and attempt to

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sell more nonessentials. There was more pressure on the Bulgarians to take delivery of such nonessentials as specified in the agreement. In addition, a new arrangement was under negotiation for inclusion in the new trade agreement that would provide a penalty, consisting of a certain percentage of the purchase price against the buyer if he refuses or delays taking delivery of goods.

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