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CIA/RR-CB-61-30

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## CURRENT SUPPORT BRIEF

MULTILATERAL SETTLEMENTS INCREASING IN EASTERN EUROPE

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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MULTILATERAL SETTLEMENTS INCREASING IN EASTERN EUROPE

For the first time data have become available which indicate that there has been a great deal of activity going on to promote multilateral trade within Eastern Europe. According to the Bulgarian journal Vunshna Turgoviya the volume of goods agreed to be settled through multilateral clearing from September 1959\* to August 1960 amounted to 600 million rubles (\$150 million).\*\* By contrast, multilateral circuits arranged through ECE from July 1959 to June 1960 were valued at \$15.9 million, representing only one fourth of the total of balances originally offered for disposal through the ECE.

Although bilateralism is not being given up as the basic method of conducting trade in the Bloc, its disadvantages are now being recognized and the advantages of multilateralism extolled. In fact Vunshna Turgoviya goes so far as to say "The future belongs to multilateral payments." Multilateralism, it is now said, expands trade beyond the confines of trade agreements, is "more progressive," makes possible a "more meaningful" composition of trade turnover, reduces costs, and utilizes additional production capacity.

CEMA countries have had to restrict their trade because of the necessity to balance receipts and payments bilaterally. As an additional consequence, goods "have been directed from their natural channels and traditional markets... Such goods should not be allowed to leave the area of the socialist world market nor...be involved in a tripartite operation involving one or more capitalist countries."

The new view of multilateralism therefore is not one that is world-wide in scope but rather is confined to the Bloc. But within this area, Vunshna Turgoviya argues, multilateral trade should be unlimited. "Goods from the regular plans for export and import and goods destined for re-export must also be offered."

Since about the middle of 1959, Western European countries have drawn the Eastern European countries increasingly into trade and payments agreements which compel the cessation of bilateral balancing and the acceptance of automatic transferability of balances. (see Table) In these agreements, it is not the Eastern European currencies which are automatically transferable; accounts are held in the currency of the Western European country, and in this currency, which in most cases today is fully convertible, the creditor can demand payment. In practice, where full transferability of balances has been established, agreements typically have meant the termination of swing procedures and increased pressure on the Eastern countries to balance their accounts or make payments in convertible currencies. Since the latter is difficult for them to do, other solutions must be found. (Multilateral clearings through the ECE agent have not been a satisfactory solution, for these have declined steadily.\*\*\*) Hence, both from within and without the CEMA area, the pressures are on for multilateralization of trade.

\*The date of the first "trade meeting" sponsored by the CEMA Commission for Multilateral Clearing.

\*\*As of December 1960 not all shipments had been contracted for by the Bloc partners, and as yet no later information is available.

\*\*\*See CIA/RR-CB-61-17, 16 March 1961.

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## C-O-N-F-I-D-E-N-T-I-A-L

Extent of Automatic Transferability of Earnings and Balances  
of CEMA Countries in the ECE Region\*

	<u>Albania</u>	<u>Bulgaria</u>	<u>Czecho- slovakia</u>	<u>East Germany</u>	<u>Hungary</u>	<u>Poland</u>	<u>Rumania</u>	<u>USSR</u>
Austria								Partial
Belgium		Full	Full**	Full	Full	Full	Full	Partial
Denmark		Full**			Full**	Full		Full
France					Partial	Full**		Full**
West Germany	Full	Full	Full	Full	Full	Full	Full	Full
Greece								Partial
Iceland			Full	Full				Partial
Ireland	Full	Full	Full	Full	Full	Full	Full	Full
Italy	Full	Full	Full	Full	Full	Full	Full	Full
Netherlands	Full	Full**	Full**	Full**	Full**	Full**	Full**	Partial
Norway			Partial					Partial
Portugal			Partial	Partial	Partial	Partial		
Sweden					Partial	Full**		Partial
Switzerland	Full	Partial			Partial	Partial		Full
Turkey								Partial
UK	Full	Full	Full	Full	Full	Full	Full	Full
Finland			Partial	Partial		Partial		Partial
USA	Full	Full	Full	Full	Full	Full	Full	Full

\*Full indicates that all earnings and balances are transferable and Partial means that transferability is applicable to a portion or to obligatory settlement of debts beyond swing limits.

\*\*Since June 1959.

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Analyst: [REDACTED] 25X1A

Sources:

1. Vunshna Turgoviya, no. 1, 1961. U.
2. Economic Committee for Europe, Committee on the Development of Trade, Trade/106, add. 1, corr. 2, 6 Mar 61. U.
3. International Monetary Fund, Annual Report on Exchange Restrictions, no. 11, 1960. U.

*Dubinski*

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