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EASTERN EUROPE HELD IN SOVIET ECONOMIC GRIP

Czechoslovakia, Yugoslavia, and Rumania have good reason to fear the consequences of any economic pressures the Soviet Union and others of the "Warsaw Pact Five" may apply. The three countries, however, are vulnerable in different degrees to an interruption of trade.

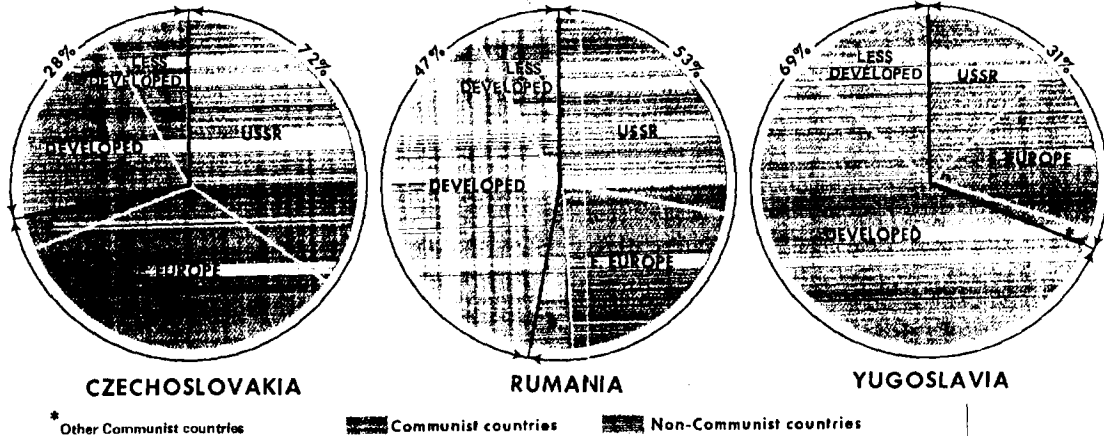
Czechoslovakia is dependent on the USSR and its allies for food imports and for raw mate-

rials for its industry. It lacks the hard currency to obtain these elsewhere. Since their intervention, the Soviets have agreed to provide Czechoslovakia with natural gas and increased deliveries of petroleum and grain. There is no evidence that the Warsaw Pact Five, buyers of most of Czechoslovakia's machinery and equipment exports, intend to cut back on orders. The poor quality of these items precludes their sale in Western markets.

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TRADE PATTERNS, 1967



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There are no authoritative reports of Soviet economic pressures against Rumania, but the economy is vulnerable to them. Its iron and steel, machine-building, metallurgical, and textile industries all depend on raw materials imported from the Soviet Union. On the other hand, Rumania is able to satisfy all of its food requirements, and also produces a surplus in foodstuffs, timber, and petroleum products, which are readily marketable in the West. Apparently in an attempt to capitalize on free world sympathy for its stand on the Soviet invasion of Czechoslovakia, Rumania has asked several Western European countries to purchase more Rumanian goods, primarily agricultural and processed food products.

Yugoslavia is the least vulnerable of the three to economic pressures from the USSR and other Eastern European countries. Selected Yugoslav industries, however, would be greatly affected.

The Soviet Union reportedly has already applied selective economic pressure by postponing discussion on a long-term extension of a Soviet-Yugoslav shipbuilding contract, which is important to the Yugoslav economy. Because of their poor quality, Yugoslav rolling stock, chemicals, machinery, and manufactured goods (largely textiles and shoes) would be difficult to sell in the West.

The Yugoslavs hope that discussions scheduled to begin next month with the EEC on a nonpreferential trade agreement will provide additional export opportunities in the Common Market. The new trade openings will be limited, however, because Yugoslav agricultural products are to be excluded from the discussions. A combination of Soviet pressure and an inability to increase its exports to the Common Market would aggravate economic difficulties in Yugoslavia and further threaten success of the economic reform program.

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