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WORKING PAPER  
AC/127-WP/431

ECONOMIC COMMITTEE  
THE ECONOMIC BALANCE  
NATO-WARSAW PACT  
Note by the Chairman

At its meeting on 12th June, 1975, the Economic Committee invited the Economic Directorate to prepare an outline of its proposed exercise on the economic balance between NATO and Warsaw Pact countries.

2. The attached Working Paper attempts to meet this request.

(Signed) J. BILLY

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N A T O R E S T R I C T E D

THE ECONOMIC BALANCE

NATO-WARSAW PACT

OUTLINE

I. PURPOSE

The purpose of the exercise is:

- (a) to review at regular intervals the Economic Committee's report on the security and political implications of the economic situation for NATO and the Warsaw Pact, in accordance with the intentions expressed in AC/127-D/508 of 23rd April, 1975;
- (b) to assemble data on the respective situations of the two Alliances which would be readily available should the situation require it;
- (c) to re-assess the balance of economic strength in the two areas relative to each other and as affected by their relations with the rest of the world.

II. METHOD

Method to be followed:

- (a) to use selected statistical indicators (economic and financial), as well as other sources of information such as policy declarations, social trends, appreciations by international organizations and specialised national bodies, etc;
- (b) to take 1973 as the base year(1) for comparison with subsequent periods;
- (c) on the basis of the above to evaluate the significance of the changes in the trends observed in the countries of the two Alliances and more specifically:
  - (i) in the NATO area - as a whole and sub-divided as follows:
    - North America
    - NATO industrialised European countries
    - NATO less industrialised countries;

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(1) 1973 marks a turning point for world economy, which since the end of that year has been going through a series of substantial changes

- (ii) in the Warsaw Pact area - as a whole and sub-divided as follows:
- USSR
  - the more industrialised East European countries (GDR, CSSR, Poland and Hungary)
  - the less industrialised (Romania and Bulgaria);
- (d) to assess the implications for the economic balance of changes in:
- terms of trade, monetary and reserve positions of NATO countries, Warsaw Pact countries and the rest of the world;
  - East-West trade (distinguishing between USSR and Eastern Europe);
  - economic relations between third countries and NATO countries on the one hand, and Warsaw Pact countries on the other. These third countries might be grouped as follows:
    - (i) OECD countries not belonging to NATO(1);
    - (ii) China;
    - (iii) rest of the world (distinction to be made between LDC's and oil producing countries)(1).

### III. THE INDICATORS

The statistical indicators proposed for NATO and Warsaw Pact countries are set out in Annexes I and II. It should be noted that the data for the two areas need not be the same, neither should they be necessarily comparable to each other as the purpose of the exercise is mainly to assess the factors affecting economic and military strength (actual and potential) within each of the two Alliances(2).

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- (1) For obvious reasons attention will only be concentrated on particular countries of special importance in this connection
- (2) In this study emphasis will be laid in examining indicators on marginal changes likely to show either an alteration in or an acceleration of the trend. This does not mean that no account will be taken of the respective potentials as they exist at the time of each review (population, land area, natural resources, stage of development, etc.)

As regards the indicators to be used in the case of third countries, these would be drawn for: (i) trade from published national and international statistics, (ii) aid (economic and military) from reports received from Delegations on Communist penetration and from OECD reports as regards Western countries assistance, (iii) output and prices of petroleum and critical raw materials from up to date sources currently available.

IV. APPRECIATION

- (a) Identify developments (factors, sectors, geographical areas) liable to affect the economic balance;
- (b) explain the reasons behind the changes;
- (c) appraise the economic and security implications.

V. PRESENTATION OF THE FINDINGS

- (a) For each NATO and Warsaw Pact country establish sets of economic indicators and supporting records (background material for use by Economic Directorate) which could be useful both for economic assessments and to evaluate the relations between economic capabilities and defence requirements;
- (b) prepare comprehensive data and evaluations for each of the groups of countries referred to under II. above;
- (c) write general assessment (in principle twice yearly), with summary and conclusions.

VI. TIME SCHEDULE OF THE EXERCISE

Subject to availability of data and contributions from National Delegations, the first exercise should be finalised in the autumn; following reports would be issued, in principle, at six monthly intervals.

N A T O R E S T R I C T E D

NATO COUNTRY: .....

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Economic Indicators	1973	1974	% change 1973/ 1974	1975 Quarterly changes				Significance S.T., M.T. L.T.
				1st quarter	2nd quarter	3rd quarter	4th quarter	
Gross National Product (m.p.) current prices								
Gross National Product real growth								
Gross National Product deflator								
Agricultural production								
Industrial production								
Industrial productivity								
Industrial capacity utilization								
Total private consumption								
Total labour force								
Unemployment								
Vacancies								
Foreign trade (exports and imports)								
Current balance of payments								
The basic balance of payments								
Monetary reserves								
Consumer prices								
Wholesale prices (industrial products)								
Wage rates (hourly earnings)								
Public expenditures								
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Defence expenditures in current prices								
Defence share of GNP (m.p.)								
Defence expenditures per capita								
Share of total defence expenditure of:								
Personnel								
Operating								
Capital								

WARSAW PACT COUNTRY: .....

Economic Indicators (A) Growth Indicators	1973	1974	% Change 1973/74	1975(1)	Significance
1. <u>NET MATERIAL PRODUCT</u> (a) produced (b) distributed (i) consumption (ii) net capital formation					
2. <u>INDUSTRY</u> Gross output Labour Productivity					
3. <u>AGRICULTURE</u> Gross output Arable products Livestock products					
4. <u>WAGES</u> (average monthly) - nominal - real					
5. <u>RETAIL TRADE</u> Total turnover (a) foodstuffs (b) other items					
6. <u>FOREIGN TRADE</u> Total exports Total imports COMECON East-West GNP					
7. <u>GNP ESTIMATE</u> (Western)(2)					
8. <u>DEFENCE VOTE</u> (Official)(3)					

- (1) For the most part performance figures are available only over a year. Some data are available in the half-yearly plan results - indicators of industrial output more frequently
- (2) The GNP growth estimates tend to be lower than that of official NMP
- (3) The official defence vote is not regarded as a true indicator of defence outlay

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(B) Consumption per head 1973(1)

	USSR	CSSR	GDR	Poland	Hungary	Romania	Bulgaria
Cereal products kg							
Potatoes kg							
Vegetables kg							
Fresh fruit kg							
Sugar kg							
Meat kg							
Eggs units +							
Milk litre							
<u>Per 1,000</u>							
Radio sets							
TV sets							
Washing machines							
Sewing machines							
Refrigerators							
Bicycles							
Cars							

(1) Money values in Warsaw Pact countries may be misleading; consumption per head figures facilitate comparison between countries and show progress over time

(C) Output per head(1)

	USSR	CSSR	GDR	Poland	Hungary	Romania	Bulgaria
<u>PRODUCTION</u>							
<u>Per head</u>							
Electricity      kWh							
Coal              kg							
Petroleum        kg							
Steel             kg							
Cement            kg							
Sulphuric acid   kg							
Mineral fertiliser kg							
Paper             kg							
Cotton fabrics    (m <sup>2</sup> )							
Woollen fabrics   (m <sup>2</sup> )							
Shoes             pairs							
Sugar             kg							
<u>Per 1,000</u>							
Cars, Lorries							
Metal cutting machines							
Tractors							

(1) Money values in Warsaw Pact countries may be misleading; output per head figures facilitate comparison between countries and show progress over time

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