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RE-EXAMINATION OF THE ACTIVITIES OF THE  
COMMITTEE OF ECONOMIC ADVISERS  
AND ITS SUB-COMMITTEE

*+ Addendum*

Report by the Committee of Economic Advisers

The Committee has re-examined its activities with a view to simplifying its procedures and concentrating its efforts on activities corresponding most closely to the needs of the Council and Delegations. If the present report which sums up the results of this re-examination and suggests a few changes (see paragraph 17) is endorsed by the Council, it would serve as a guide for the future work of the Committee and the Sub-Committee.

2. Annex I of this report reviews the past work of the Committee of Economic Advisers and its Sub-Committee, Annex II the future work, Annex III gives a proposed timetable of work and Annex IV sets out a scheme of work on the economies of Communist countries.

I. TASKS OF THE COMMITTEE

3. The Committee's mandate was given by the Council on 23rd January, 1957(1), in accordance with the recommendations made by the Committee of Three. It reads:

"The Committee will study and report to the Council on economic issues of special interest to the Alliance, particularly those which have political or defence implications or affect the economic health of the Atlantic Community as a whole. Such studies or preparatory work may be assigned to it by the Council or authorised by the Council at the request of the Secretary General or of the Committee itself."

There is no need to modify the terms of this mandate which appear sufficiently flexible.

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(1) C-R(57)4

4. Within the scope of the mandate, a distinction has been drawn between two main tasks:

- (a) to supply, as required, the Council with economic assessments and advice either on current policy issues or on more general problems;
- (b) to establish a pool of economic data with a view to providing a common interpretation of the situation for the use of national delegations.

5. For the sake of identity between English and French terminology it is suggested that in English the Committee be called "Economic Committee"(1).

## II. THE SUB-COMMITTEE

6. On 1st December, 1954(2), the Council set up a Working Group for the purpose of continuing studies initiated by the International Staff on the comparison of economic trends in NATO and European Communist countries. On 19th June, 1956(3), the Council extended further the scope of this Working Group which became the Committee on Soviet Economic Policy. Following the creation in 1957 of the Committee of Economic Advisers, the Council, on 23rd April, 1958(4), agreed that the Committee on Soviet Economic Policy would act as a Sub-Committee under the general direction of the Committee of Economic Advisers.

7. In the light of the foregoing and of developments since 1958, it might be suggested that:

- (a) the Sub-Committee be renamed the "Economic Sub-Committee";
- (b) its terms of reference should read:
  - (i) generally speaking the Sub-Committee should facilitate the work of the Economic Committee by collecting data and factual information and, in particular, by organising meetings of experts;
  - (ii) its work comprises: periodic reports on East-West relations, on activities of Communist countries in the Third World, on comparisons between economic trends in NATO and in Communist countries; the study of Communist economies; special studies;

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(1) At the moment the Committee is called "Comité Economique" in French and "Committee of Economic Advisers" in English.  
(2) C-R(54)45, Item III  
(3) C-R(56)32  
(4) C-R(58)28

- (iii) it shall undertake any other task entrusted to it by the Economic Committee or asked for by other bodies of the Alliance.

### III. TYPES OF STUDIES

8. As hitherto there will essentially be three types of studies:

- (a) periodic reports, according to established procedures, on export credits to Communist countries, on the development of trade with these countries and on credits and aid granted to less-developed countries by Communist countries (Annex I, Section I);
- (b) "vertical" studies of the economic situation in the various Communist countries (Annex I, Section II). In addition, once a year, in advance of the December Ministerial session, a brief general review of economic developments in Communist countries would be undertaken;
- (c) "horizontal" studies of particular problems concerning several Communist countries or of more general interest (Annex I, Section III). The decision to undertake such studies would be taken, as formerly, on an ad hoc basis.

9. The suitability of existing procedures for the periodic reports mentioned in 8(a) above will be re-examined as new reports along established lines come before the Committee (Annex II, Section I).

10. Guidelines indicating how studies mentioned in 8(b) above should be carried out are given below in paragraphs 12 to 14. A proposed schedule for future studies is given in Annex II, Section II of this report.

11. Annex II, Section III, of the report makes some suggestions concerning the studies referred to in 8(c) above for the coming months.

### IV. METHODOLOGY OF COUNTRY STUDIES

12. It is not proposed to alter the existing arrangement whereby the Committee undertakes a review of each Communist country every two years but a more thorough analysis of economic data would be attempted.

13. Two distinct procedures would be used in future. One would primarily aim at up-dating facts and figures. It would not require special expertise and should be less time-consuming than at present. The other, on the contrary, would aim at a more thorough examination than hitherto of the economies of certain Communist countries and would require the participation of experts. The Economic Directorate would subsequently prepare a comprehensive report and a draft summary which, after examination by the Committee, might be forwarded to the Council.

14. Country studies prepared by Delegations or the International Staff should, as far as possible, be prepared on a standardised basis, as tentatively outlined in Annex IV, with a view to facilitating comparison between countries and between periods. Graphical presentation of data will be used more often. References and sources of information will also be given more frequently.

V. CONCLUSIONS AND RECOMMENDATIONS

15. The Committee has come to the conclusion that the present report, together with the Annexes, should be submitted to the Council for approval, on the understanding that activities mentioned in Annex I and which have not been referred to in the above paragraphs would continue as before unless the Council decides otherwise.

16. Furthermore, each year, new subjects for study which might be included in the programme of future work of the Committee and its Sub-Committee could be placed on the Council's Agenda for examination.

17. The Council is invited, after examining this report, to:

- (a) endorse the terms of reference of the Sub-Committee as defined in paragraph 7;
- (b) decide that in English the Committee will be called "The Economic Committee" and that the Sub-Committee will be called "The Economic Sub-Committee";
- (c) agree that the report should serve as a guide for the Committee's future activities;
- (d) approve future work envisaged by the Committee and the Sub-Committee as outlined in Annex II.

(Signed) Y. LAULAN  
Chairman

NATO,  
1110 Brussels.

PREVIOUS ACTIVITIES OF THE COMMITTEE OF  
ECONOMIC ADVISERS AND OF THE SUB-COMMITTEE

I. PERIODICAL REPORTS

1. Export credits and guarantees for export credits granted to Communist countries  
(Half-yearly Reports)

In accordance with document C-M(62)30, member countries will continue to forward the information described in AC/127-D/244 to the Economic Directorate, which will submit half-yearly reports to the Committee (the last report to the Council covered the period ending on 31st December, 1968, and was circulated as C-M(69)27).

This document might constitute the basis of a study on the external indebtedness of Communist countries.

2. Petroleum imports from Communist countries  
(Yearly Report)

In accordance with the procedure laid down in AC/127-D/181, member countries have been reporting twice a year on their petroleum imports from Communist countries. The Committee took note on 16th October, 1969, of the latest of these reports, and it was agreed that henceforth this report should be submitted only once a year and in a shortened form. It would be prepared on the basis of statistics published by the OECD.

3. East-West Trade  
(Yearly Report)

On 3rd September last, the Council noted the sixth report by the Committee on this subject (C-M(69)35). A yearly statistical report on the total value of this trade will be prepared as soon as complete data on 1969 become available.

On the basis of available information on the commodity pattern of this trade in 1968, (AC/127-D/266), the Economic Directorate proposes to draft a short analytical study. The latest report in this series to be submitted to the Committee concerned the trade performance in 1967 and was circulated as AC/127-WP/234.

4. Trade Agreements

In accordance with the rules laid down in Annex I to document C-M(62)29 member countries will continue:

- (a) to submit to the Committee of Economic Advisers information on inter-government commercial negotiations with Communist countries and on agreements concluded in this connection;

- (b) to deposit with the Economic Directorate the full text of these agreements and subsequent protocols or supplements for consultation by members of the Committee.

The International Secretariat prepares, on a yearly basis, an index of the information made available in accordance with the above procedure (latest index: AC/127-WP/246).

5. Economic activities of Communist countries in developing countries  
(Two-yearly Report)

The International Secretariat is working on the twelfth report covering the period 1967/1968. The previous report on this subject, which covered the years 1965 and 1966, was submitted to the Council under reference C-M(67)55.

6. Comparison of long-term economic trends in NATO, Communist and Developing countries

Every three or four years, the Committee examines a study made by the Economic Directorate which aims at comparing the long-term economic trends in member countries with those revealed by an analysis of the economic evolution in Communist countries and seeks to assess likely developments over the next decade. (For latest report of this nature submitted to Council, see C-M(66)95).

## II. STUDIES OF COMMUNIST ECONOMIES

In 1969, the following studies were undertaken:

Studies on the economic vulnerability of certain countries of Eastern Europe:

Yugoslavia	30. 1.69	} C-M(69)14
Rumania		
Albania		

Country Studies (examining sessions)

Rumania	20. 3.69	AC/89-WP/269
Communist China	5. 6.69	C-M(69)61
Poland	25. 9.69	AC/89-WP/284
USSR	9.10.69	AC/127-D/273
Hungary	30.10.69	AC/127-D/272

III. SPECIAL STUDIES

In the field of the economics of defence, the Committee collects from time to time information from member countries on the resources they believe to be able to allocate to defence during the next few years and until 1978 (see AC/127-D/262 - April 1969).

The Committee has also undertaken, from time to time, an analysis of the defence effort of member countries in relation to their economic situation (see C-M(66)99).

In addition, the Committee examines from time to time the demographic trends in Communist countries on the basis of studies prepared by an ad hoc Group of Experts. The main findings of the Group have been reported by the Committee to the Council (C-M(63)82 and C-M(65)16).

FUTURE WORK OF THE ECONOMIC COMMITTEE  
AND OF ITS SUB-COMMITTEE

I. PERIODIC REPORTS

No change, except in special cases.

II. REVIEWS OF COMMUNIST ECONOMIES

A report prepared by the German Delegation on the Soviet-occupied Zone of Germany was, with the participation of experts, examined in January 1970.

A draft on Bulgaria from the same Delegation will be examined a month later.

A report on the situation in Czechoslovakia will be prepared by the International Secretariat by the end of June 1970 to supplement the note already circulated to members of the Committee (AC/127-N/47).

In accordance with precedent, a general report will, during the second quarter of the year, bring to a close the third cycle of reviews of the economies of Communist countries. It will then be for the Committee to choose the order in which countries should be studied in the new cycle.

The United States Delegation is enquiring into the possibility of providing a report on Cuba. For its part, the Economics Directorate will bring up-to-date earlier reports on Albania (C-M(66)6 and C-M(69)14).

The International Secretariat will, in advance of the December 1970 Ministerial Session, prepare a draft synopsis of recent trends in the Communist economies.

III. SPECIAL STUDIES

The importance of the subjects listed below varies greatly; some could be dealt with fairly summarily, others might give rise to a series of studies by the Committee.

A. Studies on the Economics of Defence

(i) Economic consequences of a balanced reduction of forces and of defence expenditures

On the basis of the different assumptions currently being considered, an attempt might be made to assess the economic advantages of balanced force reductions. This might help in determining the influence of economic factors on the policy of Eastern countries.

At a later stage a parallel evaluation of the economic consequences to the West might be envisaged.

However, such a study can only be initiated on the basis of agreed models.

(ii) Defence Budgets and Spending (Methodology for estimating Communist countries' GNP)

A report on Western estimates of defence expenditures in Communist countries was made to the Council in May 1968 (C-M(68)23). It would appear appropriate to prepare a new report on the basis of studies reportedly carried out in several member countries. However, considerable divergencies have been found between the Western estimates of GNP in Communist countries and a meeting of experts has therefore been envisaged. If possible, it should be held prior to a meeting on military expenditures in Communist countries.

B. Studies on East-West Economic Relations

(i) Potentialities of East-West Trade

In view of the Prague Declaration of the Warsaw Pact countries which proposed to discuss economic problems at a possible European Security Conference, the Committee's recent report (AC/127-D/267) could be revised with a view to examining thoroughly the potentialities of East-West trade on the hypothesis of the most liberal Western policy. A study of this kind might also throw some light on possible economic motivations behind the recent moves by the Warsaw Pact countries.

(ii) Balance of payments, external indebtedness, and scientific and technical co-operation

Studies on East-West economic relations would also deal with the problems of the balance of payments of Eastern countries, the extent of their external indebtedness as well as with the question of scientific and technical co-operation.

Recently, this type of co-operation between certain member countries and the socialist countries has developed quite substantially. On the basis of this experience, an attempt might be made to assess the advantages, and the possible disadvantages, to the West of such co-operation, and the obstacles which hinder its growth.

Within this general framework, the Committee of Economic Advisers has requested the International Secretariat to outline a number of projects, the study of which could be entrusted to member countries. On the basis of the papers prepared by the latter, a general study could be carried out during the second half of 1970.

C. Studies on the Internal Economic Situation

*reading?* (i) ~~Economic problems~~ Developments in the Soviet Union over the period 1960-69, first in respect of oil and gas, later in respect of coal and electric energy could be considered under the following headings:

Production and transport;

Domestic consumption;

Exports (to other Communist countries; to industrialised non-Communist countries; to less-developed non-Communist countries);

Imports.

At a later stage, a similar study on the situation in the smaller Warsaw Pact countries might be undertaken.

The United Kingdom Delegation has offered to prepare a background paper on these problems which would be available in May 1970.

(ii) Demographic Problems

This question has already been examined by the Committee on a number of occasions. It is currently considering - in the light of suggestions from various national authorities - the need for a new meeting of the Ad Hoc Group of Experts on demographic trends in Communist countries.

Should it be so decided, the Ad Hoc Group could meet during the second half of 1970. In this connection, the German Delegation has offered to make available to the Committee, some time during the second half of the year, a demographic study of the Eastern countries.

(iii) Economic Reforms

This question has already been examined several times on the occasion of the reviews of the Communist countries' economy. As this problem is common to all these countries, an overall study might be useful.

Broadly, its aim would be to shed light on the economic factors which brought about the implementation of the reforms, the way in which these are being carried out in each country, the results already achieved, etc. An attempt might also be made to establish a link between these reforms and the political situation in the socialist countries.

IV. INFORMATION PAPERS

These papers are distributed for the information of members of the Committee and are only discussed at the request of a national representative. They do not in any way commit member countries or the Organization.

Certain papers have already been distributed on oil problems in certain areas, another is being prepared on the question of ruble convertibility and a possible membership of the USSR to the IMF. It appears that the Communist countries are suffering from their own form of inflation, and it might be interesting to examine the systems and analyse the reasons for this phenomenon.

PROPOSED SCHEDULE IN 1970 OF STUDIES OF  
COMMUNIST ECONOMIES AND OF SPECIAL STUDIES

	<u>Studies of Communist</u> <u>economies</u>	<u>Special Studies</u>
<u>January</u>	Soviet occupied Zone of Germany	
<u>February</u>	Bulgaria	Meeting of experts on Communist countries
<u>March</u>	General report closing the 3rd cycle of review of Communist economies	
<u>April</u>	Albania	
<u>May</u>	Czechoslovakia	The energy situa- tion in the USSR
<u>June</u>	Cuba (possibly)	
<u>July/September</u>	Possible start of the 4th cycle of studies of Communist economies	Possible meeting of the Ad Hoc Group on demographic trends in Communist countries
<u>October</u>		Overall study of East-West economic relations
<u>November</u>	Report on recent economic trends in Communist countries	

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LAYOUT FOR COUNTRY REPORTS

Each chapter should comprise sections covering past trends, current developments and future prospects.

BACKGROUND INFORMATION

1. Natural resources:
  - size, location, climate, and relative importance of the country;
  - arable land, forests;
  - minerals, raw materials available, new discoveries.
2. Human resources:
  - population (size, growth, age structure, active population in town and country);
  - education and training.

I. ECONOMIC DEVELOPMENTS

1. Economic growth:
  - (a) national income: total, per head, trend
    - (i) according to national accounting system;
    - (ii) estimates according to western system;
    - (iii) comparisons with other countries.
  - (b) investment
    - (i) allocation to sectors;
    - (ii) as percentage of national income;
    - (iii) productivity of capital.
2. Consumption, incomes and standard of living.
3. Wages and Prices.
4. Employment and Productivity.
5. Long-term planning and policies.
6. Economic reforms.

II. PRODUCTION SECTORS

1. Agriculture:

- (a) significance of agriculture in the economy
  - contribution to national product, long-term trends, self-sufficiency in food.
- (b) Structure:
  - collectivised/private plots, size of exploitation unit, degree of mechanisation, manpower productivity in agriculture, use of up-to-date techniques (fertilisers, improved seeds, etc.), irrigation, land improvement.
- (c) Production:
  - total production, crops, livestock, fishing, forestry.

2. Industry:

- (a) stage of industrialisation reached: contribution of industry to national product, significant long-term trends.
- (b) Structure:
  - relative priority accorded to sectors (e.g. heavy, light). Technological level.
- (c) Output of sectors:
  - energy, coal, fuel, gas, electricity, mining, steel - iron, machine tools, engineering, chemical industries, light industry - textiles - food, building industry.

3. Services:

- Transport and storage i.e. for crude oil and fuels, etc.
- Structure - rail, road, water, air and harbours (handling equipment).

4. Domestic trade and other services.

III. BUDGET AND FINANCES

1. Budget receipts and expenditures.
2. Budgetary investments and public borrowing.
3. Military expenditures.
4. Public sector and public enterprises.
5. Social security system.

IV. MONEY AND CREDIT

1. Money supply and policy.
2. Structure of the banking system.
3. Bank credits and savings.
4. Gold (production and reserves).

V. FOREIGN TRADE AND PAYMENTS

1. Export and import trends.
2. Exchange controls and arrangements.
3. Balance of payments; reserves and external indebtedness.
4. Capital movements and aid.
5. Trade policy and agreements.

SUMMARY AND CONCLUSIONS

1. Recent economic trends and problems.
2. Economic policies and prospects; implications for NATO.
3. Gaps in available statistics and data.