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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

DEFENCE EXPENDITURE IN EASTERN EUROPE

Note by the United Kingdom Delegation

Announced military expenditures in current prices and as a percentage of total state budgets are shown in the following tables:

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Bulgaria (million leva)	260	231	240	244	264
Czechoslovakia (million crowns)*	10948	10220	10800	12373	12900
Sov. Zone Germany (million DME)	2800	2800	3300	3600	5800
Hungary (million forints)	6150	5757	5219	5559	6400
Poland (million zlotys)	22233	23459	25276	26450	29100
Rumania (million lei)	4110	4540	4789	5000	5200

As a percentage of total budget expenditures

Bulgaria	8.9	7.4	6.5	6.0	6.0
Czechoslovakia	8.4	8.8	7.1	8.7	8.9
Sov. Zone Germany	4.6	4.5	5.0	5.0	8.7
Hungary	6.5	5.9	5.5	5.3	4.6
Poland	8.2	8.1	8.4	8.4	9.4
Rumania	4.5	4.7	4.5	4.0	3.7

* Includes expenditure for public security.

2. Although the above figures represent planned expenditures, data available for an earlier period generally reveal a close relationship between planned and actual expenditures, and this is likely to apply to the period 1964/1967 also. In contrast to the uniformly rapid growth of defence spending between 1960 and 1963, the pattern of military budgets has since been rather mixed. It is possible that payments for imported military equipment may have been largely responsible for much of the change in defence spending during this period.

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Changes in domestic prices and wages may have been of some significance in the Soviet Zone of Germany and more recently in Czechoslovakia but, in general, prices for military equipment and military pay rates have probably been relatively stable. In addition, changes in force levels may have been too small to have significantly affected defence allocations.

3. On the whole, the overt budget figures for defence probably cover the bulk of military expenditures, including all operating costs (pay and allowances, housing and food, administration etc.), most procurement costs (weapons, ammunition, vehicles etc., both imported and home produced), and the construction of military facilities. Personnel costs are estimated to absorb about one third of announced military spending, while imports of military equipment may account for between one third and one half, depending on the degree of dependence on imports. Since the East European countries, unlike the USSR, do not support large research and development programmes, the residuals are probably sufficient to cover the main burden of other requirements.

4. Although the budget figures for defence provide some indication of general trends, they do not accurately measure the real burden of defence spending on the economy. However, the estimated cost of defence is believed to represent no more than 5 to 6 percent of GNP (Gross National Product), and the East European countries could probably accommodate considerable increases in defence spending.

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Brussels, 39.