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COMMITTEE OF ECONOMIC ADVISERS

LONG-TERM ECONOMIC TRENDS IN NATO COUNTRIES
AND IN THE COMMUNIST BLOC AND SOME IMPLICATIONS
FOR THE ATLANTIC ALLIANCE

Note by the Chairman of the Sub-Committee
on Soviet Economic Policy

Studies on comparative economic trends in the NATO countries and in the Soviet bloc have been prepared from time to time by the Sub-Committee on Soviet Economic Policy. Since the last report (C-M(60)39) on the subject, significant developments have taken place, both in the NATO countries and in the Communist bloc; in particular, the OECD members have adopted as a target a growth of their economies by 50% between 1960 and 1970.

2. For the establishment of the attached report, the Sub-Committee has kept document C-M(60)39 as a basis. As previously, the projections extend to 1975, but the base year has been changed from 1958 to 1960. In addition, attention has been drawn to the prospects for economic growth during the same period of the less-developed countries as compared to the industrialised countries - whether they belong to the Free World or the Communist bloc - since these developments may have implications for the Atlantic Alliance.

3. Annex I to C-M(60)39, "Methods and Sources", has been revised, although fundamentally the same methods as were described earlier have been followed in the present document. Provision has been made in this Annex to cover the less-developed countries as well. The tables annexed to document C-M(60)39 have been revised accordingly, and Annex III has been brought up to date.

4. The new report shows that the findings of C-M(60)39 remain substantially valid, although figures now included have been corrected in the light of recent economic developments. The main features which emerge from the revision are the following:

- (1) the forecasts regarding the USSR and the European satellites remain basically unchanged;

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- (ii) forecasts of growth for NATO countries have been raised - slightly in the case of the United States and Canada, and more significantly in the case of NATO Europe - taking account of the target adopted by the OECD;
- (iii) in the light of Communist China's recent economic difficulties, the growth rate forecast in 1960 has been reduced;
- (iv) a further widening of the gap between the standards of living of the industrialised countries and those of the less developed ones seems to be unavoidable, both within the Free World and the Communist camp;
- (v) the relative position of the NATO countries as compared to the Sino-Soviet bloc might be slightly better from the point of view of the West than could be foreseen in C-M(60)39.

5. Needless to say, a study of this kind implies much guesswork. It is to be noted also that several months have elapsed since the preparation of the first draft of the attached report and that the document cannot pretend to be completely up to date. However, the Sub-Committee has decided to transmit it to the Committee of Economic Advisers for further consideration.

(Signed) A. VINCENT

OTAN/NATO,
Paris, XVIe.

LONG-TERM ECONOMIC TRENDS IN NATO COUNTRIES
AND IN THE COMMUNIST BLOC
AND SOME IMPLICATIONS FOR THE ATLANTIC ALLIANCE (1)

Report by the Sub-Committee on Soviet Economic Policy

Summary

The purpose of the present paper is to examine the prospects for future economic growth in NATO countries and in the Communist bloc. In view of the vital importance to NATO of events in the underdeveloped areas of the world, it was found advisable to supplement the comparative study with a brief section on the implications for the Atlantic Alliance with respect to the developing countries during the period in question. There are, of course, some other implications which merit further study.

2. The main conclusions of the paper are as follows:

Relative position of NATO countries and the Communist bloc

- (a) the relative position of the Soviet bloc(2) economy as compared with that of NATO countries will further improve in the period ending in 1975; by 1975, the combined national product of the Soviet bloc countries will exceed by about 8% that of European NATO countries; it will constitute 44% of the combined national products of all NATO countries as compared with 35% in 1960;
- (b) however, the absolute difference between the combined national products of the Soviet bloc and those of all NATO countries will increase from \$589 billion in 1960 to \$938 billion in 1975;
- (c) the Soviet bloc growth will be especially rapid in the industrial sector which will expand substantially faster than that of NATO countries;
- (d) Communist China will probably emerge as a major industrial power in the world, although it will continue to lag far behind in terms of advanced technology and per capita output;

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- (1) The present note brings up to date the previous studies on comparative economic trends in the NATO countries and in the Soviet bloc (see C-M(54)99, C-M(55)119, C-M(56)131 and C-M(60)39).
 - (2) The Soviet bloc should be understood to include Russia and the European satellites. References to Communist China and the Asian satellites are made separately.

- (e) the difference in standard of living between North America and most European NATO countries on the one hand and the Soviet bloc on the other hand, will be reduced, although the Western advantage will not disappear;
- (f) by 1975, European NATO countries as a whole will still have a higher standard of living than the Soviet bloc, but it is significant that the standard of living of the USSR already exceeds that of some European NATO countries;
- (g) there is not the remotest chance that the USSR will overtake the United States in per capita industrial output by 1970 or will achieve "material abundance" by 1980, as promised in the new Communist Party Programme;
- (h) the wide margin between the Soviet and the United States rate of increase in output per head, characteristic of the decade 1951-1960, will probably be reduced; the Soviet rate of expansion will decline somewhat, while that of the United States is expected to rise.

Implications with respect to developing countries

- (i) the trends discussed above will have a profound influence on the less developed areas of the world. In these areas the problem of whether or not a noticeable measure of economic progress can be achieved under conditions of freedom will be a major factor in the global struggle against Communism;
- (j) a further widening of the gap between the standards of living of the industrialised countries and the less-developed ones during the next fifteen years appears, however, to be unescapable, both within the Free World and the Communist camp. Even a much more rapid rate of growth in the less-developed countries than in the more advanced ones does not permit to avoid this process, in view of the low starting point from which the former countries have to build up their economic expansion and the pressure resulting from their fast increase in population. This fact should, however, hardly serve communist propaganda since the gap between the Soviet bloc and the under-developed countries (although smaller in absolute terms) is to increase even faster than between the latter countries and the industrialised Free World;
- (k) the rapid and continuous growth of output, especially in heavy industry, in the Sino-Soviet bloc countries will no doubt continue to impress the peoples of the newly-developing countries. The Communists will exploit this

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by every means of propaganda in an attempt to demonstrate the superiority of Communism, although the success of such efforts will undoubtedly be hampered if the recent series of failures in agriculture are not overcome. At the same time, the growing economic potential of the bloc will increase the material and human resources available for the Soviet economic offensive in those countries;

- (1) the Soviet bloc devotes a much smaller fraction of its resources than the NATO countries to economic assistance to the less-developed countries and prospects for Soviet trade with the latter are limited by the Soviet bloc's tendency to autarchy. The less-developed countries cannot therefore reasonably expect to derive the same benefits from progress achieved in the Soviet bloc countries than from the economic expansion of the industrialised Free World;
- (m) the Free World is becoming increasingly conscious that it is challenged to demonstrate to the peoples of the developing countries that it is possible to fulfil their legitimate aspirations under conditions of freedom. The Western countries are making renewed efforts to implement policies which should ensure the growth and stability of their own economies and have also beneficial effects in the economic development of non-committed countries. Results achieved in economic growth by several countries of the Free World could, if properly exploited, represent a valuable counterpoise to the Communist claim of economic superiority;
- (n) though the growth expected in NATO countries will probably lead to an increase in their imports of traditional products from developing countries, this trade increase by itself will certainly not be sufficient to finance the development needs in most of these countries;
- (o) therefore, the policies adopted by the Western governments with regard to development assistance and trade will determine to a large extent whether the less developed countries will be able to achieve economic progress in freedom.

Basic assumptions

3. The estimates of future economic growth up to 1975 are based on the following assumptions:

- (a) that the present geographical boundaries of the Atlantic Alliance and of the Communist bloc will remain unchanged;

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- (b) that there will be no major war and no serious internal political disturbances;
- (c) so far as the NATO countries are concerned, that there will be no deep and widespread economic recession and no disruption of raw material supplies;
- (d) that overtaking the West will remain a primary goal of economic policy of the Soviet bloc.

4. Any attempt to compare levels of total output in different countries raises special difficulties, especially between countries whose economic structures differ widely, as do those of the NATO and Communist countries. The composition of output varies between countries, reflecting notably differences in techniques and tastes and the prices paid for specific goods and services. Different methods of comparison are possible, which will give rise to somewhat different results. Although estimates in this paper have been given as single figures and not as ranges, they should be interpreted allowing for the margin of uncertainty which is inevitable in forecasts of this kind. However, it is felt that the difficulties in comparing countries with different economic structures and the margin of uncertainty in forecasting do not affect the main conclusions of the paper.

5. The table below shows for NATO countries and the Communist bloc rates of growth in recent years as well as the rates on which forecasts in this paper have been based.

NATO and Communist bloc annual rates of expansion of GNP

	1952-60 ⁽¹⁾	1961-75 ⁽²⁾
United States and Canada	2.8%	4.1%
NATO Europe	5.2%	4.1%
USSR	7.2%	5.8%
European satellites	6.5%	5.0%
Communist China (1953-39)	6.5%	7.0%

Differences in NATO and Communist bloc rates of expansion

6. The USSR economy has been expanding very fast in recent years. Western students generally estimate this rate of growth at 6% to 7% during the years 1952 to 1960. The Soviet

- (1) The rates in this column are average annual compounded rates of change for the period from 1952 to 1960 inclusive; the base figure is the GNP for 1951,
- (2) For the projections, 1960 has been used as the base year.

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rate of economic growth seems to have exceeded that of all NATO countries, with the single exception of the Federal Republic of Germany.

7. The USSR economy's rapid progress has been made possible by the ability of the government in the past to depress the standard of living, and more recently to curb its growth and to devote to investment a large share (about one-quarter) of total resources. Investment has been concentrated on sectors most likely to contribute to increases in output, in particular in basic industry and in machine building industry; investment in light industry, in housing, and other social investment has been kept low, though during the current seven-year plan period (1959-1965) more attention has been given to these sectors. The large natural resources of the Soviet Union have facilitated industrial growth; this growth has also been assisted by large transfers of surplus labour from agriculture, and until recently by a rapid increase in the total labour force.

8. The growth of the USSR economy has been particularly rapid in the industrial sector; Western estimates give rates of 8-9% per year, and it is to be expected that industrial production in the USSR will expand by about 7% per year in the future. Although the growth rate is thus declining, it will still be substantially above that of NATO countries.

9. It is to be expected, however, that the Soviet rate of economic growth will decline in the future. It is here assumed to be about 6% up to the mid-1960s, and to give an average increase of 5.8% over the period as a whole. New social forces are exerting themselves which the present leaders are trying to direct and contain. The Government has, however, been led to give more consideration to the needs of the Russian people, notably by paying more attention to housing and agriculture, and by reducing working hours. Until recently, the government was faced with a sharp reduction in the rate of increase in the population of working age, reflecting the reduction of the birth rate during the war years; this problem was, however, temporary and the situation has already begun to improve. In 1959 the Government had also studied the transfer of military personnel to civilian employment, but it now seems that this policy has been reversed or at least halted. In January 1960 a gradual demobilisation had been announced and during the year 1.2 million officers and soldiers were demobilised. A reduction of 33% was planned in the personnel of the armed forces during the years 1960-1961. By mid-1961, those measures were, however, suspended at the same time as the military expenditures were increased by 3.44 billion roubles. Another factor to be kept in mind is the existence in the USSR of a large manpower reserve in the agricultural sector of the economy. The shift, however, of workers from agriculture to industry would be dependent on additional investment in both agriculture and industry, as well as in housing and other urban facilities. A third factor which is making itself increasingly felt is the exhaustion of easily available raw material resources. Finally there are growing replacement needs in the composition of Soviet investment.

10. There are, of course, other factors which operate in the opposite direction; recent developments suggest that the Soviet Government has been coping fairly successfully with the question of increasing productivity, and the introduction of mass production methods of certain key products such as machine tools, has been very successful, according to some Western observers. The shortage of manpower has been mitigated by the educational reform, promulgated in 1958, whereby a sizeable proportion of students are diverted into "productive work" before passing from secondary schools to higher educational institutions. This educational reform is scheduled for gradual implementation during the period 1959-1963. Efforts are being made to modernise backward sectors of the economy (agriculture, the chemical industry, construction, distribution, etc.) where there is scope for a rapid increase in output, although the capital inputs required are very substantial. It would therefore be imprudent to expect a sudden sharp decline in the Soviet rate of growth up to 1975.

11. For the European satellites it has been assumed that the growth rate up to 1965 will be approximately 5.5%, while the rate for the period as a whole will be about 5.0%. Their economic prospects seem less favourable than Russia's. Eastern Europe is not so rich in raw materials as the Soviet Union. The small satellite economies are vitally dependent on foreign trade, and have been unable so far to achieve the degree of international specialisation which is necessary to the achievement of a high level of productivity. They have, in particular, been unable to develop and to share their natural resources effectively. Unless they can in future develop effective methods of co-operation, including rational pricing methods in foreign trade, it is likely that their future economic growth will only with difficulty match that of Russia.

12. In view of the present underdeveloped condition of the Chinese economy, it is extremely difficult to make reliable forecasts for the growth of the GNP of China. The figure of 7% per year has been included in the table in paragraph 5 above in the full knowledge that little weight can be given to it. More meaningful in this context are indications of future industrial development in China. It would be unrealistic to assume that the Communist leaders will not be able to impose on their people the sacrifices required for achievement of their ambitious policy of industrialisation. On this assumption, a rate of growth of industrial production as high as 12% per year might well be sustained over the greater part of the period considered.

13. Any forecast of economic growth in the Asian satellites is also hazardous. In the light of scanty information on recent developments, for the purpose of this study, it has been assumed that their combined GNP would increase by 6 to 7% annually.

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14. Some decline in the rate of expansion is likely in the European NATO countries. In most of them this decline can be expected as a result of a lower rate of growth of their labour force. The tendency towards a reduction in working hours will also be felt fully in this period. However, to some extent these developments will be offset by other factors. In a few European NATO countries the rate of growth will probably increase as a consequence of an accelerated rise in productivity. As agriculture becomes more rationalised, shifts of labour to industry will also be possible. Technical progress and the need to further rationalise industry are likely to entail the maintenance of a high rate of investment. Economic growth has been stimulated by the establishment of the European Economic Community, and further international specialisation should permit further progress. Therefore, the average annual rate of growth of 4.1% implied by the 50% growth target for the OECD countries combined seems fully attainable. This annual rate of growth has been used in this note for the European NATO countries for the whole period 1960-1975.

15. For the United States and Canada, the OECD growth targets of 4.1% per year have also been adopted. This is higher than the average annual rate of growth in the United States during the 1950s, but the growth rates in some years since 1950 have in fact been considerably higher than this percentage. The substantial increase in the labour force in these countries should easily compensate for the effects of a probable decline in average annual hours of work. It has been assumed that the United States policy and international co-operation will permit an adequate balance of United States foreign payments and that, in such circumstances, it will be possible to let the total demand grow at the rate required for normal use of available resources.

16. As far as the under-developed countries of the Free World are concerned, any forecast can only be based on guesswork. The United Nations report "A Decade for Development" (May 1962) envisages targets for 1970 and 1975 which might be reached if a number of favourable assumptions actually materialise. On the basis of this report, and information from OECD documents, the following table gives estimates of recent GNP growth in the less-developed areas of the Free World and rates of economic growth which seem attainable in the future years. The figures in this table are not to be interpreted as a forecast of future development, but rather as a ceiling of what can be hoped for (1).

(1) "A Decade for Development" indicates the following rates of annual growth of GNP of all less-developed countries considered as a whole: 1950-59: 3.5%; 1960-70: 5.0%; 1970-75: 6.5%.

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LESS-DEVELOPED FREE WORLD ANNUAL RATES OF EXPANSION OF GNP

	1953-59	1961-70	1971-75
Asia	3.4	5.0	6.0
Africa	4.1	5.5	6.5
Middle East	4.4	6.0	6.7
Latin America	5.1	7.0	7.0
Less-developed Free World	<u>3.9</u>	<u>5.5</u>	<u>6.5</u>

Changes in the relative position of NATO countries and of the Communist bloc

17. A further improvement is expected in the relative position of the Communist bloc as compared with NATO countries, although in absolute terms the difference between the GNRs of the two blocs will continue to increase.

Projected gross national products

Total NATO = 100

	1960	1975
(1) Total NATO	<u>100</u>	<u>100</u>
United States and Canada	60	60
NATO Europe	40	40
(2) Soviet bloc	<u>35</u>	<u>44</u>
USSR	25	32
European satellites	10	12
(3) Asian Communist bloc	<u>10</u>	<u>15</u>
Communist China	9.7	14.6
Asian satellites	0.3	0.4

The total output of the Soviet bloc, which now represents 35% of that of NATO countries, is likely to increase to 44% of their output in 1975. The most striking change will be in the economic balance in Europe: it appears likely that by 1975 the national product of the Soviet bloc will exceed by about 8% that of European NATO countries; at present, the output of these countries still exceeds that of the Soviet bloc by about 14%.

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18. Although the USSR may achieve significant increases in the production of selected commodities, there is no chance that she will reach the target set forth in the recently-approved programme of the Communist Party of the Soviet Union of overtaking United States levels of productivity and living standards by 1980, let alone by 1970, the previous deadline set by Khrushchev for the achievement of this task, and which has now been tacitly abandoned. The following table gives a comparison of GNP per head in NATO countries and in the Communist bloc:

Gross National Product per Head
NATO countries and Communist bloc

(1960 dollars)

	1960	1975	Annual rate of increase
Total NATO	1,972	3,045	2.9%
United States and Canada	2,727	3,905	2.4%
NATO Europe	1,400	2,295	3.3%
Soviet bloc	1,034	1,928	4.2%
USSR	1,079	2,045	4.4%
European satellites	923	1,663	4.0%
Asian Communist bloc	127	256	4.8%
Communist China	128	258	4.8%
Asian satellites	113	211	4.1%

Output per head in the USSR in 1960 was little more than one-third of the United States level. To achieve her proclaimed "basic economic task", the rate of increase of productivity in the Soviet Union - now about 4 to 5% per annum - would have nearly to double - an impossible goal.

19. The Soviet Union is unlikely to overtake the United States, even in the output of industry, the sector to which she may be expected to continue to give the highest priority. Nevertheless, her relative position will improve, and Russian industry will by 1975 have closed much of the gap.

20. The following table indicated what would be the evolution of the GNP per head in the less-developed countries, taking account of the expected increase of population in these countries if the targets mentioned in the table under paragraph 16 were to be reached.

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Gross National Product per head
Less-developed Countries of the Free World
(1960 dollars)

	1960	1975	Annual rate of increase
Asia	200	327	3.3
Africa	250	430	3.7
Middle East	350	625	3.9
Latin America	500	900	4.0
Less-developed Free World	260	435	3.5

21. Expected changes in standards of living merit special attention, since it is in terms of standards of living that many people, including those living in underdeveloped countries, will tend to compare the accomplishments of the Soviet and Western economic systems. A reduction in the advantage in standards of living now enjoyed by North America and most European members of NATO is, indeed, likely to take place, although this advantage will not disappear. It is possible that consumption per head in some of the more prosperous cities of the Soviet Union, and in such East European countries as the Soviet zone of occupation of Germany and Czechoslovakia, will approach the level reached in the richer parts of Western Europe. Even now, the average income per capita in several less-developed regions of Western Europe is lower than that of the Soviet bloc as a whole which nevertheless includes extensive impoverished areas which lag far behind the average. The difference in living standards in the West and in the Soviet bloc, is, however, not quantitative, but also in the range of choice offered to consumers; and it remains to be seen whether planning methods in the Soviet bloc will become sufficiently flexible to provide goods and services as varied as those sold in the West.

The position of Communist China

22. It has already been mentioned that in this connection figures for Communist Chinese GNP have little meaning, since they can hardly be compared with similar figures for developed countries. In spite of present difficulties, a striking change on the world economic scene over the next decade is likely to be the enhanced world position of the Chinese economy, and in particular of her industry.

23. China's industry is still rather small and technically weak. China produces little heavy equipment, precision machinery and complex electronics apparatus. She has few engineers, and these engineers often lack experience. Until recently, technical assistance from the Soviet Union and, to a lesser extent, from the European satellites, helped to overcome this weakness. The

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withdrawal of Soviet experts as a result of politico-ideological differences has in the short run contributed to China's difficulties, but in the long run, by throwing the Chinese back on their own resources, it may hasten the development of an indigenous force of technicians.

24. Rapid expansion of Chinese industry remains the long-term objective of the régime. It can only be achieved by the concentration of investment resources on production capital to the neglect of investment on housing and other social construction. Industry will have to continue to enjoy priority; agriculture will probably receive only the resources absolutely essential to provide for minimum food requirements and necessary exports. The decision taken in April 1962 to give priority to agriculture can probably be regarded as a temporary measure, designed to rescue the economy from an agricultural crisis which had reduced the population to the verge of famine. The estimates made in this paper of the possible future growth of the Chinese economy, therefore, seem consistent only with the maintenance of standards of living at or slightly above their present very low level. They reflect a somewhat less rapid expansion than was earlier forecast.

25. On the basis of the estimates of the present paper the Asian communist countries will have increased their GNP per head in absolute terms by only \$129 at the end of 1975 as compared to an increase of \$894 in the Soviet bloc, notwithstanding an annual rate of increase higher in the former than in the latter. This reflects the fact that the Asian communist countries are starting from a lower level and have a more rapidly growing population. As a result, the gap between the GNP per head of the more advanced and the less-developed communist countries, which amounted to \$907 in 1960, will increase to \$1,672 in 1975. If the assumption is accepted that the further widening of the gap in living standards tends to aggravate tension between the richer and the poorer countries, it would appear that such tension between the European and the Asian parts of the communist camp, may well increase seriously during the period under consideration.

Implications with respect to the developing countries of the Free World

26. No study of the comparative economic trends up to 1975 would be complete if it did not deal with the implications with respect to the developing countries, since NATO governments have to an increasing extent expressed the importance to NATO of developments in these countries. The very wide gap in living standards between developed and underdeveloped countries is one of the most serious problems facing Western countries. Since the war, the rate of economic growth in the underdeveloped areas as a whole has increased above the pre-war level. Population growth in these areas, however, has risen sharply and the gap in income per head between developed and underdeveloped countries has continued to widen. Economic growth and industrialisation

are increasingly being regarded by the peoples of less-developed countries as among the chief tests of successful government. It is decisive for the political stability of these areas that noticeable progress be made in this direction in the next 15 to 20 years.

27. It cannot be reasonably expected, however, that the gap between the living standards of the less-developed countries and the countries of the Alliance can possibly be prevented from widening in absolute terms during the next decade. Most of the backward countries would have to increase their GNP at an annual rate of 15.5%, i.e. doubling their GNP every five years, merely to maintain the existing difference in absolute terms. Under the most optimistic rate of growth, the GNP per head of the less-developed countries of the Free World might increase by about \$175 at the end of 1975, as compared to an increase of \$2,073 in NATO countries considered as a whole, assuming that the GNP per capita in NATO increased at the expected rate of 2.9% per year. The gap between the per capita product of NATO countries and the less-developed countries of the Free World, which amounted to \$1,712 in 1960, may be expected to increase to at least \$2,610 in 1975. It should nevertheless be possible to prevent communist propaganda from exploiting against the West this growing disparity, since a similar disparity in living standards is to be expected between communist industrialised countries and less-developed communist countries, as well as between the former and the less-developed countries of the Free World.

28. The rapid growth of output, especially in heavy industry, of the Sino-Soviet bloc will no doubt continue to impress the peoples of the newly-developing countries. Although the USSR started from an economic base substantially higher than that of the underdeveloped countries, the spectacular scientific and technological achievements of the Soviet Union will have a considerable impact on these countries. These achievements will continue to be exploited by Communist propaganda in an attempt to convince the peoples of these countries that the Communist model is the one to follow for their industrialisation. The growing economic strength of the Soviet bloc will also increase its ability to expand its economic offensive in the underdeveloped areas. However, agriculture constitutes a fundamental weakness in the Communist model that might prove to be an effective argument in favour of the Free World, since one of the main characteristics of underdeveloped countries is their heavy dependence on the agricultural sector. In addition, efforts made by the West to speed up their economic expansion, and the success obtained in this respect, should help to counterbalance Communist propaganda.

29. The steady growth of the NATO countries' economies with the resulting increasing demand for primary commodities has often been stated to be an important contribution to economic progress in the underdeveloped areas. However, on the basis of past trends it seems that this demand will increase only by some 2-3%

(maximum 4%) per annum, i.e. only slightly above the increase in population in the areas concerned. Far more decisive is the development in the price level of primary commodities. In the past years, the almost constant decrease of most of these prices has been a major obstacle to the growth of the underdeveloped countries. The strengthening of the tendencies to economic integration may lead to agreements stabilising the prices of primary commodities on a world scale. This would make disruptive intervention by the Soviets in these markets more difficult.

30. It has been suggested the less-developed countries should try to increase their foreign exchange earnings by exporting light industrial goods to the West. If this solution is adopted its consequences for certain industries in the West must be faced in a realistic manner. Increased competition from newly established industries in less-developed countries will cause hardships to some industries in the West. The ability of the Communists to exploit weaknesses in the trade relations between industrialised and developing countries will underline the increasing importance for the West of solving these problems.

31. It seems unlikely, however, that the Sino-Soviet bloc will become a really large market for the less-developed countries as a whole, unless present policy changes drastically. Notwithstanding considerable progress since 1954, when Communist countries accounted for less than 3% of the trade of these countries, by the end of 1961, this trade did not represent more than 8 to 9%. Their economic policies, as reflected in current long-term plans, remain in principle autarchic. The imports of the bloc from less-developed countries will probably continue to increase; but it seems very unlikely that they will account, by 1975, for more than a minor part of the trade of these countries taken as a whole. Communist bloc trade with these countries may, however, continue to be concentrated on a fairly small number of them, for whom the bloc would, therefore, be a major trading partner.

32. The overall trade increase to be expected from economic growth both in NATO countries and the bloc will not be sufficient to finance the development needs of the underdeveloped countries, which will continue to depend on external assistance. NATO countries are contributing to the economic development of underdeveloped countries by providing large amounts of capital. Their total aid, loans, and private investments in underdeveloped countries have risen rapidly and now represent around £7 to £8 billion per annum.

33. In comparison to the NATO countries, the Sino-Soviet economic and military assistance commitments to the underdeveloped countries represent only a minor fraction. During the period 1956-60, the flow of financial resources to countries in the course of economic development coming from the OECD countries and Japan totalled about £36 billion, while over the same period the Sino-Soviet bloc promised about £5 billion, of which about £1.5 billion only had been actually drawn by the less-developed countries. The results so far obtained by the East in this field seem, on the whole, limited. But this should not induce the West to lower its guard, as in special circumstances, and in particular countries, the Soviets might reap political benefits quite out of proportion to the amount of aid they deliver.

LONG-TERM ECONOMIC TRENDS IN NATO COUNTRIES
AND IN THE COMMUNIST BLOC

METHODS AND SOURCES

I. CALCULATION IN DOLLARS OF GROSS NATIONAL PRODUCT AT MARKET PRICES FOR 1960

(a) Concepts

1. The definition of gross national product or expenditure (at market prices) used in the note conforms in essentials to that given in "A Standardised System of National Accounts." (1)

(b) Conversion into a common currency

NATO countries

2. For conversion into a common currency, the national products have been estimated in purchasing power equivalents and expressed in 1960 US dollars. The estimates are based on the method used in the OEEC study "Comparative National Products and Price Levels." (2). This study shows indices of the real product relationship of European countries and the United States for 1955. These indices have been extrapolated to 1960 by taking into account the volume growth in the respective GNPs. The dollar amounts have then been estimated according to these indices in proportion to the United States national product in 1960 dollars. Some countries are not covered by the OEEC study: Canada, Greece, Luxemburg, Portugal and Turkey. For Canada the estimated GNP has been based on an IBRD 1955 estimate in United States relative prices. For the other countries estimates have been made by the International Secretariat, taking into account the relationships between national products expressed in national currencies and in purchasing power equivalents established in the OEEC study.

The USSR and the European satellites

3. Use has been made of the 1960 GNP estimates, at market prices converted at purchasing power equivalents expressed in 1960 US dollars, of the countries concerned, as reported in a United States Research Memorandum (3). According to this memorandum, these estimates of Soviet bloc GNP have been adjusted as far as possible for statistical comparability with the GNP estimates based on purchasing power equivalents for the NATO countries.

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- (1) Published by the OEEC, 1958
(2) By Milton-Gilbert and Associates, OEEC, 1958
(3) "Indicators of economic strength of Western Europe, Canada, United States and Soviet bloc, 1960"; Department of State, Bureau of Intelligence and Research; Research Memorandum REU-6, 15th September, 1961.

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Communist China and the Asian satellites

4. Notwithstanding the considerable difference in levels of development between the Asian Communist countries and the NATO countries, an attempt has been made to obtain a comparable figure for Communist China by building up its GNP on the basis of the overall definition used for the other countries. The United States Research Memorandum REU-6 indicates for Communist China a 1960 GNP converted into US dollars purchasing power equivalents. This figure includes services, while the Chinese concept is always expressed in terms of net material product covering the value added only by industry, agriculture, construction, goods - transport, communications and trade. According to the United Nations, "the share of services can be estimated to represent about 16-17% of the GNP." (1)

5. The Asian satellites' GNPs, which were not taken into account in C-M(60)39, have now been added, using the United States Research Memorandum REU-6 figure.

The Less-Developed Countries of the Free World

6. The main source for an evaluation of the GNP at market prices (1960) of the countries considered is to be found in the United Nations Statistical Yearbook 1961, which includes a table on estimates of National Income for a large number of countries (2). These estimates are to be interpreted with caution since it is often difficult to include in such figures an evaluation of the agricultural production consumed on the spot by populations living at a subsistence level and on which statistical information is extremely scarce. The conversion of these estimates into a common currency in purchasing power equivalents reduced further the validity of the data to guesswork, giving only approximate ranges of orders of magnitude. The per capita products derived from these figures are subject to considerable error and do not permit any kind of inter-country comparison.

7. The overall picture which emerges from information collected on this subject by the OECD (document CPE(62)6, June 1962) can be summarised as follows:

Asia has the lowest per capita product of all under-developed areas. India, Pakistan and Indonesia, whose populations account for more than three-quarters of total population of the less-developed Asian non-communist countries, had per capita products estimated in 1960, in terms of purchasing power equivalents, at \$150 to \$200.

(1) Economic Survey of Asia and the Far East, 1961, chapter on Mainland China, page 93.

(2) For conversion of National Income into GNP at market prices see notes on pages 487 and 488 of United Nations Yearbook 1961.

Africa is slightly better off, mainly as a result of the higher per capita products in countries north of the Sahara (Algeria, Tunisia).

The Middle East derives some additional gains from its petroleum resources which benefits some small countries with high per capita products, such as Kuwait, Bahrein, Qatar.

Latin America is likely to have the highest per capita product of the free world less-developed areas although differences between the various countries are considerable (Venezuela: \$1,000 per capita product; Bolivia: \$200-per capita product).

8. For the purpose of the present paper, the higher estimates have generally been used since lower figures would only reinforce the argument concerning the further widening of the gap in living standards between advanced and backward countries, as indicated in Table VI attached to Annex II.

II. ASSUMPTIONS AND METHODS USED IN THE NATIONAL PRODUCT PROJECTIONS

(a) NATO countries

9. The assumptions underlining the projections are that there will be no major war, and that there will be no severe and general economic depression.

10. Projections are made on the assumptions that the 50% GNP growth target set out by the OECD for the period 1960-1970 will be fulfilled, and that productivity will continue to expand at the same rate in the following years up to 1975. The GNPs of NATO countries together represent 97% of the 1960 GNPs of the OECD countries combined. Therefore the OECD growth target can be considered as valid for NATO countries.

11. Initial OECD studies on economic growth in the main European NATO countries give two series of growth rates for the period 1960-1970, a lower and a higher variant. For the countries combined, the low variant assumptions are somewhat below the OECD aim, whereas the high variant exceeds it. According to OECD estimates of demographic trends in Western Europe, the growth of active population in the years 1970-1975 will continue at the same rates as in the period 1960-70. Considering these factors, the yearly growth rate of 4.1% implied in the 50% OECD target for the period 1960-1970 has been taken for NATO countries together throughout the period 1960-1975.

12. The OECD projections of growth for the United States vary between an annual rate of 4.1% and 4.9%. The higher one is given in the 1962 report of the Council of Economic Advisers to the President as an attainable rate, but not as an official

target. The report of the President mentions a rate of 4.5% as being within the range of the United States' capabilities. In this report, it is assumed that the annual growth of productivity experienced in the periods 1950-1960 will continue in the period 1960-1975. For employment, the OECD estimates an average annual growth of 1.9% in the 1960s, while for the years 1970-1975 this percentage might drop by 0.1% or 0.2%. On the basis of these factors, the average annual rate of growth of the American economy has been put at 4.1% for the whole period. The Canadian economy expanded in the period 1950-1960 by a yearly average of 3.8%. For the purpose of this paper, it is assumed that the Canadian growth rate will be as high as that of the United States.

(b) The USSR and the European satellites

13. The reasoning on which the projection of Soviet and European satellites' economic growth was based in document C-M(60)39 has been thought still valid: the annual average increase of national products has been kept, in the case of the USSR at 6% for 1960-1965 and 5.8% for 1960-1975, and in the case of the European satellites at 5.5% for 1960-1965 and 5% for 1960-1975.

(c) Communist China

14. Official information about Communist Chinese economic development became scarcer as the original enthusiasm of the "great leap forward" faded away and as the results obtained failed to reach the high-pitched expectations. As the tempo of growth of the Communist Chinese economy is still largely dependent on backward agriculture, strongly subject to the vagaries of nature, severe national calamities in four successive years (1959-1962) have increasingly influenced the rate of growth, and have apparently forced the government to devote more attention than had been expected to agriculture, even at the expense of the development of heavy industry.

15. For the period 1953-59, the average annual increase of the gross national product of Communist China has been estimated by the OECD at 8.6% (CPE(62)6, Annex B, page 18). The sources used are given as "United Nations publications and Secretariat estimates." This relatively high rate of increase can be explained by the fact that only one year (1959) of the three years 1959 to 1961, all of which were bad for the Chinese economy, is included in the series. Allowing for the fact that the GNP of Communist China increased only very slightly, if at all, in 1960, the average annual rate of increase for the period 1953-60 might be of the order of 6% to 7%.

16. Document C-M(60)39 was prepared at a time when the considerable quantitative increase of 1958 over 1957 gave the impression that 1958 could be considered as the springboard for future rapid progress. The annual rate of increase then used for projections had been set as high as 7.9%

Information contained in the United Nations Economic Survey of Asia and the Far East, 1961, makes it possible to break down the distribution of the Chinese GNP in greater detail than was possible in C-M(60)39. The United Nations data contained breakdowns for 1952 and 1956(1). With the help of the official index(2) for the growth of net material product between 1956 and 1958, it has been possible to provide a breakdown by sectors of the GNP for the latter year. The net material product increased by 41% between 1956 and 1958, and it may be estimated that the GNP increased roughly by 35% for the same period. It is assumed that the output of agriculture and industry increased by 40% and construction somewhat faster, whilst that of commerce and transport increased at the same rate as the GNP and services increased only very slightly. To arrive at the 1960 breakdown, which is used as a weight for the annual rates of increase per sector for the period 1961-75, it is estimated that between 1958 and 1960 the structure of GNP remained roughly stationary, agricultural output decreased by some 10%, industrial output and construction increased by 10% and the value of commerce, transport and services remained roughly unchanged.

18. The breakdowns of the GNP in 1956, 1958 and 1960 are given in the table below, and the rates of growth forecast for the years 1961 to 1975. For the purpose of the forecast it is assumed that:

- (i) agricultural output will increase slightly faster than the rate of population;
- (ii) the expansion of industrial output which was expected in C-M(60)39 to be at the rate of 15% during the period 1958-1970 will be slower as a consequence of the shortfalls in agriculture, and of the reduction in Soviet aid. After 1970 and up till 1975 the adverse effect of the above-mentioned factors may be reduced without allowing industry to increase at the 10% rate which had been originally expected. Therefore the projected rate of industrial expansion has been revised downwards to 13% for the period 1960-70 (instead of 15%) and to 9% for the period 1970-75 (instead of the original 10%). These figures, in the light of the most recent developments stressing the priority of agricultural development, may be considered as the maximum attainable;
- (iii) transport, remaining one of the major bottlenecks, is expected to increase faster than construction, commerce and services;

(1) United Nations Economic Survey of Asia and the Far East, 1961, page 93

(2) Op. cit., page 10

ANNEX I to
AC/127-D/123

(iv) commerce will increase at a slower rate than construction, while urbanisation will require the output of services to grow substantially faster than the population.

Communist China - National Product

Sectors	% of contribution per sector			Annual rates of increase		As % of 1960
	1956	1958	1960	1961-70	1971-75	1975
(0)	(1)	(2)	(3)	(4)	(5)	(6)
Agriculture	40	41	37	3%	3%	58
Industry	22	23	26	13%	9%	135
Construction	5	6	7	5%	5%	15
Commerce	13	13	13	4%	4%	24
Transport	3.5	4	4	7%	7%	11
Services	16.5	13	13	5%	5%	27
G. N. P.	100	100	100	7.1%	6.5%	270

The estimated average annual rate of increase of the GNP for the period 1961 to 1975 thus appears as about 7% (instead of 7.9% as anticipated in CM(60)39) and the present estimate may still prove to be on the high side.

(d) Asian satellites

19. The national product of these countries is expected to increase at the same rate as Communist China.

(e) Less-Developed Countries of the Free World

20. Asia

The rate of increase for the GNP of the less-developed countries, envisaged by the Secretary General of the United Nations in his report "The United Nations Decade for Development", would seem to be a reasonable target for the bulk of the Asian countries belonging to the group that has reached a stage of development higher than countries such as Afghanistan or Nepal, provided that international political tensions do not disrupt the

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economic development efforts (for instance in India). China-Taiwan and the Philippines have, in the recent past, exceeded the proposed target. The rate of growth of GNP used for Asia in the present paper follows the United Nations target for the decade up until 1970 (5%) and is slightly below this target for the period 1971-75 (6% instead of 6½%). Per capita product would then increase at the rate of 3% annually up until 1970 and 4% thereafter.

21. Africa

In Africa, north of the Sahara, the rate of increase of GNP envisaged by the development plan of Morocco (7% annually) can be considered as exemplary, but the situation in Africa, south of the Sahara, remains at present much more confused. Many of the countries that have obtained independence during recent years might have to consolidate their economic situation before embarking on the development phase proposed by the United Nations. A comparison with growth rates experienced during the period 1953-59 is probably less relevant here than in other parts of the world, where under-developed countries had gained earlier their own political foundations on which to build their economic expansion. However, in view of the past results, the percentage used in the present note for the annual growth of the GNP of African countries has been put at 5.5% up until 1970 and 6.5% thereafter, representing a per capita growth of 3.4% up until 1970 and 4.3% thereafter.

22. Middle East

In the Middle East, development plans are generally more ambitious (Egypt 8% and Iraq 9% increase of GNP per year) than the targets proposed by the United Nations, but it remains doubtful if such a rapid growth can actually materialise. The rates of annual growth of GNP used for the Middle East in the present note are 6% up until 1970 and 6.7% thereafter, representing a per capita product increase of 3.7% during the first decade and 4.4% thereafter.

23. Latin America

Latin American countries as a whole have already experienced GNP development rates of 5.1% during the last decade. The most advanced countries (Argentina, Mexico) have, however, failed since 1957 to maintain this average rate of development. While in 1957 it has been estimated that the average rate of GNP growth in Latin America had been 7%, this rate is said to have dropped to about 4% in more recent years. At the same time the population growth has speeded up to about 2.9% per year. Brazil's growth rate, which had been about 6% annually, was in 1961 reduced to roughly the rate of increase in population (3.1%). In view of the renewed efforts to assist the development of Latin America countries, the rate of annual growth of GNP for Latin America as a whole has been put at 7% per year, to be maintained during the entire period 1960-75, resulting in

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a per capita product increase of 4% per year.

24. On the basis of the above-mentioned considerations, the various percentages used, slightly above the targets proposed by the United Nations, may be considered as the most optimistic rates of economic progress in the less-developed areas of the free world that can reasonably be hoped for.

III. POPULATION PROJECTIONS

A. Total population

(a) NATO countries

25. The statistics on population for NATO countries are from the OECD Report, Demographic Trends 1956-1976 in Western Europe, and in the United States, of August, 1961. The population data represents the end-of-the-year figures. For Canada and Greece, use was made of the OECD general statistics for the year 1960 and the 1970-1975 projections have been based on the annual rate of increase experienced in the period 1953-1959 given in the United Nations Demographic Yearbook 1960.

(b) USSR and European satellites

26. For the USSR use has been made of the report by the Expert Group on Demographic Trends in the USSR (AC/127-D/59 - 4th January, 1961). In order to make figures comparable with NATO countries, end-of-the-year estimates have been made, taking into account the annual average rate of increase(1).

27. The population of the European satellites is based on the most recent United Nations statistics available(2). Projections for 1970-1975 have been made on the basis of "The Future Growth of World Population", New York, 1958, allowing for adjustment for end-of-the-year estimates.

(1) The figures in document AC/127-D/59 are mid-year 1960 - 213,973,000; mid-year 1970 - 246,218,000; mid-year 1975 - 263,431,000.

(2) "United Nations Statistical Papers, Series A, Volume XIV, NO. 2 - Population and Vital Statistics Report - Data available as of 1st April, 1962."

Population of European Satellites

Countries	Latest official estimates		Annual average rate of increase 1953-59	Projections in millions		
	Date	Population in 000		end 1960	1970	1975
Albania	2. 10. 60	1,625	3%	1.6	1.9	2.2
Bulgaria	1. 12. 60	7,867	1%	7.9	8.7	9.1
Czechoslovakia	1. 3. 61	13,742	1.1%	13.7	15.1	15.7
East Germany including East Berlin	31. 12. 60	17,189	-	17.2	17.5	17.9
Hungary	1. 1. 60	9,976	1%	10.1	11.1	11.6
Poland	6. 12. 60	29,731	1.8%	29.8	34.8	35.5
Roumania	1. 7. 60	18,567	1.3%	18.6	20.8	21.8
TOTAL				98.8	109.9	113.8

28. The estimate of the population of Communist China in 1960 (689 million) contained in the United States Research Memorandum REU-6 has been used as a basis for population forecasts for that country. It should, however, be noted that this estimate is hardly consistent with the (estimated) mid-1958 figure given in the United Nations Demographic Yearbook for 1960 (669 million)(1), which would suggest a mid-1960 population of over 700 million. Projections for 1961 to 1975 are made using the average annual rates of increase forecast in the United Nations publication "Future Growth of World Population", with the revised 1960 figure (689 million) as a base.

29. Concerning the Asian satellites, on the basis of the information available in the "Economic survey of Asia and the Far East", published by the United Nations, 1962, the population at end 1960 totalled 24,750,000. It will be noted, however, that recent census of population in a number of Asian countries during 1960 and 1961 show important discrepancies in the rate of growth in most of the countries concerned over recent years(2).

(1) Page 139

(2) India 2% instead of 1.3%
 South Korea 2.9% " 1.8%
 Pakistan 2.2% " 1.4%
 Phillipines 3.2% " 2.6%
 Thailand 3% " 1.9%

(Economic Survey of Asia and the Far East, 1961, page 119).

This upward revision of rates of increase of population is apparently taken into account in the United States Research Memorandum, which gives a total population for 1960 of 27 million for North Korea, North Vietnam and Outer Mongolia. This latter figure has been adopted in this paper. Projections for 1970 and 1975 have been based on the rates of increase given in the United Nations Report on "The future growth of world population".

(c) Less-Developed Countries of the Free World

30. According to the United Nations Demographic Yearbook 1961, the estimated total population of the less-developed countries of the free world amounted to 1,319 million, out of a total world population of 2,995 million. The discrepancy between this figure and the world total of 3,003 million used in the present study results from readjustment of population figures for the European Soviet bloc and the Asian communist countries. Projections for 1975 have been based on the continuation of the trends calculated in the United Nations Demographic Yearbook for the period 1953-59 and in accordance with the developments as described in the United Nations population study - 1958 - "The Future Growth of the World Population". Recent census have revealed that the rates of increase used so far are on the conservative side. The projected increase in population of the less-developed countries may therefore be considered as a minimum estimate.

B. Population of working age (age group 15 - 64)

(a) NATO countries

31. The statistics on population of working age of the NATO countries are given in the OECD report of August 1961 mentioned above(1). For Canada and Greece, the present ratio between population of working age and total population has been applied to the total population estimates of 1970 and 1975.

32. The differences in statistics with C-M(60)39, in particular apparent for 1960, are a consequence of the methods followed in calculating this data. In C-M(60)39 the population of working age was estimated by applying the ratio between this population and total population of 1951 to the 1955 total population figures, on which the extrapolation was based for the years 1965 and 1975. In the present note, use has been made of more recent figures given in the OECD report of August 1961(1).

(b) USSR

33. Figures on population of working age for the USSR have been calculated on the basis of the report of the demographic experts (AC/127-D/59).

(1) See paragraph 17.

(c) European satellites

34. Figures included in Table II for the European satellites have been calculated using the same proportion of working population as related to the total population which has been used in C-M(60)39.

IV. PHYSICAL PRODUCTION

35. The figures are from the United Nations Statistical Yearbook, 1961. The estimates for energy production are based on output of coal, lignite, crude petroleum, natural gas and hydro-electricity. Conversion to metric tons of hard coal equivalent has been based on the calorific values adopted by the United Nations.

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LONG-TERM ECONOMIC TRENDS IN NATO COUNTRIES
AND IN THE COMMUNIST BLOC

STATISTICAL TABLES

TABLE I: POPULATION (1960-1975)

Areas	Projections		
	1960	1970	1975
(0)	(1)	(2)	(3)
(millions)			
1. Total NATO	<u>475.6</u>	<u>533.5</u>	<u>567.3</u>
United States and Canada	199.1	233.4	254.6
Other NATO countries	276.5	300.1	312.7
2. Soviet bloc	<u>315.0</u>	<u>358.0</u>	<u>380.0</u>
USSR	216.0	248.0	266.0
European satellites	99.0	110.0	114.0
3. Asian Communist countries	<u>716.0</u>	<u>873.0</u>	<u>980.0</u>
Communist China	689.0	840.0	942.0
Asian satellites	27.0	33.0	38.0
1960 = 100			
4. Total NATO	<u>100</u>	<u>112</u>	<u>119</u>
United States and Canada	100	117	128
Other NATO countries	100	109	113
5. Soviet bloc	<u>100</u>	<u>114</u>	<u>121</u>
USSR	100	115	123
European satellites	100	110	115
6. Asian Communist countries	<u>100</u>	<u>122</u>	<u>137</u>
Communist China	100	122	136
Asian satellites	100	122	140
Total NATO = 100			
7. Total NATO	100	100	100
United States and Canada	42	44	45
Other NATO countries	58	56	55
8. Soviet bloc	<u>66</u>	<u>67</u>	<u>67</u>
USSR	45	46	47
European satellites	21	21	20
9. Asian Communist countries	<u>150</u>	<u>164</u>	<u>173</u>
Communist China	144	157	166
Asian satellites	6	7	7

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TABLE I. (b1a)
DISTRIBUTION OF WORLD POPULATION⁽¹⁾
(1960-1975)

	1960		1975	
	millions	% of world	million	% of world
A. FREE WORLD:				
1. Industrialised Countries:				
Total NATO	476	15.8	567	14.4
European neutrals, Japan, Australia, New Zealand and South Africa	153	5.1	182	4.6
<u>Total industrialised countries</u>	<u>629</u>	<u>20.9</u>	<u>749</u>	<u>19.0</u>
2. Less-developed Countries:				
Asia	800	26.7	1,075	27.3
Africa	225	7.5	307	7.9
Latin America	200	6.6	285	7.2
Middle East	90	3.0	125	3.2
Oceania	4	0.1	5	0.1
<u>Total less-developed countries</u>	<u>1,319</u>	<u>43.9</u>	<u>1,797</u>	<u>45.7</u>
B. COMMUNIST BLOC:				
1. European Soviet Bloc	315	10.5	380	9.6
2. Asian Communist Countries	716	23.9	980	25.1
WORLD TOTAL⁽²⁾	3,003	100.0	3,940	100.0

(1) Source: "United Nations Statistical Yearbook" and "The Future Growth of World Population", United Nations publication for all other countries than those detailed in Table I.

(2) The difference between World total and the sum of free world plus Communist area is due to the inclusion in the world total of: Cuba - population 1960: 6.9 million; in 1975: 9.6 million. Yugoslavia - population 1960: 18.5 million; in 1975: 22.6 million.

TABLE II

POPULATION OF WORKING AGE (15-64)

Areas	1960	1970	1975
(millions)			
1. TOTAL NATO	<u>297</u>	<u>329.9</u>	<u>347</u>
USA and Canada	119	139.4	150.3
Other NATO countries	178	190.5	196.7
2. SOVIET BLOC	<u>202</u>	<u>229</u>	<u>245</u>
USSR	135	154	167
European satellites	67	75	78
(1960 = 100)			
3. TOTAL NATO	<u>100</u>	<u>111</u>	<u>117</u>
USA and Canada	100	117	126
Other NATO countries	100	107	111
4. SOVIET BLOC	<u>100</u>	<u>113</u>	<u>121</u>
USSR	100	114	124
European satellites	100	112	116
(Total NATO = 100)			
5. TOTAL NATO	<u>100</u>	<u>100</u>	<u>100</u>
USA and Canada	40	42	43
Other NATO countries	60	58	57
6. SOVIET BLOC	<u>68</u>	<u>69</u>	<u>71</u>
USSR	45	46	48
European satellites	23	23	23

TABLE III
GROSS NATIONAL PRODUCT

Areas	1960	1970	1975
A. Projected Growth (1960 = 100)			
1. TOTAL NATO	<u>100</u>	<u>149</u>	<u>183</u>
USA and Canada	100	149	183
NATO Europe	100	149	183
2. SOVIET BLOC	<u>100</u>	<u>174</u>	<u>226</u>
USSR	100	177	233
European Satellites	100	165	208
3. ASIAN COMMUNIST BLOC	<u>100</u>	<u>197</u>	<u>276</u>
Communist China	100	197	276
Asian Satellites	100	197	276
B. Projected National Products (US \$ billion, 1960)			
1. TOTAL NATO	<u>911.0</u>	<u>1,361.9</u>	<u>1,665.6</u>
USA and Canada	543.9	813.1	994.4
NATO Europe	367.1	548.8	671.2
2. SOVIET BLOC	<u>322</u>	<u>560</u>	<u>727</u>
USSR	231	410	538
European Satellites	91	150	189
3. ASIAN COMMUNIST BLOC	<u>91</u>	<u>179</u>	<u>251</u>
Communist China	88	173	243
Asian Satellites	3	6	8
(Total NATO = 100)			
4. TOTAL NATO	<u>100</u>	<u>100</u>	<u>100</u>
USA and Canada	60	60	60
NATO Europe	40	40	40
5. SOVIET BLOC	<u>35</u>	<u>41</u>	<u>44</u>
USSR	25	30	32
European Satellites	10	11	12
6. ASIAN COMMUNIST BLOC	<u>10</u>	<u>13</u>	<u>15</u>
Communist China	9.7	12.6	14.6
Asian Satellites	0.3	0.4	0.4

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TABLE IV

GROSS NATIONAL PRODUCT PER HEAD
(in 1960 US \$)

Area	1960	1970	1975
(in US \$)			
1. TOTAL NATO	1,972	2,660	3,045
USA and Canada	2,727	3,527	3,905
NATO Europe	1,400	1,943	2,295
2. SOVIET BLOC	1,034	1,577	1,928
USSR	1,079	1,666	2,045
European Satellites	923	1,375	1,663
3. ASIAN COMMUNIST BLOC	127	205	256
Communist China	128	206	258
Asian Satellites	113	182	211
(Index 1960 = 100)			
4. TOTAL NATO	100	135	154
USA and Canada	100	129	143
NATO Europe	100	139	164
5. SOVIET BLOC	100	152	186
USSR	100	154	189
European Satellites	100	149	180
6. ASIAN COMMUNIST BLOC	100	161	202
Communist China	100	161	202
Asian Satellites	100	161	202
(Total NATO = 100)			
7. TOTAL NATO	100	100	100
USA and Canada	138	133	128
NATO Europe	71	73	75
8. SOVIET BLOC	52	59	63
USSR	55	63	67
European Satellites	47	52	55
9. ASIAN COMMUNIST BLOC	6	8	8
Communist China	6	8	8
Asian Satellites	6	7	7

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PHYSICAL PRODUCTION OF SELECTED BASIC PRODUCTS - 1960

TABLE A

Areas	Energy (million tons hard coal equivalent)	Electric power (million kwh)	million metric tons			
			Hard coal	Crude petroleum	Pig-iron	Crude steel
Total NATO	1,958	1,415	823	386	138	194
United States and Canada	1,441	955	393	374	66	95
NATO Europe	517	460	424	12	72	99
Soviet bloc	964	406	516	162	61	86
USSR	659	292	375	148	47	65
European satellites	305	114	141	14	14	21
Percentages NATO = 100						
Total NATO	100	100	100	100	100	100
United States and Canada	74	67	48	97	48	49
NATO Europe	26	32	51	3	52	51
Soviet bloc	49	29	63	42	44	44
USSR	34	21	46	38	34	33
European satellites	16	8	17	4	10	11

Source: United Nations

NATO CONFIDENTIAL

TABLE VI

THE GROWING DIFFERENCE BETWEEN THE GNP PER HEAD OF THE
LESS DEVELOPED COUNTRIES AND THE INDUSTRIALISED COUNTRIES
IN ABSOLUTE TERMS

(\$ per head)

<u>Area</u>	Difference between GNP per head of the Less-Developed countries					
	and NATO GNP per head			and Soviet bloc GNP per head		
	in 1960	in 1975	increase 1975/60	in 1960	in 1975	increase 1975/60
<u>Free World</u>						
Asia	1,772	2,720	+ 948	834	1,728	+ 894
Africa	1,722	2,615	+ 893	784	1,498	+ 714
Middle East	1,622	2,420	+ 798	684	1,303	+ 619
Latin America	1,472	2,145	+ 673	534	1,028	+ 494
<u>Communist World</u>						
Communist China	1,844	2,787	+ 943	906	1,670	+ 764
Asian Satellites	1,859	2,834	+ 975	921	1,717	+ 796

LONG-TERM ECONOMIC TRENDS IN NATO COUNTRIES
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