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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY
ECONOMIC RESULTS FOR 1967 IN THE
EUROPEAN COMMUNIST COUNTRIES

Note by the French Delegation

It is generally difficult to make an accurate assessment of economic results in the European Communist countries. The items shown in their national accounts by the socialist régimes (national income, industrial production) do not represent the same components as in the West(1) and detailed statistics are usually unobtainable. Moreover, the figures published are sometimes unreliable(2).

2. Although the official statistics do not enable an accurate analysis to be made, they do give an idea of economic trends in Eastern Europe during 1967 with regard to general development, industrial production and foreign trade.

A. Overall results

3. The overall rates of growth show that the progress achieved in 1967 was satisfactory on the whole - the results being better in most cases than in the previous year - except in Yugoslavia where it was practically nil(3).

4. Apart from Yugoslavia, the growth of national income ranges from 5% (East Germany) to 9% (Bulgaria), that of industrial production from 6.8% (East Germany) to 13.5% (Rumania) and that of industrial productivity from 3.5% (Poland) to 9.4% (Rumania). The growth rates for agricultural production, on the other hand, are much lower, since they range from 0.9% (Bulgaria) to 3.5% (Czechoslovakia). These are creditable results, however, for the 1966 harvest had been exceptionally good.

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- (1) National income does not include unproductive services and industrial production is calculated at gross value.
- (2) This is especially true of Albania and Bulgaria.
- (3) See Annex A for overall rates of growth and Annex B for comparison between 1967 and 1966.

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5. A further point to note is that the size of the percentages for progress in 1967 is just about inversely proportional to the degree of economic development, for the highest rates were attained by the least developed countries, Bulgaria and Rumania(1), this being hardly possible for the more industrialised countries.

B. Industrial development.

6. The industrial development of Eastern Europe would appear to have progressed satisfactorily, since the rates of growth for gross industrial production are higher than in 1966, except for Czechoslovakia and Yugoslavia(2). The high rates attained in the developing countries (Rumania and Bulgaria) afford evidence of their efforts to build up a basic industry, but the excellent results obtained in the USSR (+10% as against +8.6% in 1966) are probably explained by the emergence of production capacity hitherto concealed by the industrial concerns under the old system of management(3).

7. In all countries considered, the growth rate for production facilities (Group A) was higher than that for consumer goods (Group B), particularly in Poland (9% as against 4.8%), the USSR (10.2% as against 9%) and Czechoslovakia (approximately 8% as against 5.2%). However, the consumer goods figures in certain sectors sometimes rose more rapidly than the average industrial figures. This was the case for cultural and household goods and light industry(4) in the USSR, and for clothing(5) in Bulgaria.

8. In the main, the two leading branches were the chemical industry and mechanical engineering, but they were outstripped by the electrical engineering and electronics industries in East Germany, by iron and steel in Bulgaria and by electric power in Rumania.

C. Foreign trade

9. Foreign trade continued to expand. Rumania registered the most striking success in this sphere (+22.4%), while the volume of Czechoslovakia's foreign trade increased by only 2%.

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- (1) See Annex C for classification of countries.
 - (2) 7.10% as against 7.5% for Czechoslovakia; 0% as against 4% for Yugoslavia.
 - (3) This represents a success for the new management methods, but it cannot be repeated every year in the future.
 - (4) Mainly textiles and leather under the Soviet classification.
 - (5) See Annex D for main industrial rates of growth.

10. Generally speaking, trade balances remained positive for the most industrialised countries (USSR, East Germany, Czechoslovakia) and negative for the others, particularly Yugoslavia, Hungary and Bulgaria(1). Trade balances with the West almost invariably showed a deficit except in the case of Czechoslovakia.

11. Trade expanded primarily among the socialist countries. The share of capitalist and Third World countries in the total foreign trade figures shrank for all the East European countries with the exceptions of Rumania and Yugoslavia(2).

12. The official figures do not, of course, render an account of all the difficulties encountered, and admitted, by the East European countries, such as, collectively, the inferior quality of the goods produced, wastage, the accumulation of stocks, the quantity of goods unsold, equipment, cost price increases and the dwindling yield from investments, and, individually, the deficiencies of agriculture and building in the USSR and of the chemical industry in Bulgaria, the obstructions to the introduction of the new management system in Czechoslovakia, etc.

13. These figures do, however, show the general economic trends in Eastern Europe; the continuing efforts to industrialise the more backward countries, the preference still given to production facilities at the expense of consumer goods and the priority attached to the expansion of trade between socialist countries.

OTAN/NATO,
Brussels, 39.

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- (1) In spite of the efforts made by Bulgaria, which have halved its trade deficit.
 - (2) Yugoslavia is a special case since the share of capitalist countries in that country's foreign trade is larger than 50% and fluctuates up or down from year to year.

ANNEX AOVERALL RATES OF GROWTH
1967

Sources: Statistics services of the countries concerned

Country	National income	Industrial production	Agricultural production	Internal trade	Foreign trade	Investments	Industrial productivity
Albania	-	11	12	-	-	-	-
East Germany	5	6.8	-(1)	-	approx. 8	9	7.2
Bulgaria	9	13.4	0.9	11.5	9.5	15.6	8.1
Hungary	7	9	-	-	approx. 10	-	-
Poland	6	7.5	2.3	7.5	8.3	11.3	3.5
Rumania	7.5	13.5	1.0	9.8	22.4	17.1	9.4
Czechoslovakia	8	7.1	3.5	-	2	2.6	6
USSR	6.7	10	1	9.4	9	8	7
Yugoslavia	2	0	-2	7	5.7	-6	1.4

(1) +10% for crop production

ANNEX B

COMPARISON OF RATES OF GROWTH 1967 - 1966

	National income		Industrial production		Industrial productivity	
	1967	1966	1967	1966	1967	1966
East Germany	5	4.5	6.8	6.5	7.2	
Bulgaria	9	11 ?	13.4	12.2	8.1	4.5
Hungary	7	6	9	6.5		
Poland	6	6	7.5	7.4	3.5	4.6
Rumania	7.5	7.9	13.5	11.7	9.4	8.2
Czechoslovakia	8	7	7.1(1)	7.4	6	4.7
USSR	6.7	7.5	10	8.6	7	5
Yugoslavia	2 ?		0	4	1.4	5.2

(1) The rate of growth of Czechoslovak industrial production has been declining for several years.

ANNEX C

CLASSIFICATION OF EUROPEAN COMMUNIST COUNTRIES
ACCORDING TO 1967 ECONOMIC RESULTS

Country	National income	Industrial production	Foreign trade	Industrial productivity
Bulgaria	1	2	3	2
Czechoslovakia	2(1)	6	8	5
Rumania	3	1	1	1
Hungary	4	4	2	-
USSR	5	3(2)	4	4
Poland	6	5	5	6
East Germany	7	7	6	3
Yugoslavia	8	8	7	7

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- (1) The fact that Czechoslovakia occupied second place for national income growth in spite of the results shown under the other heads, is probably explained by a special effort in the field of building and the productive services.
- (2) See Section B, paragraph 7

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ANNEX DMAIN INDUSTRIAL RATES OF GROWTH

		<u>1967</u>			
<u>East Germany</u>	Average	6.8%	<u>Rumania</u>	Average	13.5%
1. Electrical engineering and electronics		9.5	1. Electric power		22.6
2. Chemicals		6.8	2. Chemicals		22.4
<u>Bulgaria</u>	Average	13.4%	3. Non-ferrous metallurgy		17
1. Iron and steel		27.3	4. Mechanical engineering		15.5
2. Clothing		22.9	<u>Czechoslovakia</u> Average		7.1%
3. Cellulose and paper		22.3	1. Mechanical engineering		10.4
4. Glass and chinaware		21.5	2. Chemicals		10.2
5. Mechanical engineering		20.1	3. Building materials		10
6. Chemicals		19.9	<u>USSR</u>	Average	10%
7. Electric power		16.6	1. Cultural and household goods		15
<u>Hungary</u>	Average	9%	2. Chemicals		13
1. Chemicals		13	3. Mechanical engineering		12
2. Mechanical engineering		9	4. Light industry		11
<u>Poland</u>	Average	7.5%	<u>Yugoslavia</u>	Average	0%
1. Chemicals		13.9	1. Paper		11
2. Mechanical engineering		10.8	2. Oil		10
3. Non-ferrous metallurgy		10.7	3. Electricity		9
			4. Printing		7