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NOTICE
AC/127-N/109

ECONOMIC COMMITTEE

ACTIVITIES OF THE ECONOMIC COMMITTEE

Note by the Secretary

The purpose of this paper is to present a summary of the work carried out by the Committee. It covers both periodic studies and proposals relating to issues which are of particular interest to the countries of the Alliance in the present political and economic context(1).

I. PERIODICAL REPORTS

1. Export credits and guaranteed export credits granted to Communist countries by NATO member countries (half-yearly reports)

In accordance with document C-M(62)30, member countries send the Economic Directorate the information described in AC/127-D/244 and the Directorate submits half-yearly reports to the Committee (the last report to the Council covering the period ending 31st December, 1973 was issued as C-M(74)74). At the special request of the Council, the Committee also prepared a report on the export credits policy of the NATO countries in the light of the current economic situation (C-M(75)2).

2. Petroleum imports from Communist countries (yearly report)

In accordance with the procedure laid down in AC/127-D/181, member countries report twice a year on their petroleum imports from Communist countries. The last of these reports, prepared on the basis of OECD statistics, was circulated as AC/127-WP/374.

3. Yearly report on East-West trade

The eleventh report, covering the year 1974, is now being circulated (AC/127-WP/420). In accordance with the usual procedure, it will be submitted for approval to the Committee

(1) See reference document C-M(70)2 of 9th February, 1970

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before it is forwarded to the Council. Statistical reports, based on data available to the OECD, are also regularly issued under the Committee's references (latest reports: AC/127-D/501 and D/503).

4. Economic activities of Communist countries in developing countries

A report on this subject is drawn up every year by the Committee on the basis of a Note by the Economic Directorate. It is then forwarded to the Council (latest report: C-M(74)56). The Committee has decided on the date of the meeting with experts to discuss this question in 1975 (Thursday, 19th June).

5. Trade agreements

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

- (a) submit to the Economic Committee information on inter-governmental commercial negotiations with Communist countries and on agreements concluded in this connection;
- (b) deposit with the Economic Directorate the full text of these agreements and subsequent protocols or supplements for consultation by members of the Committee.

II. STUDIES OF COMMUNIST ECONOMIES

1. Every year, the Committee examines recent economic developments in six Warsaw Pact countries at reinforced meetings and then reports to the Council on the results of its study. Since 1974, the Committee has decided to study the economies of three of these countries concurrently at two meetings held at an interval of about six months. Thus, on 5th and 6th December, 1974, the Committee, in conjunction with experts, examined recent economic trends in Poland, Bulgaria and Rumania. Three summary reports, for the information of the Council, were issued as AC/127-WP/416, 419 and 421. At a meeting scheduled for 10th and 11th July next, the Committee will consider the current economic situation in Hungary, the GDR and Czechoslovakia on the basis of reports to be prepared in the meantime by three "pilot" delegations (France, Germany and the United Kingdom). The last reports to the Council on these three countries were issued as C-M(73)126, C-M(74)48 and C-M(74)58.

2. When circumstances so warrant, certain other East European countries, such as Albania or Yugoslavia, are also studied by the Committee. In view of the interest being shown at present in the situation in Yugoslavia, a report on the Yugoslav economy was recently considered by the Committee (AC/127-WP/413). This report is now being updated on the basis of the comments made by delegations at the last three meetings of the Committee and the revised version will be available by the end of this month. It has not yet been decided whether a meeting on this point alone should be held with experts in the middle of April (see AC/127-R/456, Item I).

3. The economy of the Soviet Union as a whole has not been studied systematically by the Committee for several years. However, certain aspects of this question have been dealt with by the Committee recently (agriculture: AC/127-WP/394 and C-M(74)55, indebtedness: AC/127-WP/486 and C-M(73)82, the balance of payments: AC/127-WP/405 and C-M(74)64). In addition, the main features of recent economic developments in the Soviet Union and the East European countries are set out in a regular half-yearly report prepared for the information of the Council in Ministerial Session (see C-M(74)85, for example).

4. Other non-European Communist countries are also studied by the Committee, either on a regular basis, as is the case for China, (last yearly report, see AC/127-WP/404 and C-M(74)69), or now and again when circumstances so warrant (e.g. Cuba, North Korea, Outer Mongolia).

5. Lastly, special studies have been made of the Council for Mutual Economic Aid (COMECON). The last reports were circulated as AC/127-WP/402 and C-M(74)60.

III. SPECIAL STUDIES

Over the last few months, the Committee has studied a number of subjects which are of particular importance in the present world economic situation.

1. Political and security implications of the present economic situation for NATO and the Warsaw Pact

A background note, drafted by the United States Delegation, is in process of circulation (AC/127-WP/423). A report setting out the views and assessments of the other NATO countries will be prepared by the Economic Directorate for discussion on 20th March (see AC/127-R/456, Item II).

2. Effects of inflation on the defence expenditure of the Allied countries

This question was discussed at a meeting with experts on 26th September (AC/127-R/442). It was agreed that the discussions should be pursued at a further meeting with experts on Thursday, 17th April. The latest report on the Committee's work in this field was issued as ED/EC/74/82.

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3. Soviet defence expenditure

The last meeting on this question took place on 24th October, 1974 (AC/127-R/446). In view of its importance, a further meeting may be held at the end of October (see AC/127-WP/415).

4. Appreciation of the economic position of NATO and Warsaw Pact countries for the period through 1982

At the request of the DPC, a report was prepared and approved by the Committee last November (AC/127-D/500). The document may be updated if the DPC so requests.

Furthermore, during the year the Economic Directorate will try to prepare for the Economic Committee an outline report on the overall East-West economic situation:

- (i) showing the main features of the East-West balance of the economic forces for a given recent reference period (e.g. 1973);
- (ii) making it possible to identify quickly improvements or adverse developments from one period to another in certain sectors; the comparisons may be made on the basis of annual indicators (half-yearly indicators if the situation is changing rapidly).

In preparing this draft report, the Economic Directorate may request delegations to send in details periodically of standard economic indicators relating to their countries.

5. The oil crisis, energy price increases and the strategic importance of raw materials

These questions, too, were dealt with in papers by the International Staff (AC/127-WP/385 and 391) and the delegations (AC/127-WP/389 and WP/377) and are regularly discussed within the Committee.

6. Lastly, a symposium has been held every year since 1971. The reports of discussions at these meetings can help the Committee in its work.

IV. NEW QUESTIONS

At the most recent meetings of the Committee, suggestions for the study of new topics have been put forward by various delegations, and especially by the United States, the United Kingdom and the Netherlands. They are listed below in the terms used by the national representatives. It has not been decided yet whether these proposals will be taken up (see, however, AC/127-R/452, Item II):

- (1) exchange of views on the experience acquired by Western countries in their economic relations with the East at institutional level (particularly in the "mixed commissions") (AC/127-R/437);
- (2) present position of, and outlook for, the balance of payments of the Eastern countries other than the Soviet Union (AC/127-R/437);
- (3) evaluation of the advantages derived from and of the problems involved in East-West technological exchanges (AC/127-R/437);
- (4) analysis of Soviet attitudes towards organizations such as the IMF and GATT and towards the Euro-currency and the world gold markets with a view to assessing their possible effect, both on the Soviet economy and on the operation of these organizations and markets (AC/127-R/437);
- (5) to what extent and in what fields the Soviet Union appears to be dependent on the West for the technology and credits necessary to utilize its untapped natural resources; also whether this aid would enable the Soviet Union to meet only its own domestic requirements or those of the other Warsaw Pact countries, or to export goods and raw material outside the Warsaw Pact area, and thus to cut off deliveries in a time of crisis (AC/127-R/452, Item II(c));
- (6) effects of Western inflation and of the slow-down of the Western economies on Soviet economic development (AC/127-R/454, Item III);
- (7) the special position of the Soviet Union energy wise, in the context of the present world economic situation (difficulty of harnessing resources and problem of distribution in high-consumption areas) (AC/127-R/454, Item III);
- (8) a study of East-West aspects of multilateral consultations on economic matters by way of a registration and comparison of proposals made by Warsaw Pact countries in multilateral organizations, or with respect to these organizations (see AC/127-R/453 - Annex);
- (9) the gross national product of Warsaw Pact countries other than the Soviet Union may be considered at a special meeting with experts (AC/127-R/451, Item I(3)).

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It is pointed out, however, in connection with Items 3 and 5, that since very little information is available the general problem of the consequences deriving from transfers of technology between East and West could be dealt with at a future symposium. This would make it possible to elicit the views of experts from the countries interested in this problem (see below under Item V, 3(b)).

V. MISCELLANEOUS QUESTIONS

1. The Economic Directorate regularly publishes "Brief Notes" on economic trends in certain East European countries. These Notes are intended for the public, and especially for university research bodies.

2. The Directorate also regularly provides press extracts for the members of the Committee on subjects of interest to them.

3. Symposium - Colloquia - Round Tables

Since April 1971, the Economic Directorate, in conjunction with the Information Directorate, has organized meetings on the following topics:

- Soviet economic growth, 1970-1980 (14th-16th April, 1971)
- Banking, money and credit in Eastern Europe (24th-26th January, 1973)
- Exploitation of Siberia's natural resources (30th January to 1st February, 1974)
- Economic aspects of daily life in the USSR (29th-31st January, 1975).

A booklet, which has a wide circulation in university circles, is published after each of these exchanges of views. The results of the last symposium will be published about June 1975.

The subject of the next meeting has not yet been decided but the participants in the last symposium suggested the following:

"The Tenth Soviet Five-Year Plan (1976-1980) - Soviet growth prospects during the next five years".

However, this topic will probably be widely studied by universities or study groups in the West. Consequently, the Economic Committee may prefer one of the following themes, the first of which was referred to at the last colloquium:

- (a) prospects for East-West trade in the light of the present world economic situation and in the context of the Tenth Five-Year Plan;
- (b) transfers of technology from West to East and their short, medium, and long-term effects on East-West trade and competition and on the economic development of the Soviet Union and the East European countries.

VI. PROGRAMME PRIORITIES

This programme of work for the Economic Committee may seem ambitious but its implementation can be spread over a sufficiently long period. However, the Economic Directorate would be grateful if delegations would suggest an order of priority for all work which does not take the form of periodical reports - except, of course, for the topic of the colloquium.

NATO,
1110 Brussels.