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NATO CONFIDENTIAL
CORRIGENDUM to
WORKING PAPER
AC/89-WP/103

SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

CORRIGENDUM

to

AC/89-WP/103
dated 8th April, 1963(1)

Page 5, paragraph 2, line 3:

Replace "integrated with" by "tied to"

(United States proposal)

Page 5, paragraph 2, lines 11 and 12:

Replace "most of the other countries" by "the other countries
(with the exception of Czechoslovakia)."

(Suggestion by the Economics Directorate on the basis of United States comments).

Page 5, paragraph 2, last line:

Replace "was last year excluded from COMECON" by "no longer participates in COMECON activities."

(Suggestion by the Economics Directorate on the basis of United States comments).

Page 5, paragraph 3:

At the end of the paragraph add: "Continuing failures and unsatisfactory performance have forced régime planners to undertake a more realistic assessment of their economies; as a result, with the possible exception of planning in agriculture, 1963 plans appear more realistic than those of the past several years."

Page 6, paragraph 5:

At the end of the paragraph add: "In all countries, however, there occurred a further deceleration in rates of growth."

(1) All alterations are taken from United States Research Memorandum RSB-53, of 5th April, 1963, unless otherwise stated.

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Page 6, paragraph 11, lines 2 and 3:

Delete "except Albania ... bad weather."

(United States proposals)

Page 7, paragraph 12, lines 3 to 6:

Replace "Poland ... with only 10%" by "Poland (37%), closely followed by Rumania, Hungary, Czechoslovakia and the Soviet Zone of Occupation of Germany come at a greater distance; Bulgaria and Albania are at the end with only 15% and 10% respectively."

(Suggestion by the Economics Directorate based on new informations)

Page 8, paragraph 13, line 8:

Replace "an improvement of the living standards" by "expending additional resources to assist less-developed satellites."

(United States proposal)

Page 8, paragraph 13, lines 8 and 9:

Between lines 8 and 9 insert the following: "The attitude of COMECON member countries towards integration seems to vary considerably: Poland shows great initiative, though mostly of a self-promoting nature."

Page 8, paragraph 13, lines 10 and 11:

Delete "whereas Poland ... easy partners". At the end of the paragraph add: "... consumers, whereas Rumania seems to disagree with most of COMECON's proposals and to oppose their implementation."

(Suggestions by the Economics Directorate on the basis of United States Comments)

Page 8:

Add new paragraph 14:

Living standards

14. Gains in the standard of living appear to have been small in most countries or the region. Average real wages in the non-agricultural sector either remained at the level of 1961 or declined, but family incomes may have increased somewhat as a result of expanded employment, and an increase in the scope and substance of social benefits. Though supplies of consumer goods have improved in volume in most countries, sales of some goods, especially textiles, slackened, because of bad quality and assortment. Shortages

of meat and dairy products appeared in a number of countries. In Bulgaria, (as in the Soviet Union) prices for these goods have been sharply increased, with lesser increases in Hungary and the Soviet Zone of Occupation of Germany, where meat and butter have virtually been rationed under a "register with your supplier" system.

(Suggestion by the Economics Directorate on the basis of French comments.)

Page 10, paragraph 5, line 3:

Delete the word "almost" and replace 6.2% by 5.8%.

Page 11, paragraph 8, lines 5 and 6:

Replace "22%" by "23%" and "60%" by "58%".

Page 11, paragraph 9, lines 3 and 4:

Delete "There was ... collectivisation drive" and start a new sentence "In 1962, many ..."

At the end of this paragraph add: "The régime seems to have ceased applying pressure for the upgrading of co-operative farms in the Autumn of 1962."

(Suggestion by the Economics Directorate on the basis of United States comments).

Page 11, paragraph 11, line 3:

Replace "70" by "6%"

Page 11, paragraph 11, line 5:

Add after "(meaning investment " the words " and state reserves)".

(United States proposal).

Page 11, paragraph 11, line 11:

Insert after the word "accumulation," the following: "representing an increase of 9% over 1962."

Page 12, paragraph 14, line 3:

Replace "72%" by "74%"

Page 12, paragraph 14, lines 5 to 7:

Delete "and one-year credits ... Marks."

(Suggestion by the Economics Directorate on the basis of United States Comments)

Page 15, paragraph 1, line 6:

Insert "claimed" after "It has a"
(United States proposal)

Page 15, paragraph 2, lines 8 to 10:

Replace "no increase ... preparation" by "the Czech plan for 1963 is a transitional one-year plan designed to establish a basis for a new seven-year plan beginning in 1964. The lowest growth rates in Czech planning history are contemplated: gross industrial production is to increase 1%, and labour productivity 0.7% (agriculture an unrealistic 9.5%)."

Page 16, paragraph 4, line 1:

Replace "8%" by "9%"

At the end of this paragraph add: "Labour productivity increased only 3.2% against a planned 6% which, except for 1954, was the lowest growth rate since 1948."

Page 16, paragraph 5, line 5:

After "54,000 cars," add "(1962: 64,300)."

Page 16, paragraph 5, lines 9 to 11:

Delete "it would not be ... of the year."

Page 16, paragraph 6, line 2:

Replace "output being ... 1961" by "(crop production 84% and livestock production 93%)"

Page 16, paragraph 6, line 4:

Insert after "in 1961." the following: "In admitting that agricultural production was 6% less than in 1961, Party Leader Novotny termed 1962 as "one of the worst years" for Czech agriculture."

Page 16, paragraph 6, line 6:

Insert after "by 6.8% the following: "In 1963, crop and livestock production are scheduled for increases of 18.4% and 1.3% respectively over 1962. The share of investments allocated to agriculture in 1963 is, however, to remain approximately that allocated in 1962. Moreover, agricultural co-operatives will receive fewer machines than last year: a shift in agricultural investment has been envisaged away from machinery to soil improvement intended to increase yields."

Page 16, paragraph 6, line 6 and following:

As from "According to an official ..." start new paragraph 7, and renumber the following paragraphs accordingly.

Page 17, (old paragraph 6) line 1:

Replace "1.2%" by "1%"

Page 17, (old paragraph 6) line 2:

Replace "three years" by "five years".

At the end of this paragraph add: "Since even this result has been obtained largely through increased livestock production, it is difficult to see how the planned 18.4% increase in crop production could be realised. The régime seems intent on continuing its doctrinaire policies in agriculture and aspires to improve the situation mainly through administrative means."

Page 17, old paragraph 7 lines 1 to 3:

Replace "no figure for ... reached" by "State capital investment appears to have been particularly poor in 1962, with an estimated decrease of 1% against an increased target of 8%."

Page 17, old paragraph 7 line 9:

After "investment" insert "by 6%"

Page 17, old paragraph 8, line 6:

Instead of "billion" read "million"

Page 17, old paragraph 9 line 2:

Replace "8.9%" by "8.7" and "9.4%" by "8%"

Page 18, old paragraph 11, line 13:

Replace "make it rather doubtful ... be able" by "will make it difficult for the régime ..."

(Suggestion by the Economics Directorate on the basis of Canadian comments.)

Page 19, paragraph 2, lines 5 and 6:

Replace "8.4%" by "8.7%" and "3.9%" by "4.1%"

Page 19, paragraph 4, lines 1 to 6:

Replace "In 1962 ... results by 15.6%" by "In 1962, gross industrial production plans were fulfilled 100.9% - an 8.7% increase over 1961. The following production increases were claimed: pharmaceuticals, 35%; oil refining, 31%; chemicals, 16%; machine industry, 15.6%; power, 10%; textiles, clothing and footwear, 6.2%; building materials, 5.5% and fuel, 4.1%. Results in a number of important branches, such as steel, freight cars, trucks, rail passenger cars, rolled materials, turbo-generators, iron and zinc ore failed to reach the targets. Labour productivity rose 4.1% instead of a planned 5.5%; although the housing construction plan was reportedly fulfilled, a shortfall occurred in the capital construction plan - 369 of 390 planned projects were completed."

Page 20, paragraph 5, line 8:

Replace "9.5%" by "9.4%"

Page 20, paragraph 7, lines 6 to 8:

Delete "Though the régime ... state farming"

(Suggestion by the Economics Directorate on the basis of United States comments)

Page 20, paragraph 7, line 11:

Replace the last four words "... points in this direction" by "seems, however, to be indicative of a tendency to stress the importance of the public sector"

(Suggestion by the Economics Directorate on the basis of United States comments)

Page 21, paragraph 9:

Add at the end of the paragraph: "The share of total investment allocated to agriculture will attain 22.8%. In contrast to most other European satellites, the Polish 1963 agricultural plan does not seem to be unrealistic."

Page 21, paragraph 11, line 1:

Replace "8.7%" by "8.3%"

Add at the end of this paragraph: "The share of investments allocated to light industry, water economy, municipal economy, transportation, social welfare and health services will be restricted."

Page 21, paragraph 12:

Add at the end of the paragraph: "The amount of the imbalance was reported to be approximately \$70 million."

Page 22, paragraph 14, line 7:

Insert after "(present share: 1%)." the following: "The attempt to enlarge the proportion of engineering exports will certainly not preclude active efforts to retain raw material and agricultural markets."

(Canadian suggestion)

Page 22, paragraph 16, line 6:

Insert after "many sectors." the following "Little or no improvement can be expected in per capita consumption and living standards. Although the régime has promised improvement in the supplies of such items as meat, wheat, flour and most building materials, planned 1963 production figures do not reach those planned for 1962."

Page 23, paragraph 1, line 15:

After "satellites" add "except Czechoslovakia"

(United States proposal)

Page 24, paragraph 4, line 5:

Insert after "achieved in" the words "pig iron production (+37%)."

At the end of this paragraph, add: "Labour productivity rose 6.6% only, instead of a planned 8.5%."

Page 24, paragraph 6, lines 9 and 10:

Replace "the prospects ... too bright" by "In view of past performance in industry and the rather moderate increase planned for 1963, the industrial targets for this year should, however, pose no great difficulties."

Page 24, paragraph 7:

Add at the end of the paragraph: "Investment in agriculture in 1962 increased a mere 1% over 1961 and the share of total investments allocated to agriculture decreased from 17% in 1961 to 15% in 1962."

Page 25, paragraph 8, lines 1 and 2:

Replace "The 1963 ... says that"... by "1963 agricultural production is scheduled to rise 17% - with crop and livestock production to increase 20.9% and 10.2% respectively. Agricultural investments are to reach the level originally planned for 1965. The 1963 agricultural plan says that the steady progress ..."

Page 26, paragraph 12, line 4:

Replace "11%" by "5.3%"

Page 27, paragraph 2, line 5:

Replace "8%" by "8.3%" and "3.8%" by "5.5%"

Page 27, paragraph 3, line 5:

Replace "6.3%" by "6%"

Page 27, paragraph 4, line 5:

Insert after "food industry 8%" the words "and machine industry 11%".

Page 28:

Insert new paragraph 6, and renumber the following paragraphs:

Agriculture

"6. Adverse weather was blamed for the failure of the agriculture to meet the 1962 plan targets, but production allegedly "slightly exceeded" 1961 levels. The output of maize, potatoes, sugar beet and vegetables was reported to be higher, while that of grapes and other fruit was much lower than in 1961. Production results in livestock were more disappointing than those for crops: the number of cattle and pigs dropped below last year's levels and the output of eggs and milk was 9% and 6% respectively below targets."

Page 28, old paragraph 6, lines 1 to 3:

Delete "no fulfilment ... 'not fulfilled'"

At the end of paragraph, add "However, improved methods of distribution may to some extent have compensated for this."

(Suggestion by the Economics Directorate on the basis of United States comments).

Page 28, (old paragraph 7) lines 1 to 3:

Replace "From the view ... estimated. Of this. " by "Although state capital investment in 1962 was claimed to be 8% higher than in 1961, planned levels were not met. Of the total sum of approximately 35.2 billion forint(1), 44% went to ..."

Page 28, (old paragraph 8) lines 5 to 10:

Replace "With exports ... recovery programme" by "Exports exceeded planned targets, while imports were somewhat lower than planned, resulting in a better-than-planned balance of trade. However, foreign trade showed a negative balance amounting to 48 million. This will make it difficult for Hungary to start paying back the credits received from other COMECON countries in 1957 for her recovery programme "

Page 29, (old paragraph 8), lines 4 and 5:

Replace "appears to have remained at about 70%" by "was 71.6%"

Page 29, old paragraph 9, lines 1 to 3:

Replace "From all data ... last two years" by "The standard of living showed little improvement: real wages of workers and employees increased by 1%, whereas peasant consumption remained at 1961 levels. Food prices were higher than in 1961, offsetting any real advances in the standard of living."

Page 32, paragraph 4, lines 2 to 10:

Replace "With actual ... all the year round" by "Heavy industry continued to develop at a more rapid pace than overall industrial production: ferrous metallurgy increased 35.7%, non-ferrous metallurgy 18% and machine building 23%. Construction exceeded plans, while transport, electric and thermal power failed to meet their targets."

Page 32, paragraph 6:

Replace the whole paragraph by the following:

6. "Adverse weather was blamed for agricultural failures in both crop and livestock production. Gross agricultural production rose but 2.3% over 1961 - which was a particularly poor year - compared with a planned growth of 12.6%. Higher yields were claimed for wheat, maize, sunflower seed, oriental tobacco, apples and grapes, while yields of beans, potatoes and some fruit were lower than in 1961. Livestock production was reported to be 2.8% lower than in 1961, mainly because of fodder shortages."

Page 32, paragraph 8, lines 1 to 10:

Replace "The 1963 targets ... remains doubtful." by "The 1963 plan calls for an increase in gross agricultural production of 17.1%, with grain production increasing by 17%, fodder grain 40% and sugar beet 44%. The number of cattle is to rise 9.4%, pigs 15.5% and poultry 6%. The outlook for meeting agricultural plans for either 1963 or the five-year plan appears bleak. Bulgaria has made no progress during the past two years towards meeting the average annual increase of 8.3% called for under the 1961/65 plan in gross agricultural production."

Page 33:

After paragraph 9 (Investment), add new paragraph 10, and renumber the following paragraphs:

10. "For 1963, a modest 5% rise in state capital investment is foreseen. The major share will continue to be allocated to heavy industry. Almost 85% of investments in heavy industry will be for the power, metallurgical, chemical and engineering branches. However, the 1963 plan provides for a drop in the percentage of total investments earmarked for industry from 70% in 1962 to 60% in 1963. On the other hand, investment in agriculture is to rise 15%: from 7% of the total investments in 1962 to 12% in 1963."

Page 33, (old paragraph 10) last line:

Replace "12.6%" by "12.5%"

Page 35, paragraph 3, lines 12 and 13:

Replace "in industry of 57% (annual average 8.6%)" by "in industry of 52% (annual average 8.7%)".

Page 35, paragraph 3, line 14:

Replace "10.4%" by "11.5%"

Page 35, paragraph 3:

Add at the end of the paragraph: "Net material product in 1962 was reported to have been 8% over the 1961 level."

Page 36, paragraph 5:

Replace the whole paragraph by the following:

5. "In 1962, gross industrial production was reportedly fulfilled 100.7% - 6.4% increase over 1961, but far from the 1955/59 average of 16.7% claimed prior to the break with the Soviet Union. Targets were said to have been overfulfilled in the production of crude oil, chrome, nickel and copper (among Albania's principal exports) and in coal and electric power. In addition, the machine industry was praised for its "very good results" in producing machinery, equipment and spare parts for the industrial sector."

Page 36:

After paragraph 5 (Industry), add new paragraph 6 and renumber the following paragraphs:

6. "The 1963 plan for gross industrial production, investments and volume of construction envisages a 6% increase over 1962: construction is to begin on various Chinese-supported projects, including a copper refining and processing plant, a phosphate factory, a brick and tile factory, three paper mills and a cotton fabrics combine. Albania has not been able in the first two years of the third five-year plan to achieve the 8.7% average annual increase in industrial production needed for the achievement of the 1965 targets. In view of past performance, as well as the fact that the 1963 industrial growth target is even further below this figure, it seems unlikely that the long-term plan for industry will be realised."

Page 36, (old paragraph 6) lines 1 to 5:

Replace "Albania was ... had risen," by "Despite admittedly adverse weather which affected agriculture, the Albanian Government claimed a 10% increase in production over 1961. Major increases were reported in the production of tobacco, grain, vegetables, meat and milk,..."

Page 36, old paragraph 7) lines 1 to 3:

Replace "In 1963 ... of 10.4%" by "In 1963, agricultural production is to increase 22% - with production of tobacco, cotton, grain and beans to range from 25% to 46% higher than in 1962, thus nearly doubling the average increase target of the five-year plan of 11.5%."

Page 36, (old paragraph 8) line 6:

Replace "most of the" by "all Soviet"

(Suggestion by the Economics Directorate on the basis of United States comments)

Page 37, (old paragraph 8) line 1

After "The European satellites ..." add "...who had never severed their trade relations ..."

(Suggestion by the Economics Directorate on the basis of United States comments)

Page 37

After old paragraph 8 (Foreign Trade), add new paragraph 10 and renumber the following paragraphs.

10. "No statistics are available on the volume of foreign trade in 1962. However, the Government reported that foreign trade showed a further "marked development" (foreign trade turnover actually decreased in 1961) and that, with the exception of a few articles, all goods destined for export had been exported. In 1963, exports are to rise 26.4%, with imports to remain at the 1962 level. However, more machinery and equipment are to be imported than in 1962."

ANNEX

Tables 2 to 6 (pages 41-44) have been amended and are to be replaced by the attached tables.

Table 7 (page 45), column 1: The population figures for (a) end 1962 should read: Rumania "18.5", "Hungary "10.1", Bulgaria "8.1", total "400.2".

(United States proposal)

Table 8 (page 45), column (b) tourist: The equivalent of 100 Albanian lek in US \$ is "0.66"

(United States proposal)

OTAN/NATO,
Paris, XVIIe.

(To replace page 41)

TABLE 2: GROSS INDUSTRIAL PRODUCTION
(Rate of increase in % of previous year)

	Planned annual average to 1965	1955 - 1959 actual	1960 actual	1961 actual	1962		1963 plan
					actual	plan	
Germany SZO	9.4 ⁽¹⁾	9.0	8.2	6.2	6.1	5.8 ⁽³⁾	6.4
Czechoslovakia	9.3 ⁽²⁾	10.5	11.7	9.0	6.2	7.5 ⁽⁴⁾	1.0
Poland	8.7	9.8	11.1	10.3	8.7	8.4	5.0
Roumania	13.0	10.5	16.9	15.6	14.7	13.5	12.0
Hungary	8.3	7.0	13.1	10.9	9.0	8.0	8.0
Bulgaria	12.0	13.1	13.4	9.9	11.1	9.9	10.0
Albania	8.7	16.7	11.2	7.2	6.4	6.0	6.0

(1) 7% in the new Seven Year Plan 1964/70.

(2) 8 to 10% in the new Seven Year Plan 1964/70

(3) 9.4% in the unrevised plan

(4) 9.5% in the unrevised plan

(To replace page 42)

TABLE 3: GROSS AGRICULTURAL PRODUCTION
 (Rate of increase in % of previous year)

	Planned annual average to 1965	1955 - 1959 actual	1960 actual	1961 actual	1962		1963 plan
					actual	plan	
Germany SGO	4.5	2.0	10.6	- 11.2	n.a. (1)	na.	na.
Czechoslovakia	4.1	2.8	7.0	1.0	-6.0	7.1	9.5
Poland	4.1	3.8	5.4	11.0	-7.8	1.2	5.8
Roumania	7.0	4.2	1.6	5.0	n.a.	n.a.	17.0
Hungary	5.5	4.5	-5.0	-0.6	0	9.0	13.0
Bulgaria	8.3	5.1	3.3	-3.5	2.3	12.6	17.1
Albania	11.5	1.3	-7.0	18.7	10.0	20.0	22.0

(1) Below 1961 level

TABLE 4: PRODUCTIVITY
 (Output per man in industry)
 (Rate of increase in % of previous
 year)

	Planned annual average to 1965	1955- 1959 actual	1960 actual	1961 actual	1962		1963 plan
					actual	plan	
Germany SGO	9.3 (1)	5.5	8.7	7.2	8.4	6.1	7.0
Czechoslovakia	7.4	6.5	7.7	5.1	3.2	6.0	0.7
Poland	7.0	6.0	10.7	6.6	4.1	5.4	n.a.
Roumania	8.5	8.5	11.1	5.9	6.6	8.5	9.3
Hungary	5.8	4.0	6.0	8.1	5.7	5.1	5.0
Bulgari	8.4	4.6	2.7	7.8	7.6	7.4	6.1
Albania	4.9	5.0	9.7	5.0	2-14.5	5-19	n.a.

(1) 7.4% in the new Seven Year Plan 1964/70

(To replace page 43)

TABLE 5: INVESTMENT(fixed state capital investment)
(rate of increase in % of previous year)

	Planned annual average to 1965	1955- 1959 actual	1960 actual	1961 actual	1962		1963 plan
					actual	plan	
Germany SZO	10.4(2)	15.0	10.5	3.0	1.4	6.0	9.0
Czechoslovakia	9.7	12.7	12.5	7.3	-1.0	8.0	-6.0
Poland	7.9	9.0	6.5	8.2	13.4	10.0	8.3
Roumania	12.6	8.9	32.0	21.0	12.0	16.5	12.0
Hungary	5.1	8.0(1)	13.0	-20.0	8.0	16.0	14.0
Bulgaria	8.9	11.4	16.0	3.4	7.5(1)	11.0	15.0(1)
Albania	8.0	18.0	-6.5	6.7	7.0	n.a.	6.0

(1) Estimate by the International Secretariat

(2) 7.5% in the new Seven-Year Plan 1964/70.

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(To replace page 44)

TABLE 6: FOREIGN TRADE TURNOVER

(a) rate of increase in percentage of previous year
 (b) percentage shares of Sino-Soviet bloc and of Western countries.

	Planned annual average to 1965	1955-1959 actual	1960 actual	1961 actual	1962		1963 plan	% shares (1)	
					actual	plan		Sino-Soviet bloc	West
Germany SZO	8.4	11.6	6.0	1.0	6.0	6.0	15.4ex 0.0im	74	26
Czechoslovakia	8.0	11.4	12.4	8.7	4.7	9.0	n.a.	73	27
Poland	7.0	7.7	10.0	13.1	10.6	5.5	4.5	63	37
Roumania	12.2	3.8	33.0	17.0	9.0	15.0	5.3	65	35
Hungary	7.9	8.3	17.3	11.0	9.6	10.0	10.0	71.6	28.4
Bulgaria	12.5	18.7	16.0	10.2	18.0	15.6	n.a.	85	15
Albania	10.9	27.0	8.7	-6.8	n.a.	8.0	26.4ex 0.0im	90(2)	10

(1) Estimates by the International Secretariat, except for Czechoslovakia, Poland and Hungary, where official figures are given.
 (2) Of this, Communist China alone accounts for 59%.