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LONG-TERM ECONOMIC TRENDS IN NATO COUNTRIES,
IN COMMUNIST COUNTRIES AND IN THE THIRD WORLD

Note by the Chairman of the Committee of Economic Advisers

The Sub-Committee on Soviet Economic Policy has several times examined long-term economic trends in NATO countries, in Communist countries and in the developing countries of the Free World. The last Report on that subject submitted to the Council(1) included projections of economic growth up to 1975, but these were based on the situation towards the end of the year 1960.

2. The Sub-Committee has attempted to bring these projections up-to-date, working mainly on the hypothesis that the trends which have become apparent over the last five years (1960-1965) will continue during the ten year period 1965-1975. However, in the case of Communist China, where the 1960-1965 period suffered from the effects of the failure of the "Great Leap Forward", a different method has been adopted: a special evaluation has been attempted in the light of the latest known indices. In no case can the results obtained be considered extremely accurate: they should be regarded as being of an approximate nature, intended to allow overall comparisons and thus to throw into relief the most striking differences.

3. Some aspects of these questions have recently been treated by other international organizations, such as the OECD, FAO, and the IBRD, but a special feature of the study of the Sub-Committee on Soviet Economic Policy is the overall picture it gives of the world situation.

4. The Committee of Economic Advisers considered, after examining this study(2), that the Council might be interested in its main findings, which are summarised in the attached document. They are illustrated by three charts, also attached, on the growth of the Gross National Product per head of the population (chart I), on the economic assistance extended to less developed countries (Chart II), and on the gap between the resources of these countries and those of the industrialised countries (Chart III).

(Signed) F.D. GREGH

OTAN/NATO,
Paris, (16e).

(1) C-M(63)49 dated 26th June, 1963.

(2) AC/89-WP/193 and a note from the German Delegation,
AC/89-WP/193/1

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LONG-TERM ECONOMIC TRENDS IN NATO COUNTRIES,
IN COMMUNIST COUNTRIES AND IN THE THIRD WORLD(1)

During the years 1961 to 1965, the economic growth rate of the industrialised countries was more or less similar (4.5% per year) in both the market economy countries and Communist countries. However, whereas expansion was slowing down in the latter, it speeded up in the market economy countries. Thus, in contrast to what had generally been forecast in the early 1960s, the industrialised countries of the Free World maintained and even increased their lead over the Communist countries. As the level of the economic resources of the United States exceeds both that of all the other NATO countries put together and - to an even greater extent - that of the Soviet Union, although the rate of growth of all these countries is the same, the margin of superiority of the United States' economy is widening in absolute terms.

2. Among the industrialised countries, those which are relatively less advanced progressed faster during this period. This is the case of Bulgaria and Rumania in the Communist group, and of Japan, Spain, Greece and Portugal in the Free World. For these countries, which are still in an intermediate stage of development, both systems gave about the same result.

3. On the other hand, during the last five years, the the growth of GNP in Communist China was slower than in the underdeveloped countries of the Free World. This gives the lie to the Communist countries' claim, so often voiced, that their system allows them to obtain higher rates of economic growth, particularly in backward regions.

4. Between 1960 and 1965, the economic growth of the underdeveloped countries, both Communist and Free World, slowed down in comparison with previous years; it was considerably less than that of the industrialised countries and has not reached the level of

(1) Throughout this document:

The Communist countries are divided into:

- USSR
- Eastern European countries (Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and the Soviet-occupied Zone of Germany, including East Berlin)
- the underdeveloped Communist countries (Communist China, the other Asian Communist countries, Cuba and Albania);

The Third World is held to consist of the developing countries

- in Latin America (except Cuba)
- in Africa (except South Africa)
- in the Middle East
- in Asia (except Communist China, Mongolia, North Korea and North Vietnam).

the United Nation's aim for the "Development Decade: 1960-1970". But demographic growth, on the contrary, exceeds the forecasts in these countries. As far as income per head is concerned, therefore, the gap between Communist China and the USSR, on the one hand, and between the Third World countries and those of the West, on the other hand, widened during the period 1960-1965 much more rapidly than during the ten preceding years(1).

5. In view of this demographic thrust, the inadequate development of agriculture, in particular of world food production, presents a problem of an increasingly serious nature: in fact, the situation may well become critical towards the middle of the 1970s. Only North America, Western Europe and, until 1945-1965, Australasia have increased their food production at a faster rate than that of their demographic growth. In the Communist countries, as in those of the Third World, progress in agriculture has not kept pace with population growth.

6. The economic expansion of the Western industrialised countries between 1960 and 1965 favoured above all the development of trade between themselves: trade with the underdeveloped countries only benefited from it to a much smaller degree. The underdeveloped countries' dependence on the industrialised countries for trade therefore increased, whereas the diversification in their exports was slow.

7. The amount of economic aid accorded to the underdeveloped countries by the governments of the industrialised countries, having increased rapidly between 1950 and 1960, has remained practically unchanged since 1961. The acceleration in economic growth in the Western developed countries has not been accompanied by an increase in the amount of economic assistance granted. Aid provided by the Communist countries still only represents a very small fraction of that given by the Western countries(2). The underdeveloped countries' debts vis-à-vis the industrialised countries have increased considerably and now attain proportions which present serious problems for the future.

(1) See Chart I
(2) See Chart II

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8. If the present trend continues, the distribution of world population and resources in 1975, compared with that of 1964, would be as follows(1):

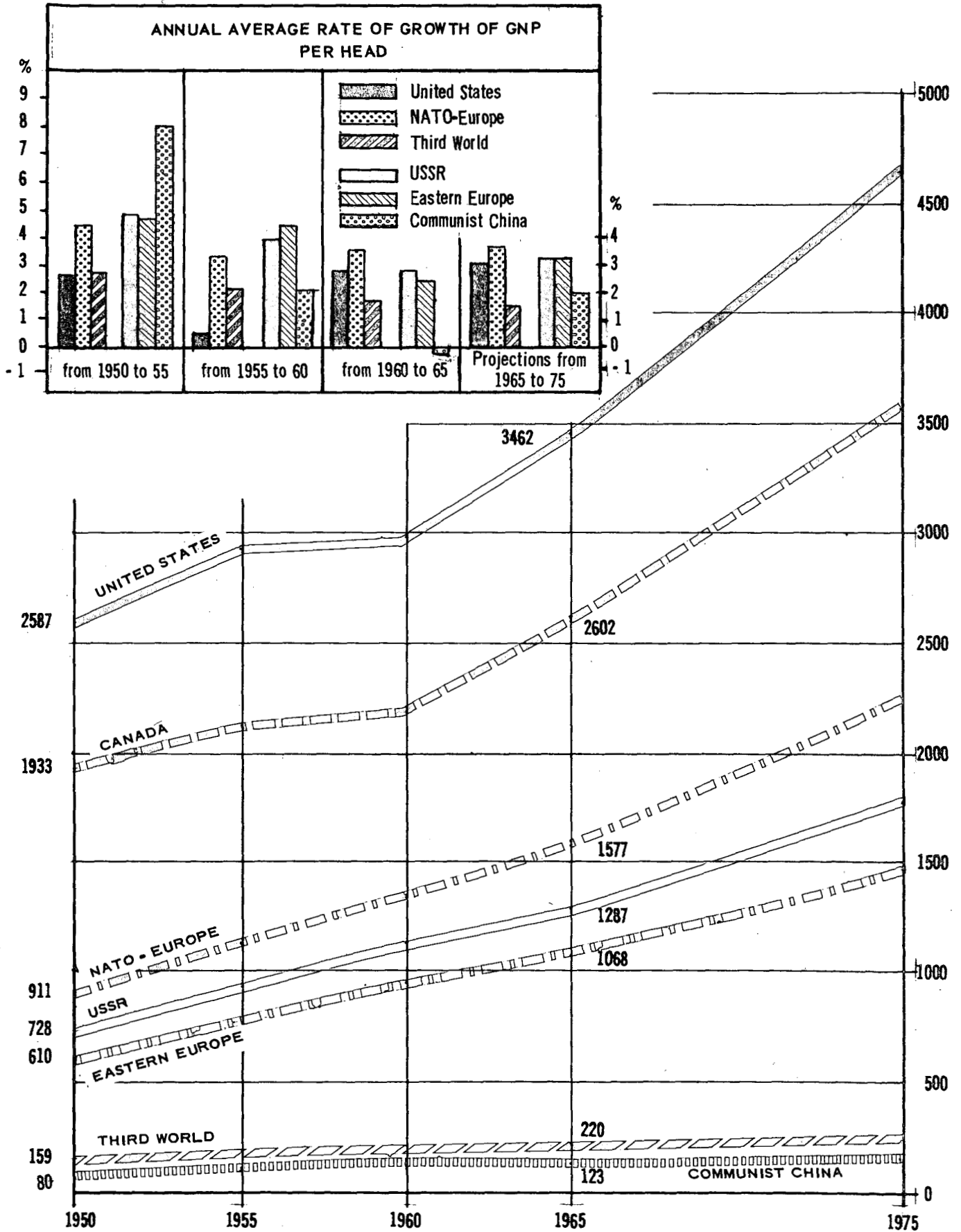
	<u>1964</u>		<u>1975</u>	
	<u>Population</u>	<u>GNP</u>	<u>Population</u>	<u>GNP</u>
<u>World (total) = 100</u>				
Underdeveloped countries	67.7%	18.8%	70.9%	18.0%
Industrialised countries	32.3%	81.2%	29.1%	82.0%
Free World	65.8%	77.5%	67.0%	77.8%
Communist World	34.2%	22.5%	33.0%	22.2%
<u>Free World = 100</u>				
Underdeveloped countries	69.5%	18.5%	70.3%	17.7%
Industrialised countries	31.5%	81.5%	29.7%	82.3%
<u>Communist World = 100</u>				
Underdeveloped countries	70.1%	19.6%	72.1%	19.1%
Industrialised countries	29.9%	80.4%	27.9%	80.9%

9. This table shows clearly that the gap in available resources between industrialised countries and underdeveloped countries is most likely to widen even further; this is true both of the Free World and of the Communist World. The gap in GNP per head between the industrialised countries and the underdeveloped ones would thus increase by some 48%, if present trends continue.

(1) See Chart III

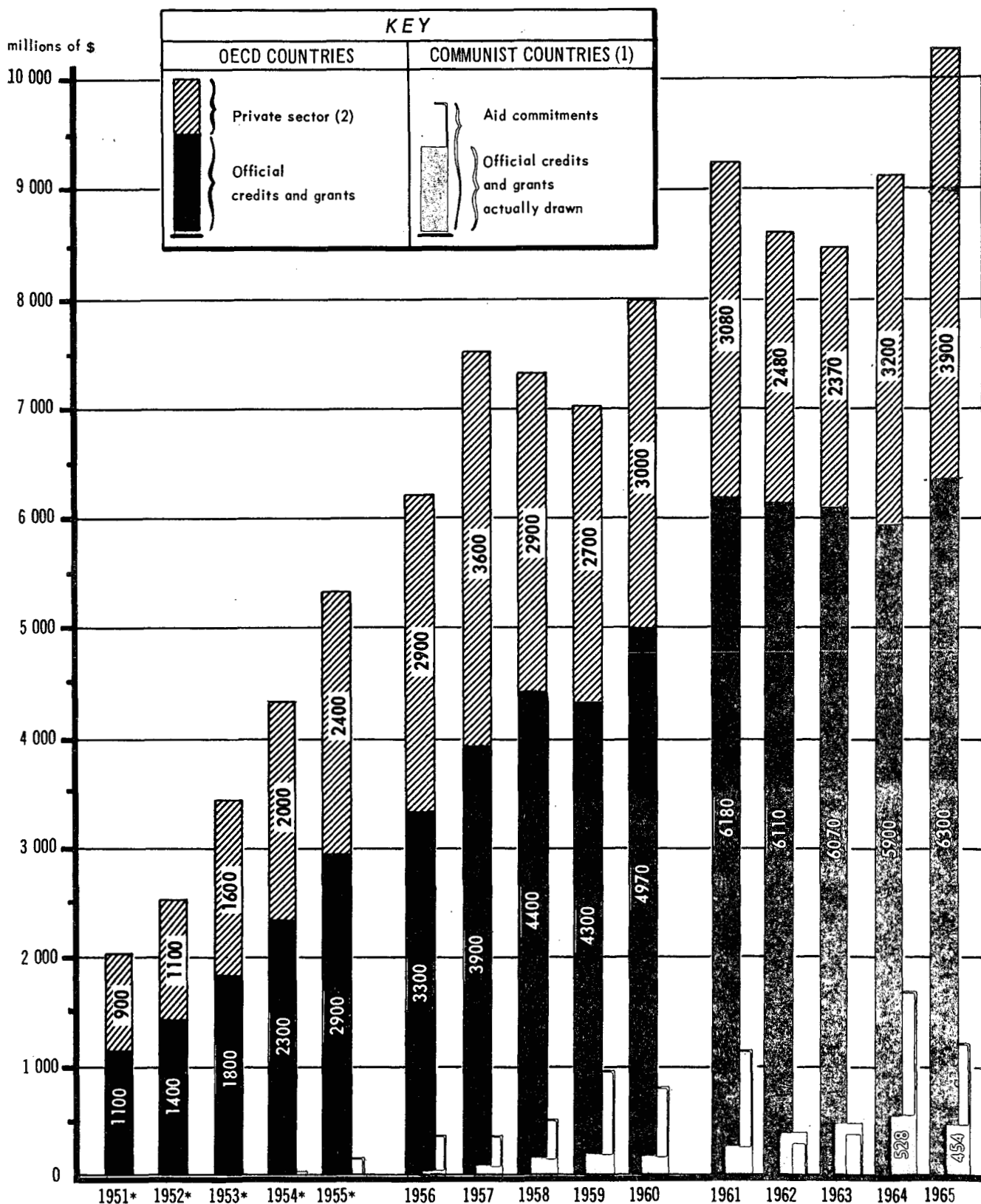
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GROWTH OF GNP per head
(IN \$ 1965 PURCHASING POWER EQUIVALENTS)



ECONOMIC ASSISTANCE TO LESS DEVELOPED COUNTRIES

(EXTENDED BY THE OECD COUNTRIES AND BY THE COMMUNIST COUNTRIES)



SOURCE : OECD

(1) USSR + Eastern Europe + Communist China

(2) Private long-term + export credits for more than 1 year

* The breakdown by year for the period 1951-55 is a rough estimate based on the annual average for this period that reached \$ 1,600 million for the private sector and \$ 1,900 million for the public sector

THE WIDENING GAP BETWEEN THE INDUSTRIALISED COUNTRIES AND THE LESS DEVELOPED COUNTRIES IN THE EAST AND WEST (1964/1975)

		POPULATION Distribution in % of world total		GNP Distribution in % of world total	
FREE WORLD LESS DEVELOPED COUNTRIES	1964	43,8	14,4		
	1975	47,1	13,8		
FREE WORLD INDUSTRIALISED COUNTRIES	1964	22,0	63,1		
	1975	19,9	64,0		
COMMUNIST LESS DEVELOPED COUNTRIES	1964	23,9	4,4		
	1975	23,8	4,2		
COMMUNIST INDUSTRIALISED COUNTRIES	1964	10,2	18,1		
	1975	9,2	18,0		

LESS DEVELOPED COUNTRIES (COMMUNIST + FREE WORLD)	1964	67,7	18,8		
	1975	70,9	18,0		
INDUSTRIALISED COUNTRIES (COMMUNIST + FREE WORLD)	1964	32,3	81,2		
	1975	29,1	82,0		

DISTRIBUTION OF POPULATION AND GNP WITHIN THE FREE WORLD AND THE COMMUNIST WORLD

			POPULATION		GNP	
FREE WORLD	1964	Less developed	66,5	18,5		
		Industrialised	33,5	81,5		
	1975	Less-developed	70,3	17,7		
		Industrialised	29,7	82,3		
COMMUNIST WORLD	1964	Less developed	70,1	19,6		
		Industrialised	29,9	80,4		
	1975	Less developed	72,1	19,1		
		Industrialised	27,9	80,9		