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ADDENDUM to
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AC/127-WP/69

COMMITTEE OF ECONOMIC ADVISERS

ADDENDUM

to

AC/127-WP/69
(dated 10th November, 1960)

FOLLOW-UP ON THE REPORT ON THE JOINT
GREEK AND TURKISH MEMORANDUM

Text of the Turkish Representative's Statement in
the Committee's meeting on 14th November, 1960

We have just received preliminary data on the study being carried out by Prof. Timbergen's assistant, Prof. Koopman, who has undertaken to draw the blueprints for the contemplated Turkish Economic Development Plan.

According to Prof. Koopman's calculations, national income, at constant prices, has increased by 2% in 1958 and 4% in 1959. Since the population increases at the rate of 3% per annum, the per capita income has decreased by 1% in 1958 and increased by the same amount in 1959.

Prof. Koopman has further calculated that in the period 1948-1959, the average annual increase in national income has been of 4.9%. Therefore, during the said period, per capita income has increased, in real terms, by only 1.9%. Inasmuch as the per capita income is presently 150 dollars, assuming the same rate of increase continues in the future, it will take us 50 years to double this figure and reach an annual per capita income of 300 dollars.

According to the Statistical Yearbook for 1959, per capita income increased in the Federal Republic of Germany by 6.4%, in Italy by 4.8% and in France and Belgium by 3.6% per annum.

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Since the increase in Turkey is by 2% it will be absolutely impossible for us to even narrow the gap between us and other NATO members. As a matter of fact, this gap will even widen from year to year, without any hope of changing this unfavourable trend.

The prospect being such a bleak one, my authorities are of the opinion that, if the present trend continues and these bitter facts become widespread, which we cannot avoid, it will become exceedingly difficult to impose a programme of austerity on our people, and ask them for a renewed effort with so little to offer in return. If our people lose their faith in a better future and are denied even the distant hope of a higher standard of living, the resulting state of mind might even disrupt and endanger the present social order.

Purely as a basis of comparison, let me point out that according to the UN 1959 World Economic Report, the average yearly increase in national income in the years 1949-1958 has been 10.3% in Bulgaria, 9.4% in Poland, 9.3% in Roumania, 7.5% in Hungary, 8% in Czechoslovakia and 8% and 12.3% respectively in the DDR and Communist China in the years 1950-1958. This Report also indicates that, conversely, countries associated with the West, such as Iran and Pakistan, fare no better than Turkey. Therefore, it is obvious that time is working for the communist bloc, and this fact is bound to have very deep political and social repercussions in the countries of the Free World.

Therefore, in our opinion, it is indispensable to assure to underdeveloped countries linked to the Western Defence System and particularly those within NATO, the ways and means to secure a rate of growth which would be comparable to the rate of growth in the communist bloc. Such an assistance would have the twofold effect of assuring, on the one hand, economic and social stability and an adequate defence effort in strategically located countries, and on the other, constitute the vivid proof of the superiority of the western way of life. There should be no doubt about the fact that uncommitted nations of the world are watching closely this race in the field of economic growth, and the example set by a country such as Turkey might well tip the scales one way or the other.

Of course, we believe that the West would gain both a considerable material addition to its own defence and an incalculable psychological advantage in the uncommitted world, by making Greece and Turkey a showcase of economic development through non-communist methods. That might be asking too much! However, unless we are secured a rate of economic growth comparable to the communist bloc, Soviet Russia will be afforded a means of propaganda which might well prove decisive.

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In order to elucidate further our position, I would like to mention certain figures. The population of Turkey is increasing by 750,000 people every year. In order to feed this additional population, our cereal production should increase by 300,000 tons every year. Unfortunately, we are unable to achieve such an increase. Although this year's crop was better than last year's, we still had to import 430,000 tons of wheat from the United States. FAO statistics indicate that, although the population increase is of 2.8% per annum, the increase in agricultural production is of only 1.7% (FAO Production Yearbook, 1959).

According to FAO specialists, there are 16.4 million hectares of arable land in Turkey. However, 22.9 million hectares are presently under cultivation by encroaching on pastures, woods and hill tops. Therefore, our only hope is to increase substantially the yield per acre through more appropriate cultivation methods and large investments in irrigation schemes, fertilizer plants, educational facilities and extension projects for our farmers.

On the trade side, we do not seem to fare much better. The average import requirements of Turkey during the past 10 years amounted to 450 million dollars a year. This represents the value of raw materials, spare parts and equipment necessary to sustain the present level of economic activity. Since we are unable to increase the value of our exports above 330 to 350 million dollars a year, with the addition of repayments on foreign loans and invisibles, we require, in order to sustain the present level of production, compensatory financing amounting to 150 to 200 million dollars a year. This deficit has been financed until now through aid from the United States and credits from Europe and international financial organizations.

The rapid increase of our population is also a factor which adversely affects our exports. Assuming an index of exports of 100 for 1950, this figure has only risen to 106 in 1959. As you see, increased domestic consumption is cutting heavily into the volume of commodities available for export.

Prof. Koopman has calculated that in order to significantly increase our exports, 70% of our imports should be devoted to capital investments. Unfortunately, the present level of imports in conjunction with the available external aid and credits, does not afford us such investment possibilities.

It is, thus, obvious that we are in a vicious circle which we must attempt to break, and which we simply cannot break through our own resources alone, or even with the present level of external financing.

Unless we are able to substantially increase industrial and agricultural production, the increase in population will create, in the very near future, very grave problems for Turkey. The price of food will increase, the standard of living will decline, under-employment and unemployment will increase, the population movement from rural to urban centres, due to the lack of additional arable land, will further continue, the already difficult housing problem will become critical, social injustice will increase, and the already severely affected middle class, which constitutes one of the pillars of democratic institutions and political stability, will tend to be destroyed.

Consequently, unless the present trend is reversed, the above-mentioned factors are bound to cause social uneasiness and a dangerous pressure upon the present social order. We are convinced that such a consequence would be detrimental not only for Turkey, but also for our whole Alliance and our way of life.

In conclusion, I would like to say that Turkey has, in view of her strategic geographic location, maintained for many years and at the cost of great sacrifices a large army, whose cost is certainly out of proportion with the resources at her disposal. This effort has been sustained particularly through the faith of our people in a better future. However, facts and figures are here to prove that it is utopic to harbour any hope of a substantial rise in the living standards in Turkey, without an appropriate external assistance. When these facts and figures become widespread among the Turkish population, doubts will certainly be expressed as to the wisdom of continuing to make such a great effort for common defence, at the price of hopeless sacrifices.

As indicated in our Memorandum submitted pursuant to document C-M(59)90, Turkey has taken appropriate measures to stabilise her economy and attempted to use the limited resources at her disposal in the best possible way. To help us in this task we have availed ourselves of the assistance of international economic organizations such as the IMF and the OECE, and also engaged foreign experts. However, as we have repeatedly indicated, it has now become evident that we cannot meet the investment requirements of our economy through our internal savings alone. External financing and resources are a pre-requisite for any sustained and substantial economic development. The aid which has been forthcoming and for which we are most grateful, has helped to bridge part of the gap. However, the most recent evaluations clearly indicate that unless the volume of aid is substantially increased, we can never achieve a rate of growth which might give our population some hope of a rise in their standard of living. Under such conditions we cannot impose upon the Turkish nation additional sacrifices in order to sustain the military effort required from us.

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We are presently in a vicious circle and are firmly determined to break it. We would like to do this in a manner which would be the most beneficial to our Alliance. Therefore, we look to you.

We can achieve a reasonable rate of economic growth only if aid to Turkey, in every form, is substantially increased. We are gratified by the creation of new institutions destined to assist countries such as mine in their efforts. However, we believe that such institutions can prove to be really beneficial only if the directive is political and the role played by NATO a decisive one.

In view of their substantial contribution to the common defence effort, the less favoured members of NATO deserve a special treatment, which can only benefit the whole Alliance. Therefore, we believe that a special mechanism or fund should be created within NATO, with the specific purpose of aiding the less developed members of NATO in their efforts to achieve a rapid and substantial economic growth.

We feel confident that our partners will give due consideration to our situation and recognize the necessity in which we find ourselves to break the vicious circle of stagnation which can only impair the defence potential of our Alliance and have detrimental effects on the uncommitted world which we are trying so hard to gain to our cause.

OTAN/NATO,
Paris, XVIe.