ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
NORTH ATLANTIC TREATY ORGANIZATION

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To: Permanent Representatives

From: Acting Secretary General

SPECIAL ECONOMIC PROBLEMS OF GREECE AND TURKEY

At their meeting on 29th March (1), the Council established a Working Group, to be chaired by the Deputy Secretary General/Assistant Secretary General for Economics and Finance, to study and report to the Council, before the Oslo Ministerial Meeting, on the ways and, if possible, the means by which the members of the Alliance intend to implement the Resolution on Aid to Less-Developed Member Countries (2).

2. A report in the form of a report by the Council in permanent session to Ministers for inclusion under Item IV of the agenda of the Ministerial Meeting (3) has now been prepared by the Working Group and is attached hereto.

3. The Council will be asked to consider and approve this draft report at the conclusion of their meeting with Mr. Acheson on the morning of Friday, 21st April.

(Signed) A. CASARDI

(1) C-R(61)11
(2) C-M(60)142
(3) RDC/61/93

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SPECIAL ECONOMIC PROBLEMS OF GREECE AND TURKEY

Ways and Means of implementing the Resolution C-M(60)142 on Aid to the Less Developed Member Countries (1)

Report by the Council in Permanent Session

Since the accession of Greece and Turkey to NATO, the Representatives of these two countries have repeatedly, and particularly at Ministerial meetings, drawn the attention of their partners in the Alliance to their special economic problems and in seeking to solve them have appealed to the solidarity between the member countries in the spirit of Article 2 of the North Atlantic Treaty. At the end of 1958, Greece and Turkey submitted a Joint Memorandum to NATO [C-M(58)172] in which, after setting out their economic difficulties, they requested the help of their allies. Following this memorandum, the Committee of Economic Advisers prepared a report [C-M(59)90(Revised)], approved by the Council in February, 1960 (C-R(60)5), recommending that the other member countries facilitate:

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(1) According to the terms of this Resolution, adopted on the 18th December, 1960, the North Atlantic Council:

(1) noted the importance to the Alliance and to the defence effort of NATO of economic health and balanced growth in its member countries and the special problems in this connection faced by countries in the course of economic development;

(2) recalled the recommendations made by the Permanent Council on 17th February, 1960 (C-R(60)5) with respect to the need to support the efforts by Greece and Turkey to reach satisfactory levels of economic development;

(3) instructed the Council of Permanent Representatives to examine the ways and means for providing on an adequate basis the economic aid needed by the less-developed member countries in the light of the factors in paragraphs (1) and (2) above and taking into account aid available from other member countries or from other international organizations.

- the financing of programmes for economic development which might be submitted by Greece and Turkey to the specialised international organisations;

- the disposal of the traditional export products of these two countries;

- a better utilisation of their production capacity for military equipment and ammunition, by placing orders with them.

At the same time, the Council recommended Greece and Turkey to encourage internal saving, to strengthen their international credit standing and to utilise the facilities of the existing international organizations. An initial report (C-M(61)18) on the measures taken to implement these recommendations has already been submitted to the Council by the Committee of Economic Advisers (see C-R(61)6 and C-R(61)11).

2. Furthermore, NATO has also given consideration to the economic situation of Greece and Turkey within the framework of the Annual Review; in the chapters on these two countries, the International Staff emphasised that they are making what is acknowledged to be a substantial contribution to common defence, taking into account their economic difficulties and in particular, the low standard of living of their peoples. It concluded that, without the close co-operation of their NATO partners, they would be unable simultaneously to maintain an effective participation in the defence of the free world and to provide for the essential expansion of their economy (C-M(60)103, part II).

3. The Greek and Turkish economies have a number of characteristics in common:

- a very low standard of living; the per capita national product is about $300 per annum in Greece and about $180 in Turkey (against over $1,100 in the industrialised countries of Europe and over $2,500 in the United States);

- a high level of under-employment and unemployment;

- excessive dependence on agriculture and difficulties in exporting traditional agricultural products (tobacco, cotton, olive oil, etc.);

- as a result of these export difficulties, trade with the Soviet bloc has reached a high level; in 1960, about 22% of Greece's total exports went to bloc countries, as against 7.1% in 1954; the corresponding percentage for Turkey has been nearly 12% in 1959;

- a need for foreign capital in order to ensure balance of payments and achieve an adequate level of investment to speed up economic expansion and to increase exports.

4. Nevertheless, there are at present certain notable differences in the Greek and Turkish economies:

(i) Since 1955, Greece has succeeded in maintaining a satisfactory financial stability; she has begun the actual implementation of an economic development plan for the period 1960-1964 and it is easier for her than for Turkey to raise progressively the standard of living of her population, which is increasing only at the moderate rate of 0.9%; furthermore, as a result of lengthy and difficult negotiations, this country has now, subject to the necessary parliamentary ratification, become associated with the European Economic Community (EEC), which means that on the one hand she will enjoy a number of advantages in respect of tariffs and have her exports to the EEC protected, if not increased (these represent about 45% of her foreign trade), and on the other obtain financial aid amounting to $125 million in the form of a five-year loan granted by the European Investment Bank.

(ii) Turkey, after being subjected to strong inflationary pressures until 1959, has as yet achieved only frail financial stability, obtained at the cost of slowing down the development of her resources; her balance of payments position continues to show a substantial deficit, still further increased by the heavy burdens imposed by the external debt; the Turkish Government is preparing a realistic economic development plan with the help of foreign exports but it is unlikely that this can be implemented before 1963; in any case, the efforts of the Turkish authorities to raise the standard of living are made more difficult by the increase in population at the extremely high rate of nearly 3%. Lastly, the plan for Turkey's association with the European Economic Community, which has been suspended for several months, is only now coming up for re-examination by that Organization, presumably on the basis of the precedent recently created for Greece.

5. The economic difficulties of Greece and Turkey are of all the more concern to NATO in that these two countries are directly exposed to the economic and political threat of the Soviets. In this connection, the rate of economic growth achieved by the neighbouring peoples' democracies during the period 1949-1958 is considerably greater than the figures achieved by Greece (6.2%) and more particularly by Turkey (4.9%). The rate of growth reported for

this period is as follows: Bulgaria, 10%, Poland, 9%, Hungary over 7%, Czechoslovakia, 8%. Although the methods by which such rates of growth are obtained would not be acceptable in a free society, the disparity may well have a disquieting effect on public opinion in Greece and Turkey and encourage a sense of disappointment with the Atlantic Alliance. Should they fail to receive an adequate amount of external aid to enable them to supplement their own efforts to achieve economic development, the populations of these two countries might be inclined to lend a ready ear to the offers of assistance and of trade put forward by the Soviet countries with potentially dangerous consequences for political stability in the strategically vital area of NATO. In this respect it may be recalled that the Report of the Committee of Three stated that the interests of NATO members call for policies which will demonstrate, under conditions of competitive coexistence, the superiority of free institutions in promoting human welfare and economic progress (paragraph 61).

6. The extent of the aid received by Greece and Turkey since their accession to NATO must not, however, be underestimated. The United States Government in particular granted between 1952 and 1959 military aid amounting to over 2 billion dollars for Turkey and 1 billion dollars for Greece. At the same time, the Development Loan Fund granted loans of approximately 100 million dollars to Turkey and 57 million dollars to Greece. In addition, the German Federal Republic has also made substantial loans available to these two countries (DM 318 million for Greece from 1958 to 1960, 100 million dollars for Turkey during the same period). The International Bank for Reconstruction and Development (IBRD) of which these two countries are members, has granted development loans to Turkey up to a total of approximately 52 million dollars, but has suspended active relations with this country in recent years owing to certain differences of opinion which it may be hoped will shortly be dispelled. As for Greece, the fact that this country has not so far been able to resume the long-suspended payments on its external debt, has prevented the Bank, in view of the latter's established policy in this respect, from financing any of that country's economic projects. As regards short-term aid, Turkey has benefited from various credits from the European Fund and, in particular, a loan of $50 million has been made in December 1960. In spite of the substantial volume of assistance which has flowed into Greece and Turkey from their Western partners, and the economic progress which both have made in the last few years, the benefit has probably been less than it might have been, for want of sufficient co-ordination of effort, of both creditor and recipient countries on the basis of a coherent programme of economic development.

7. During recent months, the need for the West to increase its aid to the underdeveloped areas of the world has been firmly stressed in the various capitals. The transformation in process

of the OEEC into the OECD constitutes in this connection a very clear recognition, by the industrialised countries of the West, of the need to establish effective procedures for the provision and administration of such aid. Recently, the President of the United States emphasised the need for realistic long-term goals for aid to be dealt with on a multilateral basis, and the essential need for long-term planning on the part of both recipients and creditors. He underlined that aid given on a piecemeal basis, as it has been often the case in recent years, discouraged the recipient countries from planning ahead, from mobilising their own resources to the utmost and delayed their reaching a stage of self-sustaining growth. The Development Assistance Group at their meeting in London from 21st to 29th March have approved these concepts: aid must be increased, it must be provided on an assured and continuing basis, and it must to a greater extent take the form of grants or long-term loans on favourable terms. In this respect, the Governments of Greece and Turkey consider that they have a high claim on the attention of their NATO partners. It may be noted also that in India and Pakistan global economic development programmes covering several years are being financed through aid co-ordinated between several countries and the competent international organizations, particularly the IBRD.

8. It would seem that such aid procedures could be studied and applied for the benefit of the less-developed member countries of the Atlantic Community. In these circumstances, NATO, on account of the prior call of common defence and its responsibility for resisting Soviet penetration, can assume the useful and possibly even essential role of catalyser, by bringing together through its member countries the parties concerned and the competent international organizations and by ensuring that political considerations are given due weight. After having set in motion such a mechanism for co-ordinating assistance in favour of Greece and Turkey, NATO's part would be confined to watching that the political will necessary for its effective working is maintained.

9. To provide the broad basis of information required for this purpose, it ~~should be~~ recommended that a Mission consisting of three qualified persons of high international standing should be appointed by the Secretary General at his discretion, with the approval of Greece and Turkey. All expenses connected with the Mission, including the fees of its members, would be borne by NATO.

10. The terms of reference of the Mission would be:

(a) to establish the main considerations justifying the requests by Greece and Turkey for assistance in the implementation of their economic plans, whether already drawn up as in the case of Greece, or whether in the process of formulation as in the case of Turkey;

(b) to make a broad and realistic appreciation of the basic conditions for the balanced economic development of Greece and Turkey. This appreciation should take into account inter alia the resources for the implementation of existing or prespective development plans likely to be available both domestically and from outside sources, the nature of foreign assistance which may be required in the short term as well as the long term, and the burden for their economics of the two countries' contributions to the common defence. The appreciation might, if the mission considered this appropriate, advocate co-ordination of the efforts to be made by the two countries themselves, by other Western countries and by the competent international organizations;

(c) to draw up a report as soon as possible with a view to its consideration by the NATO Council not later than 1st December, 1961.

11. In carrying out this task, the Mission should make full use of information and facilities available within NATO itself. They should also, through the good offices of member governments, draw on the experience and information available in the specialised international economic organizations which have already been active in this field (IBRD, IMF, OEEC/CECD, EMA, FAO and the EEC). Furthermore, the Mission should have access to all necessary information in Greece and Turkey.

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