

ASPECTS OF NATO

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Economic Cooperation

The authors of the Atlantic Treaty, mindful of all the bitterness and hardship caused by the crisis in the thirties, were insistent that economic rivalry, institutionalised at the level of the nation state, while useful perhaps as a stimulus to competition and growth, must not be allowed to become a source of friction within the Alliance and thus affect its solidarity.

For this reason, Article 2 of the North Atlantic Treaty lays down that the Parties "will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them".

From the start, the Atlantic Alliance, while primarily concerned with coordinating the common defence effort and promoting political consultation, has been alive to the value of economic consultation which has developed steadily since 1949 and is now an integral part of NATO's activities.

In 1956, a decisive fillip was given to NATO's work in this field by the Report of the Committee of Three¹, which comprised a number of important recommendations and basic principles, as the result of which NATO's role in the economic sphere was strengthened and has continued to develop.

Chapter 3 of their report, which deals with economic cooperation, takes the view that "political cooperation and economic conflict are not reconcilable". Consequently, Allied countries recognise that they have common interests in the economic sphere which should induce them, collectively or individually, to do all they can to foster the growth of their economies. This means that NATO countries must keep economic activity at a high level if they are to succeed in improving the standard of living of their peoples, in maintaining full employment, in keeping up a sustained research and development programme, assisting the less developed countries and maintaining and, if necessary, increasing their defence capability.

The report does not say that the implementation of practical measures of economic cooperation must necessarily take place within the NATO framework. It would, indeed, be pointless for the Alliance to undertake tasks which are already carried out by international organisations specifically set up for the purpose. The member countries which play a major role in these organisations are in a position to prevent the adoption of economic policies which run counter to the spirit and the interests of the Alliance. However, the report does suggest that consultations might take place within NATO whenever questions arise which are of particular political or strategic importance for the Alliance, especially those which "affect the economic health of the Atlantic Community as a whole".

In their Ottawa Declaration of June 19, 1974, the Allied governments re-affirmed their wish 'to ensure that their essential security relationship is supported by harmonious political and economic relations. In particular, they will work to remove sources of conflict between their economic policies and to encourage economic cooperation with one another.'

The Alliance provides an effective framework where different and interrelated aspects of political, military and economic questions can be examined. In this connection, the NATO approach and machinery may serve a very useful purpose in facilitating discussion on certain delicate aspects of international economic relations, for example, the economic aspects of the follow-up to the CSCE Helsinki Final Act, and more recently, the question of economic relations with the Soviet Union following the invasion of Afghanistan. The NATO consultative process also provides the means of stimulating or initiating specific action in the purely economic field to safeguard Alliance interests when the need arises. In May 1978, the Council invited the Secretary General to conduct a study on economic cooperation and assistance within the Alliance, which resulted in special action being initiated by the Alliance member governments to assist the less prosperous members through the appropriate international fora.

NATO'S economic activities

The Report of the Committee of Three resulted in the creation, by the NATO Council in 1957, of an Economics Committee, which reports directly to the Council itself and meets under the chairmanship of the Director, Economics Directorate. All member countries are represented on the Economics Committee.

The Committee has two main functions. Firstly, it acts as a clearing-house for the exchange by member countries of information on current economics questions mainly concerning East-West relations directly affecting Alliance interests, and it enables their implications to be discussed. It is a convenient forum for the regular discussion of problems raised by one or other member of the Alliance or by the Council. Consultations of this kind may, where appropriate, result in recommendations which can guide member governments in framing national policies. The Economics Committee, for instance, played an important role in forging common views among members during the preparation of the CSCE. Secondly, the Committee regularly prepares a number of reports covering different aspects of economic and financial relations between East and West; as well as studies analysing the economic situation in the various Eastern countries.

The Economics Directorate, which forms part of the Political Division within the NATO International Staff, is responsible for promoting and carrying out this work. The principal activities of the Directorate are as follows:

- (i) it contributes to the activities of the Council and the Economics Committee and, whenever necessary, certain other committees, such as the Defence Planning Committee, the Political Committee and the Military Committee;

- (ii) it provides the Secretary General with any studies or economic analyses he may require;
- (iii) in cooperation with the NATO Information Directorate, it arranges an annual colloquium, bringing together many prominent specialists on the economies of the Communist countries, mostly from the academic world;
- (iv) it maintains contact with the national delegations, NATO bodies and other international organisations, both governmental and non-governmental, which are concerned with economic matters.

Economic cooperation within the Alliance has continued to grow, and today takes four main forms:

- consideration of the economic aspects of the defence effort of member countries;
- intra-Alliance economic assistance;
- the analysis of economic trends in the Communist countries;
- study of East-West economic relations.

Economic aspects of the defence effort

The defence potential of member countries is not only decided by the strength of their economies, but also by their internal and external stability. NATO's procedures and its machinery for consultation make it possible to examine the impact of defence spending on the economies of the member countries. Following the recession of 1974–75, a number of depressive influences have been at work in the world economy: the rising and sizeable surplus of OPEC countries resulting in serious payment imbalances in many countries; persisting and high rates of inflation and unemployment; and structural adjustment problems that are difficult to solve in the medium term. At the present juncture, the consequences of these developments are that economic activity and international trade will grow only slowly for a period of years.

In spite of this, current total production in NATO is three times higher than in the Warsaw Pact. The burden of the defence effort is considerably lower in NATO than in the Warsaw Pact. The share of total resources allocated to defence by NATO countries is relatively modest, and has declined in most member countries over the last decade, mainly because defence expenditure increases have been lower than the increase in GDP. For NATO member countries as a whole the share in 1979 was 4.3% compared with 6% at the beginning of the decade².

The economic aspects of the defence effort of countries participating in the integrated military structure of the Alliance are examined within the context of the NATO Force Planning Review process which is described in Chapter 12. As part of this process, an appreciation of the economic position and outlook of Alliance member countries over the medium-term is prepared every second year. This economic appreciation is one of the papers taken into account in drawing up Ministerial Guidance which is the basic political directive for all defence planning activities in NATO. It includes resource guidelines reflecting

the balance struck between military requirements and resource availabilities. The guidance adopted in 1977 establishes the aim of annual increases in defence spending in the region of 3% in real terms and this has been reaffirmed in Washington in 1978 and again in subsequent years.

Economic cooperation and assistance within the Alliance

In the general context of Article 2 of the North Atlantic Treaty, the Allied countries have undertaken a major effort to help less favoured member countries to overcome their economic difficulties. The Secretary General has been requested by Ministers to follow closely the implementation of this unprecedented programme of assistance, with a view to insuring the social stability and the strengthening of the defence capabilities of these countries.

A better understanding of communist economies

Economic cooperation between the member countries of the Alliance also takes the form of analysing economic trends in the Communist countries. In order to assess the political and military power of a nation, it is obviously essential to understand its economic potential. NATO provides a forum for joint research by member countries to enable them to establish a common view of the chief issues determining the economic development of the Communist countries (e.g. demographic growth, agricultural performance, the reform of centralised planning systems, the harnessing of sources of energy, the development and pattern of foreign trade, and the convertible currency balance of payments situation). To obtain a better appreciation of their economic potential, their national product is assessed in terms comparable to that of Western countries.

Such studies, the results of which are reported to governments, not only foster a further understanding of the current state of these economies, but also make possible a more accurate assessment of possible future developments and of the ability of their countries to devote resources to their defence efforts and to the economic and political penetration of Third World countries. The study of Communist economies also provides useful information for judging the motives of the USSR and its allies in international negotiations such as CSCE or UNCTAD³. In other words, the processing of economic intelligence supplements the information available to the political and military organs of the Alliance.

East-West economic relations

The countries of the Alliance have long favoured the expansion of East-West trade, not only because of its intrinsic advantages, but also because of the contribution it can make to detente. It should be borne in mind, however, that trade with the Eastern countries can raise certain problems because their

³ United Nations Conference on Trade and Development.

economies are centrally controlled, their political aims often outweigh economic considerations, and their foreign trade is run by state monopolies. Since the end of the sixties, efforts have been made to develop East-West economic relations by means of cooperative agreements between Eastern enterprises and Western firms. These agreements cover various forms of subcontracting, specialised co-production or manufacturing, and are sometimes supplemented by contracts covering both common efforts to promote sales in Western, Eastern or Third World countries and the exchange of technical information and cooperation in research in certain sectors. Many of these contracts are linked to Western credits repayable in the form of deliveries of goods produced in Eastern factories, the building or expansion of which has been partly due to these credits.

The Allied countries regularly carry on consultations and exchange information on the development of trade with the East and on problems connected with the financing of this trade, particularly that of the debt burden of the Communist countries.

New activities in a changing scene

The Economics Committee and the Economics Directorate have, in recent years, extended their work in response to a rapidly changing situation, for example, in the following respects:

- detailed and systematic analyses have been made of economic trends in each of the COMECON countries;
- studies have been made covering a number of specific fields, such as demography, energy resources, agriculture, the convertible currency debt burden, etc.;
- surveys have been made of a variety of questions related to the economic activities of the Communist countries in the world context and their consequences for member countries, such as the problem arising from the expansion of the Soviet merchant fleet and its use for cross-trading, East-West energy relations, East-South economic developments and COMECON integration;
- more attention has been paid to economic problems affecting defence, and especially the trends in defence spending in East and West, and the ways in which future economic developments are likely to influence these trends.

Economic cooperation within the Alliance will continue to be important as political and economic relations within and outside NATO evolve.

