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A : Secrétaire Général Adjoint pour les Affaires Politiques ←

- cc. M. de Camaret
- M. van Campen
- M. Attolico
- M. Cohen
- M. Le Nail
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De : Directeur des Affaires Economiques

Objet : Contribution au Sous-Groupe n°4 sur les tâches futures de l'Alliance

Veillez trouver ci-joint un projet très préliminaire qui pourra éventuellement servir de base pour une prochaine discussion entre nous.



A. Vincent

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FUTURE TASKS OF THE ALLIANCE

Sub-Group n°4 on Relations with the Third World

In order to fulfil its mandate it would appear that the Sub-Group should :

- not only analyse the political events which have occurred since the Treaty was signed, but also cover social, economic and technological developments;
  - consider past events to the extent to which they may help in forecasting future trends : the problem is not to adjust NATO to the situation of the past fifteen years but to that of the next fifteen years;
2. Bearing this in mind, a number of points are made below on :
- the problems to be considered;
  - the solutions currently applied;
  - the future tasks of the members of the Alliance.

I. PROBLEMS TO BE CONSIDERED

3. There are problems common to all parts of the Third World and problems specific to certain regions. Although it may be convenient to talk about economic or political problems, both are in fact entangled. This is why both are of interest to the Alliance.

(i) Common problems

4. Almost the entire Third World is faced with the problem of economic underdevelopment which shows various symptoms: lack of industrialisation, low standards of living, great inequality of income, illiteracy, and so on. This problem is aggravated by the fast growth of population : the world population has risen from 2.5 billion in 1950 to about 3.4 billion in 1966 and, according to present trends, may reach 4.4 billion in 1980. Economic backwardness

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combined with demographic growth threatens to lead to famine in the coming decades. Over the last twenty years, the gap between the standard of living of the poorer countries and that of the richer countries has widened. It is likely to widen further in the future (1) between industrialised countries (of the free world and of the Communist camp) and the developing countries (free or Communist). One of the tasks of the industrialised countries is to make sure that the economic progress of the less favoured ones is accelerated. On the other hand, the Third World must understand that aid and trade, which are indispensable to its further development, depend on continuous growth in the most advanced countries.

5. These economic and social difficulties have appeared more strikingly than before in a new political context :

- (a) most countries of the Third World have moved or at least are attempting to move from a position of dependence to one of independence. From 1950 to 1966 nearly 50 new nations have been born. But independence is not only a matter of legal status, it needs also economic content. Countries which have just gained their independence feel economically helpless in exploiting their resources and making their own economies work. Countries which have had their political independence for a long time have become aware of their state of underdevelopment, and also of the fact that a large part of their national resources is under the control of foreign companies. Hence the feeling of frustration and the fear of "neo-colonialism" which can be noticed throughout the Third World. The problem for the future is how to associate gradually the local population of developing countries with economic responsibility, in particular in modern companies, without losing economic efficiency and without frightening capital away from the country;
- (b) the shadow of Communism has spread all over the world. While, before the War, the Soviet Union supported local Communist Parties in many countries or overseas territories, she has done it to a far greater extent since the War. In addition she has

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(1) See C-M(66)95.

intervened as a nation in most countries of the Third World through various deals: political, military and economic (in particular aid agreements). To many countries of the Third World, dealing with the Soviet Union and other Communist countries has acquired the significance of a symbol of independence, especially if at the same time they have had to maintain close relations with their former colonial power. While the shadow of Communism is still hovering over the Third World, it may have become less threatening over recent years for various reasons:

- In spite of the increased economic activities of the Communist countries(1), the industrialised Free World provides the bulk of aid (about 94%) to the developing countries and remains their main trade partner (about 72%);
- The Communist countries have experienced economic difficulties which have tarnished the reputation of the Communist system as a short cut to prosperity (failure of the Great Leap Forward in China, setbacks in agriculture, slowdown of expansion in industry);
- The Communist movement has lost momentum in the Third World at the same time as it lost its unity (rivalry between China and Russia, growing emancipation of former satellites in Eastern Europe).

(c) There has been a growing tendency in the countries of the Third World to assemble in various groupings. Sometimes, they attempted in this way to clamour loudly for political or economic advantages (for example, during the <sup>Conference</sup> Bandung/in 1955 and first UNCTAD Conference in 1964). Sometimes they grouped together to co-operate more efficiently and in a more balanced way with the industrialised Free World. Sometimes they constituted a lobby in international organizations, such as the UN, the IBRD and the IMF. Sometimes

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(1) The latest NATO evaluation of Communist economic aid to the Third World is found in AC/89-WP/196.

they hope that, by getting together, they will be able to overcome the economic disadvantages of too small markets or artificial borders (plan for Latin-American common market, Organization of African States, and so on). Whatever the purpose of such groupings they have the same result, i.e. to echo the economic difficulties of the Third World and, through modern communications means, to voice them throughout the world, whilst in the past these economic difficulties were largely ignored by world public opinion.

(ii) Specific Problems according to Regions

6. Africa: African problems differ from those of other parts of the Third World but at the same time they vary very much according to countries or territories in Africa. One common feature is that Africa has been for a long time under both the political and economic domination of Europe and has only recently achieved independence. Lack of political experience and an inclination to rely on Communist countries in order to balance the influence of the West have given rise to serious problems. In some cases, independence was achieved smoothly, but in others (Algeria, Congo), it involved violence and the dust may not have yet settled. For the rest, there are many different situations. In North Africa, the demographic problem is acute, whilst in Black Africa population is very thinly spread. This may be an attraction for over-crowded Asia in the future. While in West and Equatorial Africa co-operation with white men is an accepted necessity, there are fierce tribal rivalries. In South Africa, the main problem is the racial feud between black and white. Whether a minority of white men will be able, for long, to control politically and economically a majority of black men is a question which is pregnant with future troubles.

7. Latin America: Countries of Latin America achieved political independence long ago, but they are now anxious to speed up economic development and to acquire control of the economic resources which are still largely in the hands of foreign companies. Inequality of income, the lack of land reform and illiteracy are still hampering the normal working of a democracy in these countries. The Communist countries, and especially Cuba, are attempting to exploit such difficulties. At the same time, it must be noted

that, while North America is economically in a strong position to provide aid and to trade with Latin American countries, the latter have close cultural links with Europe.

8. Asia: The race between population and resources is particularly tragic in Asia. China has attempted to cope with it through Communism. While, in many ways, this system has failed to produce the ambitious results expected, it has, until recently, enabled order to be maintained, has restored self-pride and produced technical achievements. It may be regretted that resources have been wasted on nuclear weapons by China; at the same time, it cannot be denied that the Chinese bomb is one of the thorniest problems of this second half of the century. The threat exercised by China as well as the feud between Pakistan and India are making it more difficult to shift resources from the arms race to economic and social improvements. Another question mark in Asia is the outcome of the present Vietnam war.

9. Middle East: The chief characteristic of the economic problem is the heavy dependence on oil which is largely exploited by Western companies. How to associate local interest as well as local manpower and technicians with oil exploitation is an important question. At the same time, there are two potential conflicts: one of a religious and racial nature between Israel and the Arab States; the other, among the Arabs themselves, between the traditionalists (Saudi Arabia) and the partisans of the more forward looking elements (Egypt).

## II. THE SOLUTIONS CURRENTLY APPLIED

10. In the economic field, aid and trade are the two main channels through which the industrialised countries support the economies of the Third World.

- (a) Trade raises the problems of the terms of trade i.e. of the tendency of the prices of industrial products bought by the Third World to rise, while the prices of their own products (primary products) lag behind. Various methods have been envisaged to remedy this situation, such as preferential

agreements on particular products (coffee, sugar, tin etc..). More general solutions have been discussed in UNCTAD but they failed to obtain unanimous agreement. No doubt the other countries are going to exercise increased pressure in the future to see their claims justified in this field;

- (b) Aid: while aid from the Free World largely exceeds that of the Communist countries, it has been levelling off. For the future, the questions are: how to give sufficient aid and how to make sure that such aid is rationally used. At present, about 95% of aid is provided on a bilateral basis and cannot fail to involve some political influence or pressure. It might be thought that more aid should be given through international organizations. At the present time, a large part of the aid provided takes the form of export credits at a fairly high rate of interest and rather too short terms of repayment. It might be examined what form of aid would be best suited to the developing countries in order to avoid excessive burden on their balance of payments through too heavy and too early debt servicing. Technical assistance accelerates the social development of countries: health, education and so on. There may be a need for increasing it.

In general, when discussing world problems of trade or monetary liquidity, special attention is to be given to the impact of the solutions envisaged on the economic development of the Third countries.

11. From an institutional point of view, many international bodies are already dealing with the problem of trade and assistance to developing countries ( OECD, European Economic Community, IMF, IBRD, United Nations, FAO, UNESCO etc...). In particular, the Committee for Assistance and Development of the OECD has attempted some co-ordination of Western policies in this field. One of the questions to be examined is whether the present institutional framework is adequate.

12. On the political side, great influence is exercised on the Third World by individual countries and especially by the great powers (United States, USSR, China etc...) and also by former colonial powers. The main forum for discussion with the Third World is the United Nations Organization. The great difficulty for this organization is how to contribute efficiently to peace-keeping while being recognised by all powers and all parties as an impartial umpire. NATO as such does not intervene directly in the Third World. It conducts studies on the political and economic situations of developing countries and holds, as appropriate, consultations among its members, leaving them to act in the best interest of the Alliance and of a peaceful world, individually or in determining their attitude in specialised international organizations.

### III. FUTURE TASKS OF THE MEMBERS OF THE ALLIANCE

13. The members of the Alliance whose population numbers about 510 million i.e. about 15% of the world total, enter for about 55%(1) in the total world production. It is obvious, therefore, that they have important responsibilities in assisting the Third World to accelerate its economic development and, more generally, in promoting a world order where everybody can have a decent life. However, on the economic side, other countries of the Free World (Japan, Sweden, Switzerland etc...) have also a part to play. This means that NATO can hardly be the main forum where problems of aid and trade, or monetary questions are dealt with. The OECD is more convenient for studies and consultations of a strictly economic nature and specialised bodies such as the IMF and the World Bank can be appropriately used as executive agents. It has already been noted that an economic gap exists also between the industrialised Communist countries and the developing countries. The former certainly have a part to play in solving the problems of the Third World. The United Nations seems to be the best forum where their help should be enlisted. On the economic side, there may be a need for a concentric system where first individual countries, then limited groupings (e.g. the European Economic Community), then larger ones (e.g. the OECD), then still larger ones ( e.g. the United Nations) can all play a useful rôle.

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(1) AC/89-WP/193

14. On the political level, the problem is somewhat different. At the two extremes, individual nations and world organizations have certainly a part to play. However, there is a need for a political forum where the industrialised nations of the Free World may consult about their economic policies and maybe concert these policies. In the present circumstances, there is no other forum than NATO.

15. Studies and consultations are already conducted in NATO. It has to be made sure that they are geared to the real problems and carried out with the maximum efficiency. Perhaps a longer-term view should be taken both for the past and for the future in such studies and consultations. Perhaps also better exploitation should be made of the studies and various works already conducted, either within national governments or specialised bodies, (OECD, IMF, IBRD, FAO etc.) In this task, unfortunately NATO is hampered by a kind of segregation which is applied to it by other organizations which, for the sake of maintaining strict neutrality, avoid contacts with NATO officials and restrict the flow of information to NATO.

16. The question may arise as to whether NATO may act towards the Free World in some respects as an executive agent. In the past, this was not acceptable by member countries who felt that NATO was too much associated with military questions to be useful in dealing with the Third World. Perhaps, if more emphasis were laid on the civilian side of NATO, ideas might be revised on this.