



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

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NATO CONFIDENTIAL  
PO/56/801

MEMORANDUM

TO: Permanent Representatives.  
FROM: Acting Secretary General

USSR Proposal for an All-European Agreement  
on Economic Co-operation  
(reference: PO/56/796)

Attached is a working paper on the Soviet Government's proposals for an All-European Agreement on Economic Co-operation, prepared by the International Staff. It is circulated to delegations for their information and with the thought that it might serve as a background paper for the discussions on this subject which are scheduled to take place in a private meeting of the Council at 10.15 a.m. on 6th September.

(Signed) A. BENTINCK

3rd September, 1956

NATO CONFIDENTIAL

USSR PROPOSAL FOR AN ALL-EUROPEAN AGREEMENT  
ON ECONOMIC CO-OPERATION

1. At the XIth Session of the Economic Committee for Europe (ECE) last April, the Soviet bloc countries put forward a number of proposals for increasing the responsibilities of ECE, probably with a view to building up the ECE as the centre of European economic co-operation. Among these proposals was one submitted by the USSR for an All-European Agreement on Economic Co-operation. After debate, the Commission resolved to request the USSR to provide more specific information on their proposal by 1st July and to invite the member countries of the Commission to submit their comments by 15th October. A working group of experts will then be set up to prepare a report for discussion at the XIIth Session of ECE (probably in April 1957).

2. The ECE is a subsidiary agency of the Economic and Social Council of the United Nations and consists of the following 29 European countries plus the United States:

| <u>NATO Countries</u> | <u>Other OEEC Countries</u> | <u>Other non-Soviet Bloc Countries</u> | <u>Soviet Bloc Countries</u> |
|-----------------------|-----------------------------|--|------------------------------|
| Belgium               | Austria                     | Spain                                  | Albania                      |
| Denmark               | Republic of Ireland         | Finland                                | Bulgaria                     |
| France                | Sweden                      | Yugoslavia                             | Czechoslovakia               |
| Greece                | Switzerland                 |  | Hungary                      |
| Italy                 |                             |  | Poland                       |
| Iceland               |                             |  | Rumania                      |
| Luxembourg            |                             |  | Ukraine                      |
| Norway                |                             |  | White Russia                 |
| Netherlands           |                             |  | USSR                         |
| Portugal              |                             |  |                              |
| Turkey                |                             |  |                              |
| West Germany          |                             |  |                              |
| United Kingdom        |                             |  |                              |

In addition, the following countries participated as observers at the last session: Australia, Cuba, Israel, Venezuela.

Summary of the Proposal

3. Further information has now been received from the USSR in the form of the text of a draft agreement. The aim of the Russian proposal, according to the preface to this draft, is to promote the broad economic co-operation between European states which will "help to develop their economies, increase their peoples' well-being ..... and constitute an important step towards ensuring all-European collective security and solving the problem of disarmament".

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4. The draft agreement provides for the participating states collaborate in three general fields:

- (i) in granting economic and technical assistance to underdeveloped countries, through the UN and individually, such assistance to be without any strings;
- (ii) in developing mutual trade. For this purpose it is proposed that participants should
  - grant one another most-favoured-nation treatment, i.e. abolish all discrimination between them in trade, shipping and commercial practices
  - conclude long-term trade agreements
  - set up a body for settling all-European payments and granting credits
  - collaborate in banking, insurance, shipping, air, rail and other transport services
  - facilitate the organization of trade fairs;
- (iii) in developing scientific and technical co-operation by the exchange of information and of experts. Special mention is made of the combined development of atomic energy for peaceful purposes and of the joint use of European material resources. (The USSR also put forward a separate proposal for the creation of a special atomic energy committee for Europe. This proposal will be discussed again at the next session of the ECE).

5. The executive functions of the Agreement would be undertaken by the Secretariat of ECE. All states taking part in the work of ECE would be eligible to sign the Agreement. Presumably, therefore, the USA could become a participant, though the accent of the proposal is heavily on promoting European co-operation.

indications for the Western Countries

6. The Draft Agreement as presented seems on the surface to subscribe to the principles of free exchange of trade and information (though not of people) which are the ideals of the West. A careful reading indicates, however, that implementation of the proposal could have dangers for the West:

- (a) It is likely that most concessions to be made would come from the Western countries. All strategic controls on trade with the Soviet bloc would be ended; the Soviets could buy what they chose from the West and dump such goods in exchange as they could dispose of at their own arbitrarily fixed prices; their technicians and traders could move freely in the Western countries. The Soviet bloc countries, on the other hand, need concede little. They would undertake to give the Western

countries the same treatment which they give one another, but since all their economic life is regulated by the State this amounts to little. It is noteworthy that the Draft Agreement places emphasis on bilateral agreements and long-term contracts (i.e. the features of regulated trade) and specifically states that traders operating in a participating state shall be "subject to the conditions under which such activity is authorised by the law of such state". Indeed, it is hard to see that the Western ideals of non-discrimination in foreign trade have any meaning when applied to the Soviet countries, where trade is a monopoly and prices and exchange rates have no relation to market realities in the Western sense.

- (b) The Draft Agreement states that the existing regional economic organizations in Europe would not be affected by the proposal and their participation in All-European Co-operation could be arranged. But literal application of the terms of the Draft Agreement would mean an end of Benelux and the proposals for Euratom and for a common market among the six countries of the ECSC; while the OEEC, the EPU and the proposal for West European co-operation in developing atomic energy might be swamped by the larger organization. In practice, the Western countries would insist on modifying the terms of the Draft Agreement in order to preserve these agencies for Western (including North American) economic co-operation. There would, however, remain a risk that they might be overshadowed in the public view by the proposed new body - and this could help to weaken the cohesion of the Atlantic Community. This undoubtedly is one intent of the Russian proposal.

7. Nevertheless, it must be recognised that the proposal has great propaganda value for the Soviet bloc: it fits in with the widespread desire of most peoples to develop peaceful relations between West and East and must have particular attraction for certain Western countries which have suffered most from the post-war rupture in European economic relations.

8. In dealing with the proposal, it might be useful to follow the tactics sometimes adopted by the Russians when confronted with Western suggestions for co-operation: i.e. to welcome the proposal in principle subject to certain qualifications and clarifications of practical issues. The Western countries could also point out that they have made great strides in developing economic co-operation since the war among as many countries as were willing to participate; the Soviet bloc of its own choice has so far remained aloof. (The Soviet bloc countries refused to attend the Convention which gave birth to the OEEC).

9. The qualifications to the proposal might include:

- (a) adequate safeguards for the preservation of existing agencies for West European and Atlantic co-operation;

- (b) the USA and Canada to be adherents to the Agreement (this is essential in order to preserve a balance for the Western countries against the USSR);
- (c) Western traders, technicians and tourists to have complete freedom of movement without supervision in Soviet bloc countries;
- (d) citizens of Soviet bloc countries to have complete freedom to leave these countries for purposes of travel or emigration.

10. In addition, clarification might be sought on the following points (some of which were raised in the XIth Session ECE):

- (a) why do the Russians propose a new world-wide trade organization under the UN (Article 4 of the Draft Agreement)? Why not instead participate in the existing UN organizations, including the International Bank, GATT, the proposed OTC, etc.?
- (b) are the Soviet bloc countries willing to submit their economic policies to full international review annually, providing the detailed statistical information necessary, in the way that we have found so useful in the OEEC?
- (c) (i) is Danube navigation to become free? (raised by Austria);  
(ii) will Western banks be allowed to set up branches in the Soviet bloc? (raised by Norway);  
(iii) will Norway be able to use border rivers for floating timber? (raised by Norway);  
(iv) will Finland be allowed to use Vilpuri (formerly a Finnish port) for timber exports?

11. These suggestions are only first thoughts, but they offer scope for rendering the Russian proposal innocuous. In fact, it must be admitted that, if all these points were pursued by the West, the Russian proposal would not get very far. The safeguards for the existing regional economic agencies must include the right of the Western countries to co-ordinate their policies among themselves, which implies a denial of the non-discrimination principle of the Draft Agreement. But as argued above, it is difficult for free economies to operate vis-à-vis State-controlled economies in the same way as they do among themselves. Also, it is most unlikely that the Soviets would accept the suggestion of freedom of movement for their peoples. However, the tactics suggested would enable the West to seize the initiative from the Soviet bloc countries and to test their sincerity, and it is possible that good might come from the proposal in the shape of the reduction in undesirable barriers between East and West.