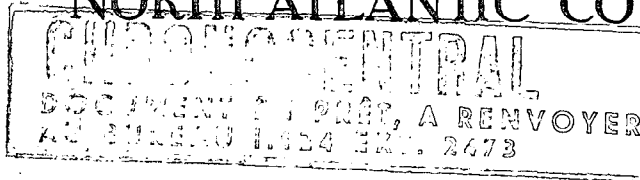


CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL



EXEMPLAIRE
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N° 320

N A T O C O N F I D E N T I A L

ORIGINAL: ENGLISH
3rd April, 1973

DOCUMENT
C-M(73)30

CSCE: POSITION OF THE EASTERN AND NON-ALIGNED COUNTRIES WITH
REGARD TO THE ECONOMIC PROPOSALS OF THE NATO COUNTRIES

Report by the Chairman of the Political Committee
at Senior Level

The attached report (AC/127-D/431) by the Economic Committee was considered by the Senior Political Committee at its meeting on Monday, 26th March. The Senior Political Committee considered the report useful but did not discuss it in detail because of the parallel discussions going on in Helsinki. They agreed that while no action was called for, the report should be forwarded to the Council for the Council's information.

2. The Senior Political Committee considered the programme for future consultation in Brussels on the economic questions arising in Helsinki. The Committee was of the view that consultation should be resumed as soon as the Helsinki talks adjoined, or as soon as the current discussions in Helsinki of Basket II were completed, whichever was the earlier. The Committee requested the Economic Committee to take up these matters again automatically in accordance with this timetable, though it would be open to any delegation to ask for earlier consultation if this seemed desirable.

(Signed) Jorg KASTL

NATO,
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POSITIONS OF THE EASTERN AND NON-ALIGNED COUNTRIES WITH REGARD TO THE ECONOMIC PROPOSALS OF THE NATO COUNTRIES

Report by the Chairman of the Economic Committee

Introduction

1. It seems clear from the Soviet formulation of the tasks of the Second Commission and its official and informal comments on the Allied mandate tabled by Belgium, that the USSR is in substantial disagreement with the spirit and thrust of the NATO proposals in this area. However, Ambassador Zorin's acknowledgment to Ambassador Forthomme that the Soviet draft could also be improved is an encouraging sign.

2. Moscow evidently feels that the proposed NATO mandate:

- (i) has gone too far in generalizing to a multilateral plane the experience and accomplishments of bilateral negotiations;
- (ii) has not taken into sufficient account existing differences in economic and social systems to which the modalities of East/West economic relations must conform; and
- (iii) that the NATO proposals, while perhaps desirable as long-term objectives, are overly ambitious and premature at a stage when East/West economic co-operation is only at the threshold of its potential development.

3. In sum, Moscow, with substantial support of its East European allies, would appear to prefer to limit CSCE discussion of economic issues to the elaboration of principles on East/West economic relations which would include, notably, a commitment by the participants to most-favoured-nation treatment and non-discrimination in their economic dealings and the definition, in general terms, of those areas in which the further development of economic co-operation would appear fruitful.

4. It will be noted that the Soviet positions do not appear to have progressed beyond the preliminary ideas which have been in circulation for several years. As in the past, the Soviets appear to limit themselves to:

- (i) on the one hand, affirmation of the principle of non-discrimination, reiterated within the framework of a general statement;

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- (ii) on the other hand, the initiation of large-scale pan-European projects (industry, energy, raw materials and transport).

5. In other words, it would seem that the Soviets wish to preserve the current bilateral institutional framework, and concurrently receive improved credit facilities and more substantial technical aid. In particular, the Soviets prefer to examine each specific project on its own merits, while refusing to introduce any change or innovation in the machinery which controls their trade.

6. By contrast, the Western approach aims essentially to improve the framework for implementing economic co-operation, and to reach agreement on a whole range of conditions capable of promoting commercial and industrial co-operation.

7. The information provided below illustrates, on the one hand, the opposing attitudes between East and West in certain areas, and, on the other hand, the gap which separates them as regards certain proposals.

I. THE SOVIET POSITION

(a) The Mandate

8. The USSR has only outlined the mandate of the Committee on Economic Co-operation. For the time being, it does not anticipate the creation of specialized sub-committees. Nevertheless, it grants wider jurisdiction to this Committee than that currently planned by NATO, by assigning, in addition to the environment field, both science and technology. The Soviet attitude in this respect is not surprising as the technological and scientific sectors are closely linked to Soviet concerns in the field of industrial co-operation, and as the USSR is very keen to have this question examined within the context of economic co-operation. In principle, this wider jurisdiction of the Committee should not create any particular drawbacks for the Alliance countries. However, the Soviets should not be allowed in this way to avoid the question of cultural and human interchange which could be within the jurisdiction of other committees.

9. The Soviet approach differs basically from that of the Alliance on how precise the mandates should be, which will be assigned to the Committee and possible sub-committees. In fact, the Soviets would apparently be happy with a simple statement of intent.

10. The USSR has proposed only very general terms of reference for the discussion of economic issues in the Second Commission of the CSCE; and although several East European countries, particularly Hungary, have elaborated on them, their comments are in general conformity with the following Soviet provisions:

- (i) basic provisions aimed at expanding trade, including most-favoured-nation principles and non-discrimination, as well as the development of industrial co-operation;
- (ii) proposals on possibilities for the joint implementation of all-European projects in the fields of industry, energy, mineral mining and transportation and recommendations on priorities for further deepening joint work on such projects.

11. Distilled to its essentials, the Soviet mandate thus makes reference only to measures to expand trade, particularly acceptance of the principles of MFN and non-discrimination in economic relations, industrial co-operation and joint implementation of all-European projects in various fields.

(b) Most-favoured-nation and Non-discrimination

12. As confirmed by the Soviet mandate tabled in Helsinki and the Zorin-Forthomme and other conversations, the dominant theme of the USSR at the CSCE, as it has been in the ECE, UNCTAD and other multilateral fora, will be that discriminatory policies maintained by the West in trade with Communist countries pose the major impediment to the further development of East/West, and particularly all-European, economic co-operation. In this regard, Soviet media have reserved their severest criticism for the Economic Community.

13. The USSR will maintain that the practice of deliberate discriminatory restrictive measures in the sphere of economic relations, which apply to one state or one group of states, is a violation of international law and an act of economic aggression. Such measures, in its view, clearly include the denial by the United States of MFN treatment to the USSR and several East European countries, the preferential trading agreements of the Community, the quantitative restrictions which many West European countries apply only to state trading countries, Western strategic controls, etc.

14. The implications of this Soviet posture on non-discrimination are clear. Western countries must not apply any tariff, quota or other restrictions on their trade with socialist countries where such restrictions are not applied in trade between Western countries or, in the case of the Community, which place the USSR and other socialist countries in a less favourable position than other non-members. While Zorin indicated that it was not the intention of the USSR to undermine the foundations of the Economic Community, he was equally insistent that the principle of equal treatment was an essential condition for any substantial increase in trade with it.

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(c) Industrial Co-operation

15. Although the USSR has been less active than its East European allies in concluding industrial co-operation agreements with Western firms (and, unlike Romania and Hungary, does not permit equity investment by foreigners), it has been favourably disposed towards such arrangements as devices to tap Western technological and managerial know-how and to ease its marketing and payments problems. Soviet authorities, however, have both publicly and privately commented that they find the Belgian mandate formulation on industrial co-operation unacceptable and "designed to insure privileged conditions for the operations of foreign countries on the territories of other states".

16. Zorin has maintained, for example, that the Belgian proposals for the development of guidelines for equitable and non-discriminatory treatment of firms participating in joint ventures and for **administrative** and other conditions of their operation are in conflict with Soviet domestic legislation which requires the regulation of foreign enterprises in the USSR to be established on a case-by-case basis and to be negotiated bilaterally at the government-to-government level.

17. The Soviet Ambassador singled out in the proposed mandate for the "provision of adequate protection of investments and the transfer of funds" as particularly objectionable on grounds that here again differences in economic and social systems have not adequately been taken into account, since foreign enterprises cannot deal directly with Soviet firms except under precise conditions established by state-to-state agreements.

(d) Trade

18. Other than those considerations which relate to MFN and non-discrimination, the USSR has not proposed in Helsinki any specific measures to improve East/West commercial exchanges. While Moscow (to judge from the Zorin-Forthomme conversation) apparently feel that the NATO trade proposals which suggest improvements in business contact and facilities, information, management techniques and the quality and marketing of export products are "unobjectionable" in principle, it sees no need to inscribe them on the Agenda of the Conference since these are concerns which, in its view, are best dealt with bilaterally.

(e) All European Co-operation

19. Soviet interest in excluding the United States and Canada from full participation in its proposed co-operation projects is reflected in references to "all European" projects and elsewhere in its mandate to "Europe's" natural resources. Moreover, Soviet proposals for possible joint implementation of projects fail to include the field of communications and the promotion of tourism which, along with transportation, would comprise the main work of NATO's proposed third sub-committee.

II. THE POSITION OF THE OTHER EAST EUROPEAN COUNTRIES

(a) The Mandate

20. Poland's position is very close to that of the USSR. It would like to see science and technology included, but feels that the Alliance mandate is both too technical and complex to be usefully examined at a CSCE. The mandate also fails to emphasize sufficiently the political and commercial conditions which would enable economic co-operation to develop. In addition, the Poles feel that the Western mandate is already bypassed by the results already achieved on a bilateral basis in the field of economic co-operation. Hungary follows the Soviet positions as regards the principle of non-discrimination and application of the most-favoured-nation clause.

(b) Other Questions

21. In the field of industrial co-operation, Poland appears to follow the Soviet approach, by preferring the examination of ad hoc measures for each specific case to the creation of a general guideline framework. Likewise, with reference to guarantees for future Western investments, Poland feels that any attempt to standardize regulations at the multilateral level would be premature in the absence of suitably generalized legislation in this field throughout the Eastern countries. The foregoing suggests that Poland has a certain preference for bilateral agreements.

22. Hungary has called attention to a whole range of activities in the economic, technical, ecological and scientific domains which could be considered at a CSCE. In this connection, it should be noted that among the examples given, two, affecting computer technology and nuclear physics, were explicitly rejected by two Alliance countries when the dossier "Applied Science and Technology" was examined. In addition, Hungary has suggested the deletion of commercial arbitration on the grounds that a United Nations body (presumably the ECE) is already seized with the question.

23. On the other hand, Hungary suggests that, among the matters which might be raised at a CSCE, the establishment of economic plans covering all or a number of European countries should be discussed. This suggestion is rather vague, but it could be the basis of a proposal aimed at obtaining from the Eastern countries further information as to their medium and long-term economic plans which is in line with one of the aims of the Allied countries at Helsinki.

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III. POSITION OF THE NON-ALIGNED EUROPEAN COUNTRIES

24. Yugoslavia, as well as Spain, has proposed that the problems of migrant workers should be raised at a CSCE as well as the idea of an increasing contribution by Europe to development aid. As to the first question, for tactical reasons, it would not seem to be particularly wise to raise it at a CSCE(1). As regards aid to developing countries, this question was considered during the preparation of the CSCE, when it appeared, however, that the countries of the Alliance felt that there was little real possibility of achieving genuine co-operation with the East in this sphere.

25. Spain has in addition put forward a number of suggestions in various fields, most of which are similar to those worked out by the Alliance. On the other hand, it should be noted that Spain would like to see regional forms of co-operation, covering, for example, countries of the Mediterranean basin. This form of co-operation would also be extended to problems of the environment. There would not seem to be any Western objections to this proposal in so far as it would only cover European Mediterranean countries. On the other hand, the plan might encounter opposition from the USSR as countries such as Romania and Bulgaria might be tempted to participate.

IV. CONCLUSIONS

26. Given Moscow's stress on bilateral economic dealings in its comments thus far on the Belgian proposal, it is clear that it envisages no detailed negotiations on specific trade and related matters at the CSCE; but it evidently hopes to use the Conference to encourage governments and mobilize other support to improve the terms and conditions of its access to the technological and financial resources of the West (on the grounds that large additional investments will be required in the USSR to develop its natural resources in order to meet the raw material requirements of Western countries), and to make "non-discrimination" in economic relations into an international standard binding, morally or otherwise, on all participants.

27. Moreover, Moscow's insistence that the starting point for the development of East/West economic co-operation must be predicated at the very outset on the "existence of two different social and economic systems" would seem to imply that neither it nor its Allies will easily be induced to acknowledge that the policies and practices of state-trading regimes burden East/West trade with any special difficulties or that such matters, as internal affairs, are legitimate matters for Western comment.

(1) AC/119-R/73/26, Item VI

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28. Hence, in the Soviet view, a hortatory declaration of principles along the lines already suggested by Communist countries in the UNGA, UNCTAD and ECOSOC, which enjoins participating states to refrain from discriminatory trading policies and enshrines the principle that the differences in social and economic systems need not be an obstacle to East/West economic co-operation, would cover a multitude of alleged Western sins and serve a number of Soviet objectives.

29. While some form of draft declaration on economic co-operation may be an appropriate result of the CSCE, hopefully the Allies would oppose the formulation of any set of principles which focus only on trade and which single out issues of MFN and non-discrimination. The drafting of a declaration on economic co-operation should, in any case, be considered only after a detailed examination of the substantive points on the economic Agenda which should address, inter alia, practices as well as principles.

30. In fields of potential advantage to the Soviet side, the USSR appears to be pressing for joint concrete efforts, e.g. specific projects in industry, energy, mining and transportation. Soviet proposals have been presented in terms of a "pan-European" co-operation, thus excluding the United States and Canada. While the Allies will not be able to define the scale of North American participation in such projects until the nature of each becomes clearer, neither should the right of full participation of all participants in the CSCE be compromised.

31. In the trade field, the USSR has formulated general principles for co-operation consistent with its principal policy interests. The Soviet draft assumes an ambitious end product but provides little to work with to achieve a balance of mutual advantage and its acceptance in its current form would lead to across-the-board benefits for the East(1).

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(1) On the basis of the evidence thus far, less difficulty may be foreseen in reconciling the Soviet and Allied proposals on science and technology and the environment, although differences on specific issues exist. The Soviet mandate on science and technology, for example, fails to refer to obstacles hindering co-operation in this area which should be remedied. Moreover, the orientation of the Soviet and other East European proposals on the environment is toward the development of principles whereas the Allied approach emphasizes discussions to promote the solution of specific problems.

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32. In sum, at the current stage of the preliminary talks in Helsinki, the positions of the parties involved remain far apart on economic matters. Beyond divergent formulations, it appears that basic, fundamentally opposed attitudes have been expressed which, consequently, are difficult to reconcile.

33. A fundamental point should not be overlooked. The Alliance has predicated its position on an economic agenda of a CSCE on the improvement of specific conditions for East/West economic co-operation. Failure to deal realistically at a CSCE with the proposals already suggested by the West would mean that the Alliance, and particularly the countries with a lesser capacity to bargain bilaterally, would have lost an opportunity in a multilateral context to improve the conditions of their economic relations with the East.

34. In view of this preliminary assessment, the attainment of Western objectives as incorporated in the Alliance draft mandate may prove more difficult to reach than anticipated. In fact, the balance of concessions each side demands from the other would appear to be more equal than originally foreseen.

(Signed) Y. LAULAN