

CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

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NATO CONFIDENTIAL
SUMMARY RECORD
C-R(65)24

Summary record of a meeting of the Council, held
at the Permanent Headquarters, Paris, XVIIe.,
on Wednesday, 19th May, 1965 at 10.15 a.m.

PRESENT

Chairman: Mr. Manlio Brosio

<u>BELGIUM</u>	<u>GREECE</u>	<u>NORWAY</u>
Mr. A. de Staercke	Mr. Christian X. Palamas	Mr. G. Kristiansen
<u>CANADA</u>	<u>ICELAND</u>	<u>PORTUGAL</u>
Mr. G. Ignatieff	Mr. P. Thorsteinsson	Mr. V. da Cunha
<u>DENMARK</u>	<u>ITALY</u>	<u>TURKEY</u>
Dr. E. Schram-Nielsen	Mr. A. Alessandrini	Mr. Faik Melek
<u>FRANCE</u>	<u>LUXEMBOURG</u>	<u>UNITED KINGDOM</u>
Mr. P. de Leusse	Mr. A. Meisch	Sir Evelyn Shuckburgh
<u>GERMANY</u>	<u>NETHERLANDS</u>	<u>UNITED STATES</u>
Mr. U. Sahn	Mr. H. Scheltema	Mr. T.K. Finletter

INTERNATIONAL STAFF

Deputy Secretary General : Mr. J.A. Roberts

Deputy Secretary General - Assistant
Secretary General for Economics and
Finance : Mr. F.D. Gregh

Assistant Secretary General for
Scientific Affairs : Dr. John L. McLucas

Executive Secretary : The Lord Coleridge

ALSO PRESENT

Standing Group Representative : Brigadier K. Hunt

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CONTENTS

<u>Item</u>	<u>Subject</u>	<u>Paragraph Nos.</u>
I.	Statements on Political Subjects	-
II.	Charter of the Organization of the NATO Pipeline System in the Central Europe Region (CEPS)	1 - 4
III.	Economic Review of Individual Eastern European Countries: Czechoslovakia	
and		5 - 29
IV.	Economic Review of Individual Eastern European Countries: Poland	
V.	Date of the Next Meeting	-

I. STATEMENTS ON POLITICAL SUBJECTS

(Discussed in private session).

II. CHARTER OF THE ORGANIZATION OF THE NATO
PIPELINE SYSTEM IN THE CENTRAL EUROPE REGION (CEPS)

Document: C-M(65)38 and Corrigenda

1. The CHAIRMAN said that in document C-M(65)38; the Council would find the report by the Ad Hoc Working Group on the revision of NPLO Charters concerning the Charter of the Organization of the NATO Pipeline System in the Central Europe Region, otherwise known as the CEPS.

2. The Council would note from this report that, in view of the complexity of the CEPS and a desire not to disturb the smooth functioning of an organization which had been functioning effectively since 1957, the Ad Hoc Working Group had adopted the solution proposed by the CEPS directing bodies. This solution consisted of maintaining the two original basic documents, C-M(56)129 and C-M(57)104, unchanged and including the supplementary provisions required by the NPLO Regulations in C-M(62)18 in a third document; these supplementary provisions were set out in C-M(65)38. The three documents taken together, constituted the CEPS Charter which now generally conformed with the NPLO Regulations contained in C-M(62)18.

3. The Council was invited to take the action recommended in paragraph 6 of C-M(65)38.

4. The COUNCIL, subject to confirmation by the Turkish Representative:

- (1) approved the report by the Ad Hoc Working Group (C-M(65)38) including the document attached thereto;
- (2) agreed that the Charter of the CEPS should henceforth consist of the three documents: C-M(56)129, C-M(57)104 and the document attached to C-M(65)38.

III. ECONOMIC REVIEW OF INDIVIDUAL EASTERN EUROPEAN COUNTRIES: CZECHOSLOVAKIA

Document: C-M(65)41

and

IV. ECONOMIC REVIEW OF INDIVIDUAL EASTERN EUROPEAN COUNTRIES: POLAND

Document: C-M(65)42

5. The CHAIRMAN recalled that on 24th March, 1965, the Council had examined document C-M(65)18, prepared by the Committee of Economic Advisers, summarising the result of a review of the Roumanian economy undertaken as part of an exercise on the economies of individual Eastern European countries.

6. Today, the Council had before it two new documents on Czechoslovakia and Poland (C-M(65)41 and C-M(65)42 respectively). Both reports comprised a survey of the present economic situation in these countries, with particular emphasis on future developments and prospects for foreign economic relations.

7. If there was any lesson to be drawn from this examination of individual Eastern European countries, which was only at its beginning, it seemed to him that it was two-fold:

- (i) first, these countries were still in a very fluid state as regards their economic situation and, in particular, the reform of their economic system and their attempts to re-orientate, at least to some extent, their trade towards the West; therefore, the conclusions of the Committee could only be tentative and the situation would have to be reviewed from time to time;
- (ii) secondly, the position of Eastern European countries varied a great deal and the possibilities as well as the limitations of trade expansion with them varied also, owing, in particular, to differences in the political and military background as well as in the stage of economic development; perhaps one of the merits of the examination of these countries was to show more clearly than was evident before,

that the concept of a monolithic "Soviet bloc" was becoming questionable, at least in the economic field; not only was a distinction to be made between the USSR, on the one hand, and the countries of Eastern Europe on the other hand, but it must also be recognised by NATO members that among these latter countries there was a great variety of situations and prospects.

8. He invited comments.

9. The UNITED STATES REPRESENTATIVE said that these reports by the Committee of Economic Advisers, of which there had now been three, deserved the most serious interest by the Council, particularly in relation to the requirement under Article 2 of the North Atlantic Treaty for economic collaboration among the member countries. The present two reports gave another striking example of the diversity among the Eastern European states being brought to light by the Committee in their studies of the Eastern European economies. While Poland had come to enjoy a general reputation in the West as one of the more liberal of the Communist nations, the study before the Council revealed that in terms of its foreign policy - both political and economic - Poland was, by force of circumstances, among those Communist countries most closely tied to the Soviet Union. Put in another fashion, while Poland might on the one hand permit somewhat greater-than-average personal freedom for a Communist state, it was on the other severely circumscribed in terms of its external freedom of manoeuvre.

10. The United States concurred in this finding. But in spite of these important problems, his Authorities considered that opportunities continued to exist for the West in Poland. Poland remained the largest, most populous, and most strategically located East European country. As demonstrated by the new Soviet leadership's immediate consultations with Gomulka after Khrushchev's deposition, as well as by the wording of the new Polish-Soviet Friendship and Mutual Aid Treaty, Poland's insistence on prior consultations and "negotiations" with the USSR on European security and German matters was meaningful. While Poland's rôle was presently secondary to that of Roumania as a restraining influence on the USSR and its relations with the CPR, its efforts in this direction had endured for a much longer period and continued to be felt. Furthermore, Poland's large merchant marine had kept open its trade relations with the West and to some extent helped overcome its geographical limitations.

11. In short, while Poland was restricted by her geographic position, she appeared determined to exert efforts to reduce this strategic limitation. Thus, while the primary efforts of the NATO countries to induce increased liberalism among the Communist countries of Eastern Europe might for the time being show greater results elsewhere, the United States did not feel that this implied that efforts to promote increased freedom of manoeuvre on the part of the Poles should be relaxed.

12. Finally, he expressed the view that the information being brought to the Council's attention in this series of papers was highly significant. He could only hope that each permanent representative would endeavour to see that these agreed evaluations and recommendations were brought to the attention of policy-makers in capitals. The present time was a transitional era of great importance to the future of Western civilisation and he hoped member countries were sufficiently alert and responsive to interpret and capitalise upon the differences among NATO's opponents which the experts were bringing to the attention of the Council.

13. The GERMAN REPRESENTATIVE, recalling that it was the policy of the Federal Republic to develop trade relations with the countries of Eastern Europe, said that his Delegation had reported to the Committee of Economic Advisers the state of present negotiations.

14. Czechoslovakia had of all East European countries the closest political ties with Pankow and seemed always to be prepared to support the interests of the Soviet-zonal régime. Recent proofs of this attitude were the passing on by Czechoslovakia of the Soviet-zonal note of protest against the meeting of the Bundestag in Berlin, the presentation by Czechoslovakia of a note of its own on the same subject to the Western powers (as the only other Communist state apart from the Soviet Union), and the activity displayed by the Czechoslovak side in favour of the Soviet-zonal régime and its recognition during the official state visit of Prime Minister Lenart and Foreign Minister David to India and Egypt in March 1965.

15. Czechoslovakia was the last of the East European countries to consider an exchange of trade missions with the Federal Republic of Germany, at the end of 1963. After preliminary talks conducted in a very sluggish manner, negotiations on the prolongation of the expired trade agreement and on the exchange of trade missions started in Bonn in December 1964 and January 1965, and were continued in Prague in February and March 1965. The head of the Czechoslovak Delegation, Mr. Kohout, Deputy Minister of Foreign Trade, said at the beginning of these talks that Czechoslovakia considered retroactive nullification of the Munich Agreement of 1938 by the Federal Government as a pre-condition for a complete normalisation of the relations

between the two countries, but not for the exchange of trade missions. In the further course of the negotiations, the Czechoslovak Delegation proposed that this statement should be made the subject of letters to be exchanged between the two heads of Delegations, i.e. that the German side should confirm its agreement in writing. The German Delegation answered that an exchange of letters on a purely political subject within the framework of a government agreement on economic matters was not considered practicable, but that the Federal Republic was willing to enter into German-Czechoslovak talks on this issue at any time. In a separate talk, apart from the official negotiations, the Czechoslovak Delegation was informed of the German legal view concerning the Munich Agreement.

16. It was clear from the very outset that Czechoslovakia was primarily interested in a new trade agreement. Up to 1964, when British-Czechoslovak trade exceeded for the first time the volume of German-Czechoslovak trade, the Federal Republic of Germany had been traditionally Czechoslovakia's most important Western trading partner. The total trade volume in both directions amounted now to about DM. 600 million per year. The new lists of goods prepared during the negotiations provided for an overall increase of about 40%.

17. The main difficulties were caused, as had been expected, by the question whether the future agreement should also apply to Berlin. It appeared during the talks in Prague in February 1965 as though there were some prospects for settling this question within the trade agreement. However, as far as the agreement on the exchange of trade missions was concerned, the same question of the inclusion of Berlin remained entirely open.

18. When the negotiations were continued in the middle of March it became apparent that Czechoslovakia's position had visibly stiffened. The Czechoslovak Delegation withdrew its own proposal to exchange letters on the clearing problem which, for the trade agreement, would have offered an acceptable basis of discussion for settling the Berlin problem.

19. With respect to the exchange of trade missions, the Czechoslovak Delegation pointed out that they wished to suspend all negotiations on that subject for the time being.

20. In view of this situation, the talks were deferred "sine die". The two Delegations agreed that they would keep in touch in order to resume the discussions later on, and that trade relations should meanwhile continue until the conclusion of a new agreement on the basis of the lists of goods agreed in 1961.

21. It seemed that Czechoslovakia's attitude was partly due to a tendency of "wait and see" whether, as a result of the development of the Federal Republic's Middle East relations, some change was in sight in the present policy of the Federal Republic concerning the establishment of relations with East European countries.

22. In general, his government had formed the impression that those elements who were more afraid than in favour of an improvement of the relations with the Federal Republic of Germany had again gained the upper hand in party circles in Prague; and this because of the more pro-Western and anti-Communist trends among their own population.

23. The Federal Republic intended now to wait until the time appeared suitable for a resumption of the talks.

24. The UNITED KINGDOM REPRESENTATIVE welcomed these two valuable studies and said that he could approve the conclusions of both. In 1964, in order to encourage imports from the Eastern European countries, and also from the USSR, into the United Kingdom, his Government had offered to remove quantitative restrictions on a wide range of manufactured and other goods, on condition that these countries for their part undertook to avoid any action likely to disrupt the British market. Czechoslovakia and Poland, and also Hungary, accepted these conditions; and their exports to the United Kingdom rose in 1964, probably in part as a result of the United Kingdom liberalisation which followed. Bulgaria and Roumania, and also the USSR, did not accept the United Kingdom's conditional offer of liberalisation; but Bulgaria had subsequently accepted the offer and it was clear that Roumania did not finally close the door on the offer.

25. The BELGIAN REPRESENTATIVE also expressed appreciation of these studies, which were valuable in the possibility they provided of adopting a common Western approach, both to economic collaboration as enjoined by Article 2 of the Treaty and to the question of East-West exchanges. He agreed with the United States comment that liberalisation in the East European countries did not necessarily correspond to greater freedom of manoeuvre. He asked the German Representative whether, as previously envisaged, any agreement had been reached between the Polish Authorities and German industry.

26. The GERMAN REPRESENTATIVE said that he had no information to add to that contained in paragraph 12 of C-M(65)42.

27. The CHAIRMAN, noting that the reports on Czechoslovakia and Poland were based, after a debate by the Committee, on reports provided by the Italian and French Authorities respectively, expressed his thanks and those of the Council for the valuable contributions of these Authorities. He asked the United States Representative whether Mr. Ball's reference at the recent London Ministerial Meeting to a United States examination of trade with the Eastern European countries(1) might result in a United States initiative in the coming months.

28. The UNITED STATES REPRESENTATIVE said that he would ask his Authorities to keep the Council informed of developments.

29. The COUNCIL:

- (1) took note of the Economic Review of Individual Eastern European Countries on Czechoslovakia (C-M(65)41) and Poland (C-M(65)42);
- (2) took note of the statements made in discussion.

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V. DATE OF THE NEXT MEETING

Wednesday, 26th May, 1965 at 10.15 a.m. (Plenary Session).

OTAN/NATO,
Paris, XVIe.

(1) Reference C-VR(65)20, page 15.