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COMMITTEE OF ECONOMIC ADVISERS

INTERIM REPORT OF THE SUB-GROUP FOR THE STUDY OF METHODS FOR
MITIGATING THE EFFECTS OF ECONOMIC COUNTERMEASURES ON
CERTAIN MEMBER COUNTRIES

Note by the Chairman of the Sub-Group

In accordance with the instructions (1) of the Committee of Economic Advisers, the Sub-Group (2) has studied the principles which could govern :

- (i) exceptional assistance which might prove to be necessary to provide to member countries who, given their economic situation and the nature and extent of their trade with the Soviet bloc, would be most seriously hurt by the application of economic countermeasures to the Soviet bloc;
- (ii) the cooperation eventually to be put into operation between member countries and possibly, certain other countries with a view to mitigating as far as possible the adverse effects of economic countermeasures on the economies of member countries and of the rest of the free world.

2. The Sub-Group established that the questions of assistance and co-operation were, in fact, closely connected. Several of its members emphasised that assistance to those countries most seriously hurt by economic countermeasures would only raise a residual problem ; in the last resort it would be given only in so far as efforts exerted towards reorientating international trade did not succeed in assuring the complete absorption of those products at present exported to the Soviet bloc.

3. Since the report of the Committee of Economic Advisers is due to be submitted to the Working Group on Economic Countermeasures at the latest by 9th November, and is to give priority to the situation of those member countries which would be most seriously hurt, it seemed useful to bring to the attention of the Committee without further delay the attached note dealing with the principles which might govern the co-operation and assistance in favour of these countries. This note has been prepared by the Economics Directorate in the light of the discussions which have taken place in the course of the first three meetings of the Sub-Group. The members of the latter, speaking unofficially, reserved the right to express the views of their authorities in the Committee.

(1) AC/127-R/75, Item V

(2) Composed of the Representatives of Belgium, France, Germany, Greece, Iceland, Turkey, the United Kingdom and the United States, and the International Staff.

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4. The Sub-Group proposes to continue its work on the other aspects of co-operation which may be necessary to mitigate the unfavourable effects of the application of countermeasures against the Soviet bloc on the economy of the free world. It has already been informed of suggestions on the possibility of avoiding excessive fluctuations in the prices and shortage of certain raw materials, as well as suggestions for re-alignment of shipping policies. A supplementary report of the Sub-Group will therefore be submitted to the Committee of Economic Advisers as soon as possible.

(Signed) A. VINCENT

OTAN/NATO,
Paris, XVIc.

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PRINCIPLES THAT COULD GOVERN CO-OPERATION AND ASSISTANCE TO
THOSE MEMBER COUNTRIES MOST SERIOUSLY HURT BY THE APPLICATION
OF ECONOMIC COUNTERMEASURES AGAINST THE SOVIET BLOC

Note by the Economics Directorate

In the spirit of solidarity of the North Atlantic Treaty, a system of co-operation and assistance, in which all member countries will participate, will be put into operation to mitigate the effects of the economic countermeasures taken against the Soviet bloc on the economies of those NATO countries which would be most seriously hurt; the system will begin to function as soon as countermeasures amounting to an interruption of trade relations with the Soviet bloc are applied and will cease as soon as trade relations of those member countries most seriously hurt have regained their normal level.

2. The purpose of this system will be:

- (i) essentially, and in the first instance, to find out and apply means of securing additional outlets in the free world at normal prices for the principal products which these countries most seriously hurt exported to the Soviet bloc before the application of economic countermeasures;
- (ii) in so far as additional outlets prove inadequate, to compensate as far as possible and on an equitable basis those countries most seriously hurt.

3. The system of co-operation and assistance will be placed under the control of a Steering Board where all members will be represented, decisions being taken by a simple majority. The Steering Board will maintain close co-operation between the governments of those countries most seriously hurt and the governments of the other NATO countries. In taking its decisions, it will take account of all the factors affecting the situation particularly the losses suffered by the countries most seriously hurt and such exceptional advantages as a rise in demand and an increase in prices which could partially compensate these losses, as well as of new outlets which the countries most seriously hurt would be able to offer to other NATO countries to replace the products which they used to import from the Soviet bloc.

4. The Steering Board will provide financial assistance to the countries most seriously hurt in two distinct forms :

- (i) in the form of interest-free loans, to the extent they recognise the need, taking account of the various factors in the situation, particularly of the financial position of the countries most seriously hurt, in order to give them time to seek, with the collaboration of their Allies, additional outlets for the products which accounted for a substantial portion of their exports to the Soviet bloc; these loans might be used for purchase, procurement and storing of these products;
- (ii) in the form of once and for all compensatory payments which could amount, at the most, to a total equivalent to the normal value of the products in question which had not found outlets in the countries of the free world; these payments could be made through deduction from the sums which the countries most seriously hurt had to repay on account of interest-free loans which they had previously received.

5. Only those countries whose exports to the Soviet bloc, in the course of an appropriate period of reference, have accounted for at least 10% of their total exports will benefit from financial assistance envisaged in the preceding paragraph. This financial assistance will only be extended for those products the export of which to the Soviet bloc is of real significance for the economy of those countries.

6. To permit the financing of the system of co-operation and assistance, all NATO countries will make a contribution determined according to a formula to be established following the example of the burden-sharing formulae used by international organizations, possibly taking account of the effects of the countermeasures on the economies of the various NATO countries. The contribution might take the form of the opening of credits, the Steering Board drawing on these credits as the need arises. The sum total of contributions might be fixed provisionally at a certain proportion of the value in dollars of the exports of the countries most seriously hurt to the Soviet bloc in the course of the agreed period of reference.

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TABLE I
EXPORTS TO THE SOVIET BLOC
1955 - 1960

	Iceland		Greece		Turkey	
	Million US Dollars	as % of world exports	Million US Dollars	as % of world exports	Million US Dollars	as % of world exports
(0)	(1)	(2)	(3)	(4)	(5)	(6)
1955	14.40	27.6	8.50	4.6	68.60	21.9
1956	19.00	30.1	19.60	10.3	59.90	19.6
1957	20.40	33.7	24.10	11.0	63.50	18.4
1958	22.80	34.9	37.44	16.2	62.28	23.6
1959	21.84	33.7	33.48	16.4	40.80	11.5
1960	15.36	23.1	44.76	22.1	39.12	12.2

Sources: 1955-1957: Statistical Papers, Soviet Direction of International Trade (UN publication).

1958-1960: OEEC Statistical Bulletins, Series A, Overall Trade by countries.

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TABLE II

GREEK EXPORTS TO THE SINO-SOVIET BLOC BY COMMODITIES

(Thousand US Dollars)

	January-December 1959			January-September 1960		
	Total exports		Exports to Soviet Bloc as % of exports to the world	Total exports		Exports to Soviet Bloc as % of exports to the world
	to Soviet Bloc	to the world		to Soviet Bloc	to the world	
(0)	(1)	(2)	(3)	(4)	(5)	(6)
Total Exports	33,602	204,249	16.5	29,851	119,050	25.1
031 Fish, fresh or simply preserved	23	170	13.5	65	144	45.1
051 Fruits and nuts, fresh	4,558	12,292	37.1	3,020	7,553	40.0
052 Fruits, dried	3,672	32,804	11.2	3,401	19,422	17.5
053 Fruits preserved and fruits preparations	1,472	5,548	26.5	1,315	4,155	31.6
055 Vegetables preserved and preparation	-	-	-	43	221	19.5
075 Spices	95	180	52.8	13	82	15.9
121 Tobacco, unmanufactured	9,735	68,427	14.2	11,058	30,885	35.8
122 Tobacco, manufactured	28	115	24.3	-	-	-
211 Hides and skins, undressed	1,793	8,303	21.6	2,489	6,782	36.7
242 Wood in the round or squared	31	192	16.1	-	-	-
262 Wool and other animal hair	268	754	35.5	380	649	58.6
263 Cotton	7,063	26,298	26.9	3,566	9,125	39.1
283 Ores, non-ferrous metals	2,279	9,764	23.3	2,035	8,572	23.7
291 Crude animal materials (nes)	275	2,381	11.5	95	1,946	4.9
312 Organic chemicals	-	-	-	81	237	34.2
332 Dyeing and tanning extracts	257	325	79.1	127	191	66.5
351 Essential oils, perfume materials	2	7	28.6	11	16	68.7
399 Miscellaneous, chemical materials & products	303	4,258	7.1	84	4,906	1.7
631 Veneers, plywood boards, etc.	146	165	88.5	124	223	55.6
642 Pulp and paper, unmanufactured	-	-	-	10	74	13.5
651 Textile yarn and thread	247	429	57.6	752	858	87.6
653 Other textile fabrics, standard type	-	-	-	74	133	55.6
661 Lime, cement, etc.	416	1,107	37.6	284	755	37.6
663 Mineral manufactures(nes)	4	27	14.8	-	-	-
681 Iron and steel	273	673	40.6	80	760	10.5

No exports to Albania and Continental China.

Note: Data by country and product being incomplete, figures do not add up vertically.

Source: OEEC Foreign Trade Statistics, Series C, Vol. I, Jan-Dec 1959 and Jan-Sept 1960.

TABLE III

ICELANDIC EXPORTS TO THE SINO-SOVIET BLOC BY COMMODITIES

(Thousand US Dollars)

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	January-December 1959			January-September 1960		
	Total exports		Exports to Soviet Bloc as % of exports to the world	Total exports		Exports to Soviet Bloc as % of exports to the world
	to Soviet Bloc	to the world		to Soviet Bloc	to the world	
(0)	(1)	(2)	(3)	(4)	(5)	(6)
Total Exports	21,762	64,909	33.5	12,551	45,501	27.6
011 Meat, fresh, chilled or frozen	129	1,680	7.7	-	-	-
013 Meat, canned or meat preparations	160	218	73.4	16	59	27.1
031 Fish, fresh or simply preserved	19,000	47,046	40.4	11,595	33,474	34.6
032 Fish preparations, canned or not	299	573	52.2	143	260	55.0
081 Feeding stuffs for animals	1,363	7,523	18.1	288	3,793	7.6
211 Hides and skins, undressed	226	2,073	10.9	117	366	32.0
212 Fur skins, undressed	30	75	40.0	-	-	-
262 Wool and other animal hair	307	1,235	24.9	44	392	11.2
411 Animal oils and fats	204	3,785	5.4	272	5,637	4.8
721 Electric machinery apparatus	-	-	-	3	5	60.0

No exports to Albania, Bulgaria, Hungary, Roumania and Continental China.

Note: Data by country and product being incomplete, figures do not add up vertically.

Source: OEEC Foreign Trade Statistics, Series C, Vol. I, Jan-Dec.1959 and Jan-Sept 1960.

TABLE IV

TURKISH EXPORTS TO THE SINO-SOVIET BLOC BY COMMODITIES

(Thousand US Dollars)

	January-December 1959			January-September 1960		
	Total exports		Exports to Soviet Bloc as % of exports to the world	Total exports		Exports to Soviet Bloc as % of exports to the world
	to Soviet Bloc	to the world		to Soviet Bloc	to the world	
(0)	(1)	(2)	(3)	(4)	(5)	(6)
Total Exports	40,901	354,543	11.5	27,877	211,748	13.2
013 Meat, canned and meat prep.	62	1,081	5.7	-	-	-
031 Fish, fresh or simply preserved	72	1,505	4.8	119	843	14.1
032 Fish and prep.canned or not	11	15	73.3	11	13	84.6
043 Barley, unmilled	1,203	11,641	10.3	-	-	-
051 Fruits and nuts, fresh	3,400	48,136	7.1	2,563	29,610	8.7
052 Dried fruits	3,538	20,356	17.4	1,018	18,542	5.5
053 Fruits, preserved, fruits preparations	613	1,345	45.6	33	1,059	3.1
054 Vegetables, fresh or dry	-	-	-	312	4,764	6.5
061 Sugar	-	-	-	1,395	14,885	9.4
081 Feeding stuffs for animals	1,395	10,621	13.1	1,472	8,887	16.6
121 Tobacco, unmanufactured	22,005	91,640	24.0	11,592	44,878	25.8
211 Hides and skins, undressed	680	5,252	12.9	1,125	4,351	25.9
212 Fur skins, undressed	10	336	3.0	15	242	6.2
221 Oil seeds, nuts and kernels	379	6,471	5.9	517	3,181	16.3
242 Wood on the round or squared	-	-	-	229	529	43.3
262 Wool and other animal hair	1,269	20,299	6.3	2,853	10,685	26.7
263 Cotton	3,716	55,163	6.7	1,278	24,032	5.3
272 Crude minerals(nes)	180	3,150	5.7	40	2,600	1.5
281 Iron ores & concentrates	-	-	-	598	2,119	28.2
283 Ores, non-ferrous metals	277	12,081	2.3	397a	8,590	4.6
291 Crude animal materials (nes)	9	244	3.7	-	-	-
292 Crude vegetal materials (nes)	656	6,148	10.7	507	3,340	15.2
313 Oils and fats, processed	147	161	91.3	88	119	73.9
332 Dyeing and tanning extracts	562	915	61.4	749	808	92.7
661 Lime, cement, etc.	132	172	76.7	269	419	64.2
682 Copper	337	6,834	4.9	393	8,102	4.9

No exports to Albania and Continental China.

Note: Data by country and product being incomplete, figures do not add up vertically.

a. Of which 215 for Manganese ore.

Source: OEEC Foreign Trade Statistics, Series C, Vol. I, Jan.-Dec. 1959 and Jan.-Sept.1960.