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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

SUMMARY OF REMARKS MADE BY THE UNITED STATES REPRESENTATIVE ON THE FRENCH DELEGATION'S NOTE AC/127-D/40 AT THE MEETING OF THE SUB-COMMITTEE ON SOVIET ECONOMIC POLICY OF 13th OCTOBER, 1959

My authorities consider this paper to be an interesting contribution to our knowledge of this important problem. It is obviously the product of considerable research in recently available Soviet sources.

2. This fact contributes to both the strength and the weakness of the paper. The analysis of developments in CEMA based on Soviet statements provides a useful compendium of specific actions announced, and a summary of the Soviet official view of objectives to be achieved and the problems involved. On the other hand, in this subject area in particular, the full picture to approach accuracy must be developed in the light of our knowledge of actual developments in Eastern Europe.

3. The question of how much or how little "integration" (a Western phrase) exists, or how rapidly it is being brought about, is one which provides a great deal of latitude for speculation. In general, the image which the United States' authorities have is that the relatively recent Soviet policy of fostering specialisation of production in Eastern Europe is being pushed by the Soviets quite cautiously, and is encountering resistance and footdragging on the practical implementing level by Satellite economic authorities. We believe that the degree of specialisation or "integration" achieved thus far in Eastern Europe is much less than would seem indicated by the proliferation of committees and meetings, and joint operations under CEMA auspices which have undoubtedly increased since 1957, and which the French paper summarises.

4. Thus, my authorities feel that the last sentence of Section I on page 3 of the document ("this cooperation, which now includes co-ordination of long-term planning and division of work at the international level, will eventually lead to true integration of the economies of the member countries") is not established by the paper, and goes far beyond the claims of bloc spokesmen themselves.

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5. My authorities would have wished Part I to have contained a more analytical historical account of the various phases of intra-bloc economic relations from the end of World War II to the current emphasis on "specialisation of production" and their relation to shifts in Soviet policy. The statement attributing the poor performance of CEMA during its early years to the fact that all the "People's Democracies had simultaneously and without forethought set out on the road to industrialisation" (page 2) misses the real point, which is that these countries chose the same road to industrialisation, thereby creating similar disproportions and bloc-wide scarcities of fuel, raw materials and power. The statement that bilateral cooperation was abandoned (page 2) is somewhat misleading. As a Soviet spokesman has recently pointed out, "Multilateral cooperation does not supersede but further bilateral relations. This also explains the method of solving economic problems under which the recommendations of the Council are given shape by the conclusion of bilateral economic agreements."⁽¹⁾ In actual fact, this is the method by which the objective of co-ordination of long-term plan mentioned in the paper is now being implemented.

6. The paper does point out the problem which the inadequacy of bloc price systems poses for attempts to achieve a more efficient division of labour, but other problems of importance are not mentioned. These include the hindrance to bloc-wide specialisation imposed by the lack of multilateralism in trade within the bloc, and the resistance within various member countries to these specialisation schemes. This resistance in part stems from the fact that specialisation of labour based upon existing levels of productivity has rather unpleasant implications for the industrial aspirations of the more backward bloc members. That there is a sound basis for the apprehensions of leaders of the more backward CEMA members is indicated by the experience of Bulgaria, which has been assigned participation in only five of the 98 different lines of production known to have been marked out for specialisation by CEMA.

7. In conclusion, my authorities feel that the trends in CEMA have profound long-term implications, and that they merit continuing serious study and observation. They believe that the French paper is therefore a valuable contribution but does not in itself provide a complete picture of the situation today.

Palais de Chaillot,
Paris, XVIIe.

(1) Kosygin, Pravda, 26th April, 1959.