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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

THE RECENT POSITION OF THE COUNCIL FOR
MUTUAL ECONOMIC ASSISTANCE (COMECON)

Comments by the United States Delegation

We generally concur with the "Conclusions" of Paragraph 19 of the paper under reference, and would add to the list of CEMA's nonaccomplishments a lack of far-reaching exchanges of labor. Exchanges of technical information, however, have gone forward, and we see some possibilities of cooperation outside of bilateral trade. Intermetal, for instance, could conceivably become the model for a series of specialized multilateral industrial associations which, with their basis of mutual interest and less cumbersome procedure, could play an integrating role.

Detailed comment below pertains to correspondingly numbered paragraphs of the Working Paper.

3. The question of whether a "common central economic plan" would appear "optimum" to a given "government-controlled economy" of regime depends on how much say the regime had in the plan. We suggest eliminating the first sentence and changing the second to read: "In view of the existing division of power among the USSR and Eastern European countries, a common central economic plan for all partner countries might offer favorable conditions for the leading power, i.e. the USSR to shape developments in accordance with its own interests."

In the last sentence, establishment of the Marshall Plan might also be mentioned as a contributing cause to the creation of CEMA.

6. The general flagging of interest in CEMA on all sides - not only by Romania - should be noted. We suggest revising the next-to-last sentence: "Even the Soviets, however, may not relish the prospect of a CEMA integration that would give their allies greater claim to Soviet commodities (e.g. oil) that are in demand in the USSR and are saleable for hard currencies in the West. The enthusiasm of both the Soviets and their allies has probably been decreased by the disappointing results of joint investments to date, disagreements over mutual prices and availability of export goods, and declines in hard-currency reserves and economic growth rates that tend to magnify the countervailing attraction of trade with the West."

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7. The following ideas might be worked into the last three sentences. Czechoslovakia and East Germany, the most technically-advanced countries in Eastern Europe, do not depend completely on the Soviet market for sale of their capital goods; they among the Eastern Europeans have the best chance of selling machinery in the West, and the Soviets, who periodically complain about alleged diversion to the West of Soviet-ordered machinery, are obviously apprehensive about this. We agree that for some other Eastern Europeans reliance on the Soviet market probably appears profitable - but because of the lack of marketing risk and of hard-currency outflow rather than because of any "existing power situation."

8. b. It seems to us that, in practice, CEMA's assignments have included coordination of economic planning rather than "common economic planning."

11. Like 3 above, this paragraph applies to the past rather than the present. The last two sentences seem to us to oversimplify the pressures for and ignore the obstacles to close Eastern European economic relations with the USSR. The latter is not simply imposed from without by Moscow; other factors are inertia, guaranteed markets, soft payment terms, and/or the insurance of Soviet protection against local populations or against the mythical "West German menace." We suggest a revision - "up to now, most Eastern European partners have been unwilling and/or unable to disengage from extensive commercial dealings." While we feel the pros outweigh the cons (see paragraph 6 above) and intra-CEMA trade will remain substantial in volume for years, other outcomes are of course possible.

15. We did not believe that the Eastern Europeans are still economic "satellites." Their economic plans are undoubtedly "directly related to the plan of the Soviet Union", but the opposite is also true. Even Bulgaria, once considered the most slavish Soviet ally, has entered several joint ventures with Western firms.

17. Our information indicates that Soviet objections to Yugoslav reforms have been addressed primarily to party-political affairs, specifically the possibility that the Yugoslav Communist Party is giving up its "leading role." We would say that Yugoslavia "proclaims itself" (rather than "is" a noncommitted country.)

OTAN/NATO,
Paris, (16e).