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OCTOBER MEETING OF THE ECE TRADE COMMITTEE

The Economic Commission for Europe Committee on the Development of Trade will meet 11 October for the first time since 1949. The USSR delegation is expected to propose some type of multilateral trade and/or payments arrangements to facilitate increased trade between East and West Europe.

For some time there has been talk of a new multilateral trade and payments mechanism between East and West Europe. The Soviet delegation at the March ECE meeting proposed that East and West conclude long-term and multilateral trade and payments agreements. The British delegation agreed to table a joint resolution calling for a study of means for the development of trade within Europe, especially between East and West, and suggesting the reactivation of the Trade Committee. 1/

At subsequent ECE East-West talks, the UK delegation made clear that it strongly opposed long-term contracts and multilateral payments arrangements and suggested that the ECE Trade Committee might confine its work to contract practices, commercial arbitration, servicing, and the like. 2/ The Danish, French, Norwegian, and Austrian delegations, however, felt that this approach was too negative. The UK also suggested that payments could be made through the use of transferable sterling by the USSR selling more goods or gold to the UK.

The UK proposal that East-West payments be handled through transferable sterling also appears inadequate. The Bloc is interested, of course, in obtaining as wide a transferability among the foreign currencies it earns as possible. At present only slightly over 20 percent of its exports to Western Europe are to the UK and the rest of its foreign exchange earnings in West Europe are in currencies other than sterling. Sterling is fairly widely used for clearing purposes, its effectiveness is limited by its scarcity in the Bloc. The UK would naturally like to receive Soviet gold in return for sufficient sterling to finance East-West trade. The USSR is likely to prefer an arrangement not based on gold exports.

At the conclusion of the East-West trade consultations a final statement was issued to the effect that the present system of bilateral payments arrangements was "a rather narrow and primitive system, likely to exercise a restraining and distorting influence on the development of trade." 3/

The most publicized possible alternative is that of a "super clearing plan" between EPU and ruble bloc countries. 4/ Such an arrangement appears unlikely. The basic obstacle to increased East-West trade is the chronic payments imbalance. 5/ With Bloc countries consistently in debt, any payments mechanism would require the provision of credits to be effective. A

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number of countries in fact specifically objected to the suggested East-West payments union on the ground that it would require credits. 6/ A further obstacle to an East-West clearing plan is the fact that the EPU will probably have a short life.

Even multilateral financial arrangements other than triangular deals appear unrealistic. The stronger Western currencies will probably at least move further towards convertibility within the next year. This movement will automatically benefit the USSR without forcing it, in turn, to allow Western Europe to transfer its earnings within the Bloc from country to country. The latter arrangement would appear incompatible with Soviet-type planned economics. Furthermore, multilateralism might actually hurt Bloc exports since one of the main attractions of Bloc goods to soft-currency countries is the fact that they can be purchased on a bilateral basis.

If the USSR should seriously attempt to change the basis of its trade with the West, more long-term agreements appear to be the alternative most compatible with a planned economy (although probably unacceptable to the UK and several other Western European countries. 7/). These agreements might be multilateral in the sense that more than two countries would agree to provide stated goods. Any further multilateralism, granting Western countries greater freedom to use their export earnings where they wish, appears doubtful. This conclusion is supported by a statement in private to the Swedish delegate at the East-West trade talks by the Polish delegate that an East-West payments mechanism was not feasible. 8/

1/ The Financial Times. London. 18 Mar 1954, U.

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3/ The Financial Times, London, 4 May 1954, U.

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