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

Report by the Working Group on Economic Countermeasures

The Working Group on Economic Countermeasures, established by decision of the Council at its meeting on 23rd August, 1961, was instructed, inter alia, to give attention to the effects on individual NATO countries of implementing economic countermeasures and means by which adverse effects on these countries could be averted or mitigated. (1)

2. As this problem is essentially an economic one the Working Group invited the Committee of Economic Advisers to study the principles which could govern:

(a) 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;

(b) the co-operation 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.

The attached interim report by the Committee of Economic Advisers deals with the first question only. A report dealing with the second question will be submitted in the near future.

3. Although some representatives have not yet received final instructions from their authorities, the Working Group on Economic Countermeasures agreed that it should be transmitted to the Council.

(1) Addendum to C-R(61)39, Item I

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4. The Council may wish to note the following main comments made by representatives during discussion of the report:

(a) if, as indicated in the report, the decisions of the Steering Board, which would control the system of co-operation and assistance, have to be taken by a majority, this majority might be weighted so that the number of votes of each member country should be proportionate, for instance, to its financial contribution, or to some other criteria to be defined;

(b) the system of co-operation and assistance should be provided as soon as it starts to function with the necessary funds in order to enable the Steering Board to extend financial assistance to the countries most seriously hurt;

(c) efforts made to dispose of certain products now exported to the Soviet bloc by the countries likely to be most seriously hurt might affect the traditional exports of other member countries to the free world;

(d) in case certain countries have to obtain parliamentary approval to finance the system of co-operation and assistance, then, with a view to avoiding any publicity in accordance with the general rule adopted for economic countermeasures, this approval should be sought just before the implementation of the economic countermeasures;

(e) in respect of the system of co-operation and assistance, it has been indicated that Portugal might find it difficult to make a financial contribution.

5. The Working Group wishes to make it clear that transmission of this report to the Council does not in any way pre-judge the basic political issue, which is for decision by the Council. The Canadian Delegation, which was unable to be represented at the meeting, reserved its position and requested that this should be so stated.

6. The Working Group on Economic Countermeasures recommends that the Council:

(1) approve the principles set out in this report, subject to the understanding stated in paragraph 5 above;

(2) instruct the Committee of Economic Advisers to consider what further studies could be usefully undertaken, with a view to implementing these principles, and to report in due course.

(Signed) R.W.J. HOOPER
A. VINCENT
Joint Chairmen of the Working Group

OTAN/NATO,
Paris, XVIe.

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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

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 conomies 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. The need to maintain the system in existence after the termination of the countermeasures should be reviewed on such termination and thereafter, if necessary, at intervals of, say, six months.

2. The purpose of this system will be:

(a) 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 those countries most seriously hurt exported to the Soviet bloc before the application of economic countermeasures;

(b) insofar 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 majority in conditions to be decided. 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:

(a) 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;

(b) 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 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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Annex:

Table I	:	Exports from Iceland, Greece and Turkey to the Soviet bloc. (1955-1960)
Table II	:	Icelandic exports to the Sino-Soviet bloc by commodities. (1959 and January-September 1960)
Table III	:	Greek exports to the Sino-Soviet bloc by commodities. (1959 and January-September 1960)
Table IV	:	Turkish exports to the Sino-Soviet bloc by commodities. (1959 and January-September 1960)

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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, Series T, Direction of International Trade (UN publication).

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

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TABLE II

ICELANDIC 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	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.

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TABLE II I

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	33,682	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
512 Organic chemicals	-	-	-	81	237	34.2
532 Dyeing and tanning extracts	257	325	79.1	127	191	66.5
551 Essential oils, perfume materials	2	7	28.6	11	16	68.7
599 Miscellaneous, chemical materials and 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, Volume I, January-December, 1959, and January-September, 1960.

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TABLE IV.

TURKISH EXPORTS TO THE SINO-SOVIET BLOC BY COMMODITIES

(Thousand US Dollars)

	January-December 1959			January-September 1960		
	Total exports to Soviet Bloc	Total exports to the world	Exports to Soviet Bloc as % of exports to the world	Total exports to Soviet Bloc	Total exports to the world	Exports to Soviet Bloc as % of exports 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	1,129	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

TABLE IV Continued

	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
413 Oils and fats, processed	147	161	91.3	88	119	73.9
532 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.

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