Telegram from UK Foreign Office Northern Department to Commercial Department, British Embassy, Paris, 14 May 1952

Foreign Office, S.W.1.

(NS 1104/10) 14th May, 1952.

CONFIDENTIAL

Dear Commercial Department,

[1.] We are replying to your letter CD 1161/28/52 of the 15th April to Mutual Aid Department about the Moscow Economic Conference (it has been agreed that we shall have the responsibility for co-ordinating action on this subject in the Foreign Office). Since we are copying this letter to a number of posts we are making it self-explanatory.

2. As the most convenient way of giving you some material about the Conference we are sending you the enclosed brief for the United Kingdom Representative on the Brussels Treaty Permanent Commission, which held a short preliminary discussion of the Conference on the 1st May. The Commission agreed to set up the Working Party suggested in the brief. We hope it may produce an agreed appreciation of the Conference, with suggestions for further Western policy, that could serve as a basis for later discussion in the North Atlantic Council.

3. We have learnt more, in the week since the brief was written, about the nature and scope of the ‘trading agreements’. It appears that Lord Boyd Orr signed agreements with Czechoslovakia, Romania, Bulgaria and East Germany. The propaganda purposes of the Moscow Conference; except for references to some metals which the Czechs know we cannot let them have, the goods it lists for exchange on both sides are in volume and in type exactly the same as those provided for in the existing Five-Year Anglo-Czechoslovakian Trade and Finance Agreement. The other ‘agreements’ simply list a number of commodities on both sides to values set out in Annex C of the brief. The British exports to East Germany are restricted to various kinds of textiles, but the lists for Bulgaria and Romania include a number of strategic, or near strategic goods which we are not prepared to export to those destinations. In return we are expected to buy a mixed bag of East European commodities, most of them quite inessential. These agreements have only just reached us and we have not yet had time to study them or to decide the line we shall take in dealing with them. Further action may have to await the result of the negotiations in Moscow and Peking where members of the British delegation to the Conference have been engaged in further discussion.

4. We still know nothing about the plans of the International Committee for the Promotion of Trade, which seems to have gone to earth after one private session at Moscow. So until we know better what we are up against, it is difficult to begin formulating any answering policy. We are still really at the stage of pooling information, and we shall be grateful for anything you or the other recipients of this letter can tell us, particularly about “trading agreements” involving the countries where you reside. There is no objection to your giving the French Government (and the same goes for other N.A.T.O Governments) any information in the Annexes to the enclosed brief (you will need to modify Annex C in accordance with the new information given above) and speaking to them as you think fit on the basis of the brief itself.

5. The Conference has meanwhile dropped pretty much into the background of Soviet propaganda. This no doubt a temporary pause while the “trading agreements” are followed up and International Committee develops its plan of work. It is all to the good, however, and we are not anxious to remind public opinion wherever it shows signs of forgetting about the Conference. We are by no means sure that hard-bitten and hard-driven Communist Ministries of Foreign trade are going to be quickly forthcoming with enough contracts of the right kind and on sufficiently liberal terms to fulfill the rather exaggerated hopes originally aroused in the West. It would be unwise to suggest that the Communists are going to default unless and until they actually do. But it is legitimate to point out that the promises made at Moscow have no clearly defined backing of fact as yet, and that the new co-operative line of Soviet economic propaganda has not at all pushed out the old attacks on the capitalist system. Thus the number (no. 4 of 1952) of the Soviet journal PROBLEMS OF ECONOMICS went on sale in Moscow soon after the Conference (though it was sent to press before) seems to have forgotten about increasing East-West trade but includes a long article describing the “general crisis capitalism”, and ending up with the prediction: “The second half of the XXth Century will bring about the final victory of Communism throughout the world.” So much for peaceful economic co-existence.

6. It seems safe for you to suggest in conversation that the Communist Governments have no doubt reconciled themselves to relatively small increases in trade, from which they will draw the maximum propaganda advantage and of course some economic benefit; but they are hardly likely to carry things to the point where they would materially help us to surmount our current “capitalist crisis” whilst still pursuing our policy of collective security. We should expect them, on the contrary, to do their best to aggravate that “crisis” by seeking to promote frustrated longings for vast East-West trade and taking care that for the most part they stay frustrated.

7. We on our side should be foolish not to seize what economic advantage from these tactics we legitimately can, having regard to our security, our obligation our friends, and our general import policy (see paragraph 12 of the brief). But it would be unwise in practice to look to increased East-West trade for any major contribution to solving our difficulties. We must be careful not to let Communist propaganda persuade people to think of economics apart from politics and so obscure the real reasons for the limitations upon East-West trade. We should also not be in too much of a hurry to decide on future action till we are sure that the Communists are not going to overplay their hand.

8. We are interested to note that some French newspapers credited us with having stolen a march in a race to do business with the East. You will doubtless already have pointed out that the British businessmen who went to Moscow and Peking were acting entirely on their own initiative and without any kind of official support; indeed they went despite Her Majesty’s Government’s disapproval of the Conference, which has been clearly and publicly expressed both before and after it. The “agreements” discussed by the British delegation were apparently the largest (except for those reportedly secured by West Germany – see Annex C(i) of the brief – but the expression of these in DM at the rate of one rouble to the DM would greatly overstate their real value). The British agreements were naturally the most publicized in this country, but we are not sure if it has been so elsewhere (we should welcome any information from you or other recipients about this). But we imagine it was part of the Communist design to show particular favour to the United Kingdom; one object of this would be to create precisely such jealousies as you report, another to cast doubt on the sincerity of our Governmental policy, a third to enrage the Americans, a possible fourth to demonstrate that the resident British middlemen in China are really quite unnecessary. This disruptive aspect of the aims behind the Conference will be important to counter, and we hope the Brussels Treaty and N.A.T.O discussions will be effective in this respect. In view of French and Dutch sensitiveness on this point, you should at any rate deny any reports that we have agreed to sell locomotives to China; the Chinese request was rejected by the manufacturer concerned.

9. The contrast you mention between the activities of the Conference and the Soviet Government’s indifference to the recent official negotiations for a Franco-Soviet trade arrangement is typical and significant. It is a useful point for counter-publicity, underlining our contention that there was no real economic reason for the Conference and laying the Communists open to the taunt of abandoning their own principles, i.e. trying to by-pass Governments and channel their trade to private business, clearly not from merely economic motives. You will see from paragraph 3 above and from Annex C to the brief that some of the trade provided for in the new “agreements”, even if implemented, will merely represent trade already provided for under existing Governmental trade agreements, or trade which already flows without an agreement. Italo-Soviet, Austro-Hungarian, and Anglo-Czechoslovak deals may be cases in point.

10. In any conversations on these matters we should like you to make it clear that information is incomplete and that ideas and policies may evolve a good deal as things develop. We shall do our best to keep you currently informed.

11. We are sending copies of this letter and enclosure, to the Board of Trade, Ministry of Food, Ministry of Supply, Commonwealth Relations Office and the Joint Intelligence Bureau and to the posts on the attached list.

12. If you or other recipients send us any information in response to this letter, please send copies to the Board of trade (Mr. C.H. Baylis, Commercial Relations and Export Department).

Yours ever,

NORTHERN DEPARTMENT

[TNA, FO 371/100853]

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