Telegram from P. Grey, British Embassy in Moscow, to A. Eden, UK Prime Minister, 15 April 1952

No. 77E BRITISH EMBASSY,

(223.2/134/52) MOSCOW.

CONFIDENTIAL 15TH APRIL, 1952.

Sir,

 [1.] My dispatch No. 76 (223.2/121/52) of the 15th April analysed the success of the recent International Economic Conference held in Moscow, chiefly from the point of view of its place in the Peace Campaign. I have the honour in this despatch to submit some comments on its more strictly economic aspects.

2. The course of the Conference suggested that the purely propaganda side may not have been the Soviet Government’s only purpose. Certainly it is possible that they may have been aiming at three practical results beyond propaganda and separate from the Peace Campaign. These concern: the internal economy and foreign trade of the Soviet Union and the satellites; the development of China; and economic expansion and consequent political development in South East Asia.

3. Sir Alvary Gascoigne in his despatch No.233 of 23rd November, 1951, discussed the general implications of East and West trade on the Soviet bloc economy. The International Economic Conference may indicate that further stage has been reached in the Soviets’ attitude to East-West trade. The Italian Commercial Counselor, in discussing the Conference, drew the attention of members of this Embassy to the fact that for the first time since the war the Italian team negotiating their regular trade agreement had had quantities of consumer goods. There has also been marked increase in the availability of other imported “non-essential” goods in Moscow; e.g. oranges from Palestine, bananas from Afghanistan, razor blades from Sweden. It was also clear from the early days of the Conference that a minimum of time was to be spent in speeches and discussion and a maximum in corridor trading. Under the chairmanship of Mr. Perry of the British Delegation, whom some of his fellow delegates actually thought to be a stool-pigeon of the organisers, a two-day “bourse” was set up in the main Conference hall for exchanges of offers between buyers and sellers. This was a development not anticipated in the formal agenda and is thought by most observers to have been a change in plan. The prolongation of the Conference itself was also for the purpose of trading. It is possible, therefore, that, having deprived the Soviet citizen for so long of the fruits of his labours, the Soviet Government has decided that at last some greater incentive is needed by the work than differential rates of pay, socialist competition, and the hopes of a Stalin prize. Since the incentive cannot yet be fully supplied by the soviet consumer goods industry, the Soviet Government may be embarking on a new economic policy of importing other than strictly essential goods. If this is so there could be nothing more natural than for them to take the credit for a new policy away from those who have been attempting to expand trade in non-essentials over the past years, both governmental negotiators and private individuals whose visas have generally been withheld. The speech of Mr. Nesterov, who represented the Soviet Government, could be interpreted to support this view. I am attaching a translation of this speech, from which it will be sent that consumer goods feature in it in some detail. This policy might also be applicable to the satellites. The British delegation made tentative deals with Romania and Eastern Germany for the exchange of textiles against oil and petroleum products against machinery respectively; and had tentative discussions with Czechoslovakia and Bulgari in which also textiles featured as the major British export. I am attaching a summary of business alleged, by various sources, to have been concluded during the Conference. Necessarily this summary is incomplete and probably inaccurate. It will be observed that the theory will need more support before it can be regarded as proved.

4. Besides, however, the above explanation, some observers have suggested another and even more significant reason for this development: arguing that the Soviet Government would hardly squander or allow the satellites to squander their foreign exchange on unessentials if they were only pursuing the aims of cold war, they suggest that the Economic Conference provided a vehicle for a change of heart without a loss of face. This view of the Conference is widely courted in the “fringe” Embassies here, and was largely believed by at least the majority of British delegates of all shades of opinion.

5. China.

Even before the Conference officially began the Chinese delegation arranged to meet members of the British delegation to discuss trade. By far the most significant result of the Conference for the British delegation was the exchange of letters tentatively proposing £10 million worth of Sino-British trade, both ways. To this can be added similarly tentative agreements between China and Belgium and France totaling £11 million. The Chinese delegation offered free invitation to the delegates to come to Peking after Moscow, and were the only delegation to bring a wide range of samples (two tons: by air). The samples may have been for the benefit of the Soviet Ministry of Foreign Trade, however, since it is understood that a large amount of Sino-Soviet trade was also concluded. It seems rather far-fetched to consider that the Conference was primarily or exclusively in aid of the Chinese People’s Republic. Even the total of suggested trade was very small compared with the potential, and I learn that the impression of a French trade with great experience of the Chinese was that they were very restricted in the amount of trade their delegation was authorised to do. He added that they gave him the impression of being under instructions to reserve their major efforts for the British delegation. Nevertheless, I understand there are grounds for supposing that the Soviet Union has been unable to extend as much fraternal economic aid to China as has been both expected and promised, and, once the Conference had been thought of and convened, there was no better purpose to which it could be put than to create a suitable atmosphere for making up this leeway from abroad. More important, perhaps, for us was the incidental, but I have no doubt welcome, possibility of reorienting European-Chinese trade away from Shanghai and Hong Kong. The Conference could well be used to prove that Moscow is as efficient a centre for the export and import trade which is essential to China’s existence. If this idea should be successfully developed, the services of the hitherto successfully developed, the services of the hitherto indispensable merchants as at Hong Kong and Shanghai could be dispensed with to the benefit of what one member of the British delegation described as “men about the iron curtain”.

6. South-East Asia.

The results of the Conference in South-East Asia are the most problematic, and yet perhaps the most far-reaching, if they have any of the effects, particularly upon Indians, Pakistanis and Indonesians, which the organisers undoubtedly hoped for. The Indian Ambassador, although he left Moscow before the Conference ended, was a focal point of the “liberal” delegates, and two days before he left Moscow he was receiving delegates from many nations from 7.30 a.m. until late at night. The Indian and Indonesian delegations received very special treatment and are reported to be visiting Leningrad and Tashkent as guests of the Soviet Government before returning to Moscow to assist at the 1st May celebrations. On the strictly practical side it is rumoured that the Soviet Government offered Pakistan delivery of 100,000 tons of steel, and there are suggestions that arrangements are being made for the institution in India of a permanent Soviet Trade Mission. The Soviet Government used the Conference, as they used the recent meeting of the Economic Commission for Asia and the Far East and as they used the International Exhibition at Bombay, to offer capital goods to India and her neighbours which the United Kingdom is unable, and the United States unwilling, to supply. In addition they offered these in exchange for local currencies, or in direct barter for raw materials. This latter was presented as offering prospects of liberation from dollar – or sterling – imperialism. The emphasis in this phase of the Conference was placed on the raising of standards of living in under-developed countries by rapid industrialization and found expression as such in the Final Resolution. If the pattern of trade between the United Kingdom and India has been manufactured goods in exchange for raw materials, the new pattern, drawn in bold and attractive lines by the means of manufacturing their own goods. In this, moreover, the Soviet Government are assisted by the fact that British order books for the type of equipment that the Soviets are offering are full for many years ahead.

7. In summary, the Conference brought to light the following indications of possible Soviet economic policy, which, if not yet confirmed, deserve consideration. It may mark the beginning of a new economic policy of importing less essential goods in order to bolster the domestic economy of the Soviet bloc with traditional incentives. It may have been an indication that the Soviet economy has not been able successfully to carry the additional burden of China, and it may mark the beginning of a practical endeavor to orient Chinese trade away from Hong Kong and Shanghai. Finally the Conference, in setting out to persuade the under developed countries of South East Asia, that the Soviet bloc alone can, at the present time, satisfy their aspirations for industrialization, may well have significant political as well as economic implications which, although well beyond the compass of this despatch, are plain to see.

8. I am sending copies of this despatch to Her Majesty’s Representatives at Paris, Washington and Peking, to the United Kingdom High Commissioners at New Delhi and Karachi, to the Commissioner General for Her Majesty’s Government in the United Kingdom in South East Asia at Singapore and the Colonial Secretary at Hong Kong, and enclosing an additional copy for the Information Research Department.

I have the honour to be be,

with the highest respect,

Sir,

Your obedient Servant,

Paul Grey

[TNA, FO 371/100854]

Keywords: Moscow International Economic Conference