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SENIOR REVIEW GROUP MEETING

March 7, 1973

Time and Place: 3:13 p.m. - 3:44 p.m., White House Situation Room

Subject: Economic Policies Toward Eastern Europe (NSSM 163)

Participants:

Chairman	Henry Kissinger	Treasury	James Smith John Hart
State	William Casey Walter Stoessel John Renner Cord Hansen-sturn	Commerce	John Connor Lawrence Fox
Defense	Lawrence Eagleburger William George	CIEP	Deane Hinton Robert Price
JCS	B/Gen. Richard Bresnahan	NSC	B/Gen. Brent Scowcroft Helmut Sonnenfeldt
CIA	Edward Proctor Jerry Crawford		William Hyland Robert Livingston Jeanne Davis

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SUMMARY OF CONCLUSIONS

It was agreed that:

--State would prepare a game plan for economic discussions with the countries of Eastern Europe: the order of the countries, how we should proceed with each, and what we want from each, both politically and economically.

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(The meeting began without Mr. Casey)

Mr. Stoessel: The main issues are those of pace in developing economic relationships with Romania, Hungary and Poland, and later with Czechoslovakia and Bulgaria.

Mr. Kissinger: The main issue is whether, in our relations with the countries of Eastern Europe, we are driven primarily by economic considerations, pursue both political and economic issues simultaneously, or establish some sort of priorities with some sort of game plan.

Mr. Stoessel: Yugoslavia and Poland are well on the track. Hungary has signed a claims agreement but commercial talks can be held off.

Mr. Kissinger: Be sure Romania stays ahead of Hungary. Romania stuck its neck out for us, and there's no sense in rewarding Hungary who played it safe in 1969 when they wouldn't even let our astronauts visit there. If Romania stays ahead, this is, in a way, an answer to the other issues.

Mr. Stoessel: With regard to Romania, we thought we could wait for the trade legislation and get a feel for the MFN issue. Then we could go into commercial talks with the Romanians.

Mr. Kissinger: The trade bill gives blanket MFN authority to the President, doesn't it?

Mr. Hinton: Yes.

Mr. Stoessel: The bond issue is still outstanding with the Romanians. They have indicated that they're ready to negotiate but the talks haven't started yet.

Mr. Hinton: With Romania, we also have to worry about the fallout of the Jewish emigration issue.

Mr. Kissinger: Since when has it been our national policy to get into emigration policies of other countries?

Mr. Hinton: Jackson's amendment covers all the non-market countries.

Mr. Kissinger: Do any Eastern European countries permit free emigration?

Mr. Stoessel: No.

Mr. Kissinger: But the restriction would apply to all?

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Mr. Stoessel: Yes. The tax situation in these countries is not bad, though.

Mr. Eagleburger: Yugoslavia's pretty good, aren't they?

Mr. Hinton: It's bad in Romania.

Mr. Stoessel: Jackson is aiming at the Russians, though.

Mr. Hinton: But as his amendment is drafted now, it's much broader.

Mr. Kissinger: Does it hit all Eastern European countries?

Mr. Hinton: It comes close. The President would have to certify in each case. There will have to be changes in the amendment as it has been drafted.

Mr. Kissinger: We're determined to make a major fight on this issue. How successful will we be?

Mr. Stoessel: We'll talk to the Jewish leaders.

Mr. Hinton: And to the Israelis.

Mr. Kissinger: We did talk to the Israelis.

Mr. Stoessel: The rate of Jewish emigrations from the Soviet Union is really quite good compared to the past. On the economic negotiations, if we start with Romania, we could go to Hungary next.

Mr. Kissinger: I know the President's view on this. He wants to combine economic and political considerations and to move faster toward those countries who are conducting a foreign policy we can live with. We should get a game plan on the order of the countries and on what we might consider as political and economic quid pro quos.

Mr. Stoessel: With Czechoslovakia and Bulgaria, we're talking about a consular convention and we want to push them on that. We think we can finish with the Czechs soon. Then we would plan to move on to cultural and scientific and technical agreements with both of them. We have a complicated claims situation with the Czechs which we should try to wrap up before we get into commercial talks.

Mr. Kissinger: But others want to move faster?

Mr. Connor: We don't want to wait for all these other things before we can do business with these countries.

Mr. Hinton: I'm troubled by bracketing cultural with scientific and technical agreements. I think cultural agreements should be put ahead and we should ease off on any exchanges of scientific and technical information.

Mr. Kissinger: Our tendency is to look at their foreign policies before we move too fast in the economic area. We can't always expect them to agree with us, but we expect them not to harass us.

Mr. Stoessel: We're concerned about the treatment of our Embassy personnel which isn't good in Bulgaria.

Mr. Fox: We're concerned about the balance of payments. The prospect of growth toward the East is four times that to the West. We think we should relate our political objectives to economic considerations--it is a nuance rather than a priority.

Mr. Kissinger: We went through all this four years ago with the Soviet Union. We were told that if we encouraged trade it would improve the political climate. We went the other way. As soon as there was political progress, we liberalized trade.

Mr. Connor: But now we have a big trade deficit. We should promote trade because we need the business. It has nothing to do with politics.

Mr. Stoessel: But the trade is already coming--look at Czechoslovakia.

Mr. Connor: East Germany shows differently.

Mr. Kissinger: East Germany is at the end of the list. Our policy toward East Germany will be governed by our relations with our ally, West Germany, not by economic considerations. The Communist countries will tie themselves to the US for their own interests. We don't have to buy them.

Mr. Fox: All we're suggesting is that we give these economic considerations a higher priority than before. It can be done without denigrating other objectives.

Mr. Kissinger: All we're asking is that some interagency group gives us some game plan so that not everyone is proceeding on his own theory. (to Mr. Stoessel) Can State prepare a game plan--the order of countries, how we should proceed with each, what we want from each. Then we can issue some sensible instructions.

Mr. Fox: We have no objection to such a plan.

Mr. Kissinger: And we don't want all you people to run wild before you receive these instructions. We'll do a brief paper for the President, laying out the plan and the criteria for each country.

Mr. Stoessel: We'll do Romania first, then Hungary. Poland is taken care of. We can proceed on other things with Czechoslovakia and Bulgaria. Then, after that, we can move to commercial talks.

Mr. Kissinger: Be sure they understand that we're watching their political performance.

Mr. Stoessel: Some of them are still criticizing the bombing of North Vietnam.

Mr. Kissinger: Also we're watching the Hungarian performance on the International Commission. We expect them to behave.

Mr. Stoessel: Have they been difficult?

Mr. Kissinger: No, except for one serious case and they should be called on this one. There was one clear, uncontestable violation which they refused to investigate because they knew they couldn't investigate without finding the violation.

Mr. Eagleburger: The Poles also.

Mr. Kissinger: We're going to ask State to call them both in.

Gen. Scowcroft: I've already talked to Ted Eliot about it.

Mr. Kissinger: And we want a vigorous and convincing presentation. We want a report on the conversation by Friday.

(Mr. Casey arrived)

Mr. Hinton: On the question of PL-480, Agriculture is interested in changing the law and expanding the program. We don't think it would be desirable to encourage this in the Congress at this time. We don't need any more soft currencies in Eastern Europe now.

Mr. Stoessel: We don't have any trouble with that.

Mr. Hennessy: Treasury goes along with the idea of a game plan.

Mr. Kissinger: There are two considerations: 1) We should link economic considerations with political moves; the President wants to use economic considerations to get political leverage and pace economic progress to political progress. 2) How do we define political progress? Is a scientific agreement of sufficient importance to gear the expansion of

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commercial ties to a scientific agreement? I can't say that the President would feel that a scientific agreement should precede economic ties, but he does care about how the country performs in the UN and in other international bodies. Obviously we won't ask them not to vote with the Soviets but we will ask them not to make inflammatory, anti-US speeches. We can't break them off from the Soviets but we can get some impartiality. As to the types of agreements, the line can be shifted from country to country.

Mr. Stoessel: Claims, then, can be gotten out of the way.

Mr. Kissinger: Our general policy is that claims should be gotten out of the way first. Cultural agreements are generally good, and scientific and technical agreements should be looked at on a case by case basis.

Mr. Stoessel: We would like cultural agreements, with the scientific and technical folded in.

Mr. Hinton: This helps on personnel exchanges.

Mr. Kissinger: If they know that their political activity sets the limits. We did it with big brother--they can't complain. If it's reasonable to try to get a cultural agreement, fine. But they have to know it isn't free if they continue to take the most extreme positions. We know we can't ask Poland and Bulgaria to vote against the Soviets in the UN--that would be a ridiculous criterion.

Mr. Stoessel: But they could moderate their propaganda attacks.

Mr. Hennessey: We're talking about a pretty short time period in which to measure progress. We won't see great shifts in a short time.

Mr. Kissinger: But we have to give them the idea that these things aren't free. Our economic negotiations with the Soviets were geared to political factors and it benefited everyone.

Mr. Fox: But cultural and scientific agreements don't belong in the same ball game.

Mr. Kissinger: I can see that we need a directive that can't be misinterpreted. We'll write it if State gives us a paper that we can give to the President that states some criteria and some sequence of events. Then I'll talk to you (Casey). We need a game plan--what we want from each country.

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Mr. Stoessel: We have most of that already in the paper. We'll boil it down.

Mr. Casey: Have you discussed the idea of having a Joint Economic Commission for each Eastern European country? We have one with the Poles and the Soviets and now the Hungarians want one. We question the value of it.

Mr. Kissinger: We'll run out of staff.

Mr. Hinton: If we slow down on MFN and commercial agreements we don't need a commission. They were useful at first, but it's a lousy precedent.

Mr. Stoessel: We've tried to steer the Hungarians toward a mixed Chamber of Commerce.

Mr. Fox: Let's assess the results of the first two commissions. They could be helpful, and we're open-minded about them.

Mr. Connor: It's the way they do business with the rest of the world. You say the economic considerations shouldn't be free but we're running a trade deficit here.

Mr. Kissinger: How many dollars?

Mr. Connor: East-West trade may show \$1 billion net by the end of the decade.

Mr. Kissinger: But we already have agreements with Romania, Poland and Hungary. Poland has MFN and Romania has it in principle. So you're talking about Czechoslovakia, Bulgaria, East Germany and Albania. With East Germany, the political factors are overwhelming. The President is lagging far behind in our recognition policy. If East Germany deals with us they will do it for reasons far beyond economic.

Mr. Hyland: In the creation of a Joint Commission, Romania should precede Hungary.

Mr. Kissinger: In all things.

Mr. Hyland: Poland and the USSR have one but Romania doesn't.

Mr. Stoessel: The Romanians don't want one.

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