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The attached (copied by  
the President) requires  
to be signed.

THE PRESIDENT HAS SEEN...  
1423

THE WHITE HOUSE  
WASHINGTON

ACTION  
April 26, 1973

MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger *HK*  
Peter M. Flanigan *PMF*

SUBJECT: Economic Policies for the Eastern European  
Countries

In October 1972 you directed an Ad Hoc Group chaired by the Department of State to undertake a comprehensive review of the issues involved in further normalizing our economic relations with the countries of Eastern Europe. This study (NSSM 163/CIEPSM 24) was considered at an NSC Senior Review Group meeting, chaired by Henry Kissinger on March 7, 1973.

There was general agreement at the meeting that movement toward economic normalization with Eastern European countries is not only desirable for trade promotion reasons but also affords us opportunities (a) to press for better overall relations; and (b) to complete specific unfinished bilateral business in the financial, cultural-scientific exchanges, and consular areas. State has now drawn up a game plan, including political criteria, to move the various negotiations forward. The game plan reflected in the Decision Memorandum at Tab A is based on the following agreements reached at the SRG meeting:

-- Economic and political issues will be linked and progress in the economic area will be made dependent on satisfactory political conduct by the Eastern European countries.

-- Negotiations will principally involve those countries with which we already have diplomatic relations but which we have not normalized economic relations to the extent of extending MFN treatment (Romania, Hungary, Czechoslovakia and Bulgaria).

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-- A low profile on MFN will be maintained in our economic negotiations until Congressional reaction on MFN authority is known. This should not, however, preclude our initiating formal discussions with the East Europeans of commercial and economic problems of interest to us.

-- Negotiation of commercial agreements will start with Romania to be followed by Hungary, Czechoslovakia, and then Bulgaria.

-- Outstanding issues of financial claims and defaulted bonds will be settled first as a prerequisite for authorization of Export-Import Bank facilities.

-- No legislation authorizing PL-480 agricultural sales to additional Eastern European countries will be sought because of present export commitments. Agriculture does not agree with this position.

-- The GDR will be considered separately and only after we have established diplomatic relations.

-- We will give occasional public indication of U.S. readiness to negotiate resumption of diplomatic relations with Albania.

While there were no major differences of opinion expressed at the Senior Review Group meeting, Commerce, Treasury and Agriculture are not enthusiastic about linking economic with non-economic issues. State and Defense on the other hand believe that conclusion of satisfactory consular and exchanges agreements, settlement of financial claims and defaulted bonds, and an improved atmosphere for the conduct of normal relations should be prerequisites to normalizing commercial relations with countries that do not now benefit from MFN treatment (i. e., Czechoslovakia, Bulgaria, GDR, and Albania).

In our view, the strategy favored by State and Defense provides optimum prospects for making progress in both the economic and political areas. It is also in accord with that which we have successfully followed with the Soviet Union and the Peoples Republic of China.

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If you agree you may wish to authorize issuance of the Decision Memorandum at Tab A which is based on this strategy.

RECOMMENDATION:

That you authorize the attached Decision Memorandum to the Secretary of State providing guidelines for negotiations with the Eastern European countries. Secretary Shultz concurs.

APPROVE \_\_\_\_\_

A handwritten signature in black ink, consisting of a large, stylized initial 'S' followed by a cursive name, written over a horizontal line.

DISAPPROVE \_\_\_\_\_

Attachment

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