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American-European economic relations with the Comecon countries in the 1980's

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Introduction

Economic relations of Comecon countries with the United States and Western Europe are an integral part of East-West relations in general. It can be said that United States policy exerts a significant influence on trade and economic cooperation between Western and Eastern countries* as much

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*The term " Western countries", refers to all OECD member-nations; the term "Western European countries" to the European members of the OECD. The terms "Eastern countries" or " Eastern European countries" - stand for the European members of the CMEA/Comecon without the Soviet Union. Such a classification has also been adopted in the statistical annex.

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as Soviet policy has a visible impact on the economic relations of Comecon countries with the West. The recurring interest in the development and future trends of East-West economic relations reflects more the political than the economic significance of those relations. It is commonly known that the economic relations between East and West, and especially those between the United States and the Comecon countries, are overburdened by so-called "political factors". There is still much controversy concerning both the causes and final effects of the "overpoliticization" of East-West economic relations. On the basis of pure economic knowledge and available statistical data it is very hard to prove the existence of some kind of "cause-effect relationship" between political factors (or political forces) and the development of East-West trade. On the other hand it is known that there is "some relation" between the shifts in foreign and domestic policies of both Eastern and Western countries and the development of trade and economic cooperation between East and West.

It can be noted that many experts dealing with these problems consider trade as a barometer reflecting "the ups and downs" of East-West political relations. Others assume that trade and economic cooperation are the more "active agents" stimulating the development of better political relations between the two different groups of countries. It is equally difficult to settle the causal relations between the so-called diplomatic relations of the two superpowers (the United States and the USSR) and the development of East-West economic relations as well as to measure the impact (influence) of other political factors on "all"-European economic cooperation.[1]

East-West economic relations cannot be considered as "normal" relations between two groups of countries belonging to the same socio-political system, rather as specific relations of political adversaries and potential enemies. This implies a different approach of the Western countries to the question of development of trade with the East as compared to the development of trade and economic relations within the OECD area or with the developing nations. There have been rather unfavorable conditions for the expansion of mutually advantageous East-West trade which can be described as an instrument of securing and maintaining the so-called "political and military balance" between the two groups of countries.

In the post-war period, East-West economic relations were characterized by four periods of more or less "stable" development: 1) the "freezing" of economic relations until the mid-1950's (economic warfare); 2) the linkage approach (until 1975) of individual Western countries on the one hand, more "westward oriented" foreign trade policies of various CMEA countries on the other hand; 3) the so-called policy of détente from 1975 to 1979/80, a policy which in fact was only another more "sophisticated" form of traditional containment-policy; and 4) since the beginning of the 1980's the present "era of uncertainty" in which both the Western and Eastern countries have been conducting highly ambivalent policies towards each other.

Aversion to the development of trade and economic cooperation with the East is especially visible in the United States which has never been deeply involved in trade with Eastern Europe. It also must be stressed that there are no uniform "Western views" concerning the development of trade and economic cooperation with the East but different interests and goals among the individual Western countries. The American view of economic relations with the East has remained rather unchanged since the middle of the seventies and can be characterized by "as much security as possible, as much continuity in economic cooperation as unavoidable." In contrast, the Western European view can be described by "as much continuity as possible, as much security as necessary."[2]

In the eighties the United States has been exerting the most visible pressure on its Western European allies in order to impede the further development of trade with the East. The greatest "quarrel within the family", i.e. between the United States and Western Europe, concerning the pipeline issue has finally been settled, but the West European countries had to agree to increase the control of technology exports to the East and to update the COCOM-list as well as to raise the interest rate for credits granted to the CMEA countries. In reality, however, the Western European countries have not changed their approach to economic relations with CMEA countries. They are still "naturally doomed" to both political and economic cooperation with the United States, especially in the area of security, but on the other hand they are also still willing to expand their economic relations with the CMEA countries.

It should be emphasized that Western Europe has adopted a more pragmatic approach to trade and economic cooperation with the East and does not try to instrumentalize trade in order to gain political concessions from the CMEA countries. Unfortunately, this is not the case of the present trade (and foreign) policies of the Reagan Administration. The United States has openly admitted that economic relations can be used as an instrument for exerting influence on the internal as well as the external behavior of the CMEA countries. In an official report published in 1982 such an attitude was expressed in the following way: "Our economic relations with the East may offer us a limited opportunity to influence Soviet and East European economic and political behavior. In Eastern Europe our economic and trade ties make up a key component of our overall relationship and contribute to our goal of encouraging evolutionary change, the increased assertion of national self-interest and greater governmental respect for the rights of individual citizens. ...Improved trade (with the socialist countries) must depend on economic reform, particularly in Eastern Europe, and political-military restraint, particularly in the Soviet Union."[3]

In recent years there have been numerous attempts to use trade relations in order to gain various political concessions. However, the United States and the West as a whole have not succeeded in influencing the domestic or foreign policies of CMEA countries by economic sanctions or credit and technology restrictions. Such a policy has only increased the distrust of the socialist countries regarding the present forms, goals and "rules of the game" of economic relations with the West.

The present state of American-European economic relations with the Comecon countries and the Soviet Union is the result of economic factors (including the situation of the world economy) and, even more so, of political factors. In the first part of this paper I will discuss the main economic factors of recent East-West trade and financial relations as well as U.S. and Western European trade (and foreign) policies towards the Comecon countries in the 1980's. In the second part I will analyze the commodity trade developments between Western and Comecon countries. In the third part I will examine the future trends of economic relations between the Comecon countries and the West. In my concluding remarks I would like to discuss the following questions: what are the further possibilities of increasing the trade and economic cooperation between East and West? From what side and area can we expect the decisive impulses which will lead to further expansion of East-West economic relations? Taking into account the growing involvement of the United States in trade and economic cooperation with the Pacific region rather than with Europe can we assume that there is a proper climate for improving and expanding economic relations between Eastern and Western Europe, i.e. between CMEA and EEC member countries which - in turn - could lead to the "Europeanization of Europe"? And finally, what kind of forces, economic or political, will determine East-West economic relations in the near future?

A detailed analysis of the political factors of East-West economic relations lies outside the range of this paper. On the other hand it is hard to avoid political considerations in the context of trade policy analysis. It has been said that "trade policy is foreign policy"[4] and this is most clearly true in the case of East-West economic relations.

1.1. Some economic factors

If we assume that East-West trade is based mainly on the comparative advantage principle, this trade can be considered as an instrument of increasing mutual benefits and advantages for both sides. Especially the European (both Comecon and Western) countries are highly trade-dependent economies and therefore are interested in expanding East-West economic relations, mainly in the areas of trade and industrial cooperation. On the other hand the United States is a less trade-dependent economy and its interest in economic relations with the Comecon countries (especially with the Soviet Union) consists almost exclusively of promoting the export of agricultural products.

There is a specific "economic interdependence" between the Western European and Comecon countries. The former are the main suppliers to the East of industrial goods and are the importers of (Eastern) raw-materials, especially of energy. The Comecon countries are dependent on imports from the West of modern technology, capital and many investment goods; the Soviet Union is the main supplier to Western Europe of gas and other raw materials. The European Comecon countries are, in comparison to the Soviet Union, far less well endowed with natural resources. They are, however, close to the large Western European market with which they have long-standing ties. Taking into account the existing complementary economic structures between Western and Eastern Europe there seem to be good conditions for the development of mutually advantageous two-way trade in manufactured products as well: based on ample supplies of a medium-skilled labor force receiving relatively low wages in Eastern Europe, and a higher-skilled labor force involved in more capital-intensive production at higher real wages in Western Europe.[5]

In the first half of the 1970's there was, indeed, a rapid development of East-West trade (mainly between the European countries) along these lines. The Comecon countries increased greatly their exports to the West of light consumer goods and simple machinery as well as spare-parts and components of these products, while at the same time they increased their imports of modern equipment, technology and consumer goods.*

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* A detailed analysis of the commodity structure and development trends of East-West trade is presented in section II.

However, in the second half of the seventies it became apparent that for the Comecon countries a highly disadvantageous commodity structure of trade with the West had produced a huge (i.e. about $ 25 billion) deficit in their balance of trade. In 1971-75 the imports of the Comecon countries from the West were 25 per cent higher than their exports to that area. At that time, (and throughout the second half of the 70's), the Comecon countries were trying to adjust their production structure to the changing demand in Western countries and to consolidate their trade with the West. Those efforts, however, did not bring about the creation of strong export sectors in the Comecon countries and did not improve the commodity structure of their trade with the West. Since the middle of the seventies the individual Comecon countries have been curbing drastically their imports from the West in order to reduce, in this way, their trade imbalances.

The briefly sketched conception of "complementary production strucures" turned out to be a highly unstable basis for the development of East-West trade in the contemporary world where a growing number of countries (especially the "Newly Industrializing Countries - NICs) are trying to increase their share in the world market of manufactures and to accelerate their economic development. The Comecon countries have traditionally had - despite the implementation of economic reforms - far greater difficulties in adjusting their exports to the changing demand on Western markets than the NICs. The Comecon countries have even lost their competitive position in Western markets in those areas where they once had comparative advantage as over the NICs. This can be illustrated by the following data concerning the general share of both country-groups of OECD imports of manufactures: 20 years ago the shares of the NICs and the Comecon countries (including the Soviet Union) in OECD imports of manufactures were roughly the same - 1.8 and 1.6 per cent, respectively. By 1976 the socialist countries had increased their share to 1.9 per cent (the highest share ever gained by those countries), whereas the NICs boosted their share to 6.1 per cent. And by 1982, as the Comecon share of OECD import manufactures dropped back to the 1970 level, (i.e. to 1.5 per cent) the share of the NICs increased again to 8.5 per cent![6]

Such a shift in trade of manufactures with the OECD countries was not due to the growing protectionist pressures and trade restrictions in the OECD countries, which have mainly put up such barriers against agricultural imports. Rather, it was due to the growing level of export competitiveness of the NICs, which have conducted more market-oriented policies than the Comecon countries, which still rely on a system of central planning. And that system has proved to be inflexible and unable to change the prevailing, rather hostile attitudes towards export-led growth or trade with Western countries on the basis of the play of market forces.

The other economic, or more precisely, financial factor determining the present development of East-West economic relations is the high level of hard-currency indebtedness of the Comecon countries. These countries were not able to use the inflow of Western financial resources (which in the years 1970-82 equalled approximately $ 50 billion) to develop competitive export sectors in their economies which would be able to earn enough hard-currency to finance imports and to service a continuing net inflow of credits from Western sources. According to various estimates, at the end of 1983 the gross hard currrency debts of the European CMEA countries totalled $ 93 billion (according to the calculations of the Vienna Institute of Comparative Economic Studies about $ 81 billion). In comparison to Mexico's debts ($ 85 billion) and to those of Brazil ($ 97 billion), the foreign debts of the European CMEA member countries (including those of the Soviet Union) were not high by international standards. "Nevertheless, the 'disruptive potential' which could result from a new balance of payments crisis in some East European countries... is large enough to threaten destabilization of the international financial markets."[7]

The Comecon countries have failed, however, to increase their exports to the West in order to improve their foreign debt position, which in the first half of the 1980's reached the level of 50 per cent of all hard-currency incomes.[8] Instead, they had to curb their imports severely. The sharpest decrease in their imports from the West occurred in 1982. Gradual recognition of that fact by private Western lenders brought about - apart from financial restrictions based upon political considerations - a decrease in the flow of new credits to the Comecon countries. The net transfer of resources declined from 1979 on and - coinciding with a sharp rise in interest rates - had become negative by 1982 (in the case of the Soviet Union already in 1980).[9] While the demand for new credits and bank services was strongest in Poland, Romania and the GDR since the beginning of the 1980's, two of these countries - Poland and Romania - were considered to be the most risky by banks presently engaged in financing East-West trade.[10]

However, some kind of "economic turning point" occurred in East-West relations in 1983 due to the visible improvement of the balance of trade of the Comecon countries. The $ 4 billion trade deficit with the West in 1981 was converted into a surplus of $ 4.5 billion in 1983. This also resulted in a surplus of the hard-currency current account which has brought about a reduction of debt. Net indebtedness of the Comecon countries was reduced by more than $ 8 billion in 1983, almost $ 3.5 billion of which was due, however, to the upward revaluation effect of the dollar.[11] In this situation of improvement in the relevant balances of trade and services most Comecon countries have once again found access to the Western capital market (with the exception of Poland and to some extent Romania). In the last two years (1984 and 1985) the majority of Comecon countries lessened their restrictive import quotas and have partially expanded their trade with the West.

There is, however, another factor which determines and will continue to determine to some extent expansion of imports of the six CMEA countries from the West. It is the growing dependency of Eastern European countries upon Soviet energy deliveries. In the past years, the majority of Eastern European countries had already allocated a part of their resources (including Western technology and investment goods, imported very often on credit terms) to exports in payment for Soviet energy. Many of these resources are tied up in long-term Soviet energy projects. The Soviet Union has insisted in recent years that the Eastern European countries should pay with 'hard' instead of the traditional "soft" goods for energy. However, "payment in 'hard' goods constrains even further the capacity of the East Europeans to trade with the West and acquire the sophisticated technologies they need if they are to modernize their economies and, concomitantly, enhance their ability to produce the very 'hard' goods of which the USSR is so desirous. It also prevents the earning of the hard currency necessary to pay off enormous debts to Western creditors."[12] It is assumed that if the Soviet Union wants to receive "hard" commodities for energy exports to the six-CMEA countries, the latter must expand their economic (and, inevitably, political) relations with the Western countries which can provide them (and, thus, the Soviet Union) with the modern technology needed, among other things, for the intensification of oil and gas extraction and transportation. Therefore, one can expect in the near future that the Soviet Union will not oppose the expansion of the six CMEA countries' trade with the West, even at some expense of intra-CMEA trade.

Of course, the Soviet Union cannot require from the Comecon countries the deliveries of high-quality manufactured goods and at the same time expect that those countries will be able to significantly expand exports of those goods to the Western countries. As some economists justly point out, "the room for manoeuvre available to the East European planned economies for expanding their exports to the West and limiting their hard currency borrowing depends to a critical extent upon the stance adopted by the Soviet Union."[13] It should be added that without resolving the mentioned dilemma, i.e. without reconciling the two contradictory objectives concerning the expansion of exports of "hard" goods from the Comecon countries both to the West and the Soviet Union, it will be very hard to intensify East-West trade and economic relations. The question remains open to what extent the Soviet Union (as well as the other superpower - the United States) will be able to monopolize East-West economic and political relations. The state, nature and development of those relations will also depend to a great extent on the rate of economic growth and on the progress of economic reforms in the Comecon countries as well as on the ability of those countries to conduct more autonomous policies towards the Western countries. Western European countries have already gained a considerable degree of control over their economic and political relations with socialist countries. Eastern European countries have been trying to gain a similar "freedom of choice" - at least with regard to their trade partners. The possible gain of comparable control over their relations with Western countries will depend both on the attitude and policy of the Soviet Union and the United States. Some authors express the opinion, that "because of the differing interests of their allies, both superpowers will probably tend more and more to monopolize East-West contacts."[13a] However, there does not seem to be in sight such a close cooperation between the United States and the Soviet Union that could effectively reverse the above-mentioned trend and the desire of Eastern European countries for more control over their relations with the West.

1.2. The U.S. and Western European trade policy towards the Comecon countries in the 1980's

As already mentioned above, there is hardly a uniform Western approach to the question of trade with the East. Whereas U.S. "East-West trade policy" is determined primarily by political factors, Western European commercial policy towards the East is based mainly on economic factors. This stems from the fact that the U.S. is a less trade-dependent economy and its interest in the development of economic relations with the Comecon countries consists mainly in promoting its agricultural exports to the Soviet Union, Poland and some other Eastern countries. On the other hand, Western Europe is a highly trade-dependent region and is interested in expanding its traditional exports of industrial goods to Eastern Europe and in maintaining its imports of raw materials and energy. The common feature of economic and trade policies adopted in Western countries in the 1980's has been the growth of protectionist measures which seriously hindered the development of normal (i.e. relatively normal) economic relations not only with Eastern countries, but also with other highly developed and developing countries. In the period under consideration, the Comecon countries have, however, been additionally hit by the policy of embargo and various trade and credit restrictions pursued for non-economic reasons by the United States and some OECD countries.

There are continuing disputes among OECD countries over the legitimacy of using economic sanctions against the USSR and Comecon countries in the framework of a "common Western trade strategy", which in reality does not work due to the divergent interests of the U.S. and some Western European countries. The most important controversial issues concerning a common Western approach to the question of trade with the East have been the following: the gas pipeline issue, in its later phases combined with the extraterritoriality issue; technology transfer and the question of how Western allies should - according to American suggestions - restrict trade with the East in so-called "dual-use" technology; the advisability of credit subsidies to facilitate trade with Comecon countries which are short of hard-currency reserves; and the fundamental divergence between Western Europe and America in political perspective - that is, on the viability of détente and on an appropriate strategy for East-West economic and political relations. Some of these issues and the question of the most-favored-nation-clause (MFNC) in U.S. trade relations with Comecon countries will be discussed in the following section.

1.3. A brief history of the MFNC[14] in U.S. relations with Comecon countries

Despite all the efforts of Western European countries to conduct a fully autonomous "East-West trade policy", the U.S. continues to exert a decisive influence on East-West trade and on foreign trade policies of Western Europe towards socialist countries. The U.S. has traditionally regarded trade with the Soviet Union and Eastern European countries as "fundamentally political" and disproportionately beneficial to the East. Since the end of the Second World War, the U.S., for various political reasons, has been reluctant to normalize its trade relations with Comecon countries on a nominatory basis by granting the MFNC. For particular Comecon countries, such non-discriminatory treatment has been the sine qua non for profitable exports to the United States. During the Korean War the U.S. Congress passed the "Trade Agreements Extension Act" (1951), which (in section 5) granted the President powers that included "suspending, withdrawing or preventing the use of MFNC as regards the imports from the Soviet Union and the imports from any country dominated by an unfriendly government or controlled by foreign, communist organizations."[15] According to that act, President Truman suspended the MFNC in U.S. trade relations with all socialist countries (except Yugoslavia) between August 1951 and June 1952. The MFNC was restored to Poland on November 16, 1960 by President Eisenhower.[16] This was due to the coincidence of several events: the signing in July 1960 of an agreement regulating the question of compensations for American property nationalized in Poland after the Second World War (under the agreement, Poland obliged herself to pay $ 40 million in compensation); Poland's entry into the GATT, first as an associated member, since 1967 as a full-member; and a friendly reception of Vice-President Nixon in Poland . The fact is that even after the passing of the Trade Expansion Act of 1962, Poland retained the MFNC until the beginning of the eighties.

The situation of other Comecon countries was less favorable in the sense that, except for Yugoslavia, they could not regain the MFNC from the United States, since they were not able to fulfill all the political requirements stipulated in the above-mentioned Act and later in the famous Jackson-Vanik Amendment to the Trade Act of 1974. In that new Trade Act the right to grant the concession of MFNC to a non-market-economy country was conditioned on the fulfillment of the following prerequisites (Section 402):

- it should not deny to its citizens the right or opportunity to emigrate,
- it should not impose higher taxes than nominal on emigration and should not demand other than nominal fees for passport, visa, etc.,
- and it should not impose more than a nominal tax, levy, fine, fee, or other charge on any citizen as a consequence of the desire to emigrate.

Section 402 of the Act also states that it is the President of the United States who determines whether or not a given country violates these provisions.[17]

In the Jackson-Vanik Amendment, the liberalization of the emigration policies of the socialist countries became a main determinant of the economic relations of those countries with the U.S.. A "liberal emigration policy" directly determined not only each Comecon country's chance to obtain MFNC treatment, but government-supported credits, credit and investment guarantees, the conclusion of a trade treaty, IMF membership, and other more or less visible preferential treatment as well. In other words, the character of those relations has been determined by an "appropriate", liberal emigration policy (as defined by the American President), rather than by the prospect of developing mutually advantageous trade between the United States and a given socialist country.

Despite all those conditions for obtaining the MFNC and a very complicated procedure for the renewal of that trade concession, it can be stated that the provisions of the above-mentioned Act have made visible progress towards trade liberalization. In the years 1961-1974 it proved absolutely impossible for a socialist country to get the MFNC treatment from the U.S. Some analysts consider the Jackson-Vanik Amendment as "an effective blockade" of a prosperous development of economic relations between the United States and the Soviet Union and other socialist countries. Therefore it cannot be denied that one of the basic aims of that Amendment was "the sabotage of the policy of détente and trade with the Soviet Union."[18]

It should also be noted that Section 402 of the above-mentioned Trade Act also envisaged a "softer" (more lenient) procedure of granting the MFNC to a selected socialist country. Such a possibility was not, however, employed in the case of the Soviet Union which considered the Jackson-Vanik Amendment as the violation of the Trade Treaty of 1972 and thus canceled that treaty at the beginning of 1975. On the other hand, a more liberal approach has been taken by the United States in relation to Romania and Hungary, both of which received the MFNC in 1975 and 1978 respectively. The situation of Poland was different as compared to the other Comecon countries in that Poland had previously obtained the MFNC from the United States and therefore did not have to adjust its emigration policy according to the aforementioned requirements. In the seventies, however, Poland had been conducting the most liberal emigration policy of all Comecon countries.

It was only after December 13, 1981, when "Martial Law" was imposed in Poland that the United States fundamentally changed its attitude and policy towards Poland. Beginning on November 1, 1982, President Reagan suspended the MFNC (re-)granted to Poland more than twenty years earlier. Officially, this step was taken, because Poland had not met its import obligations to the members of GATT and its military government had increased repression of members of the de-legalized trade Union "Solidarnośc". This suspension was to remain in force as long as the Polish government does not change these conditions.[19]

The first reason given by the President of the U.S. was purely economic and was in accordance with the provisions of the protocol regulating the accession of Poland to the GATT. According to that protocol, Poland obliged herself to increase her imports from GATT-member-countries by 7 per cent per annum. This obligation - which was extended for an unlimited period of time - was, however, not linked with the rate of growth of export-incomes nor with the rate of economic growth in Poland. Therefore, in the situation of both deepening economic problems in Poland and spreading economic recession in the world, Poland was simply not in a position to fulfill her obligations concerning the expansion of imports. The second reason given by President Reagan is a purely political one and has been explained in detail in numerous publications. This was the main reason for imposing the economic sanctions on Poland to be discussed in the next section.

The first effects of the suspension of the MFNC had already become visible in 1982, although the U.S. President decided on April 14, 1983 that Polish goods sold to American customers could be treated according to the preferential U.S. tariff of "Column 1" if the sale-contracts were concluded before October 9, 1982, and those goods were delivered to the United States before June 30, 1983. After this deadline Polish goods have been charged according to the non-preferential customs-tariff of "Column 2". The majority of Polish exports to the United States has usually been shipped in the fourth quarter of each year and the contracts have thus been concluded in November and December. In consequence, Polish exports to the United States fell drastically from $ 365 million in 1981, to $ 212 million in 1982, and to $ 189 million in 1983. In 1984 they rose to the level of $ 220 million. In that year the falling trend in Polish exports was stopped - in fact exports rose 1984 by 16.2% as compared with 1983.[20]

However, the so-called direct effects connected with the suspension of the MFNC were not so severe, at least at the beginning of the 1980's, because Polish exports to the United States were equal to only 3% of total Polish exports to capitalist countries. More severe were the indirect effects such as: losing the status of a friendly country and losing access to credits, credit-guarantees and possibilities of gaining some advantages from the General System of Preferences. To those indirect effects must be added the quantity restrictions for Polish exports (or in other words the import quotas), withdrawal of some American firms from cooperation with Poland, the necessity of production and export adjustment in order to meet the new requirements of American customers, the heavy losses of Polish transport and forwarding enterprises and the general uncertainty regarding the further development of Polish exports to the American market.

It must be added that in 1982-83 the United States Congress tried to withdraw the MFNC from Romania, which discriminated against some groups of Christians and national minorities (Hungarians living in the Western part of that country) and also introduced a very high "emigration tax". After consultations with representatives of the U.S. Government, Romania canceled the "emigration tax" and in September 1983 received a renewal of the MFNC for the next year. The same situation occurred in the following year as well as at the beginning of 1986. Despite the efforts of some members of the U.S. Congress to withdraw preferential treatment from Romania, which continues to violate the provisions of the Jackson-Vanik Amendment, the U.S. Government will once again renew the MFCN for that country in exchange for the permission to several members of the Baptist Church and some dissidents to leave Romania.[21] After all, by suspending the MFNC for Romania, the

U.S. would lose much of its leverage on both domestic and foreign policy of this socialist country. At present, the MFNC has been renewed only for Yugoslavia and Romania. No other socialist country has been granted this preferential treatment by the United States. This is due to the fact that in U.S. Government circles the prevailing view is that potential U.S. advantages connected with the development of trade and economic cooperation with all socialist countries on the basis of the MFNC are less than potential U.S. losses resulting from the growth of the economic and military potential those countries would gain from the improvement of economic relations.

1.4. Controversial issues in U.S. and Western European trade policy towards the Comecon countries

At the beginning of the eighties the U.S. Government expressed its concern about the growing dependence of Western Europe on the supplies of Soviet gas. It was argued that the construction of the Urengoi pipeline, which would supply 7 per cent of West European primary energy consumption by 1990, would make Western Europe highly dependent on the Soviet Union, which - in turn - would be able to exercise "subtle" political or commercial influence over Western Europe. The United States maintained that natural gas exports would "significantly increase the Soviet Unions's hard-currency earnings"; its enhanced ability to finance future arms expenditures would constitute a threat to the goals and interests of the United States. At the same time, Washington defended its own renewed grain trade with the Soviet Union by arguing that it demanded Soviet hard-currency expenditures.[22] Western Europe did not share the arguments of the Reagan Administration; the contrasting views between the U.S. and Western Europe produced major tensions over East-West economic policy within the Western alliance.

It must be recalled that even before the negotiations between

Soviet officials and Western firms on the construction of the Urengoi pipeline, i.e. before 1978, Soviet gas exports to Western Europe, had rapidly increased from 1.8 billion cubic meters (bmc) in 1970 to the level of 24.5 bcm in 1980.[23] In 1980 negotiations were concluded on the final contracts for equipment, gas delivery and financing of the construction of one gas pipeline in 1981 and 1982. From this point on, the pipeline has become the most controversial issue in the dispute between the United States and its Western European allies about the most desirable shape and future of East-West trade policy.

After December 13, 1981, when martial law was imposed in Poland and the United States had taken a tougher policy line towards the socialist countries of Eastern Europe, that dispute transformed into "the greatest scandal in quarrels between the U.S. and Western Europe."[24] From that point in time, the United States decided to take direct action in order to hinder or even prevent the construction of the Urengoi pipeline. Almost immediately, i.e. at the end of December 1981, the Reagan Administration imposed unilateral sanctions on U.S. oil and gas technology and equipment bound for the Soviet Union and earmarked for the controversial pipeline. At the same time, U.S. officials attempted to persuade the Western European governments to join the American action. Due to differing views on the use of trade as an instrument of foreign policy, the Western European response fell short of the expectations of the Reagan Administration. Thus, in the spring of 1982 the United States warned that sanctions would be extended to European firms if Western Europe did not voluntarily comply with the embargo.

In this way, at the beginning of 1982, the so-called extraterritoriality issue reached the newspaper headlines. The Reagan Admininstration decided to make use of provisions of the 1979 Export Administration Act to impose a unilateral U.S. embargo on the export of equipment, which was then extended to subsidiaries abroad and foreign firms using U.S. technology and equipment. This evoked deep resentment from Western European governments, which decided not to stop the delivery of technology and equipment for the construction of the Urengoi gas pipeline. Domestically, the pipeline issue evoked a controversy within the United States between the "security lobby" supporting the policy of embargo and the "business lobby" opposing it. The representatives of the latter argued that economic sanctions were completely ineffective and agreed with the Europeans that the extraterritorial application of the 1979 Export Adminstration Act was illegal.[25] The advocates of the business lobby stressed the fact that measures such as the pipeline embargo should not be applied if the goods involved were available to the targeted country from elsewhere. In additon, because of the embargo American exporters could lose markets in the East as well as the West. "The threat to Eastern markets was, however, of only marginal importance to the American exporters of industrial plant and equipment. Excluding agriculture, CMEA markets account for less than 1 per cent of American industrial exports. Of much greater importance was the threat to Western markets as customers drew lessons from the pipeline embargo. European industries using American technology or components responded to the use of extraterritorial controls by actively seeking out non-American sources of supply."[26]

As mentioned above, the dispute between the United States and Western Europe was finally resolved on November 15, 1982, after one month of negotiations, by the withdrawal of the embargo and an agreement to tighten controls of the exports of sensitive high technology to the Soviet Union and other Comecon countries and to hinder access of those countries to new credits by raising the interest rate and eliminating various subsidies to trade with the East. The Western

Europeans also promised not to negotiate further contracts to purchase natural gas from the Soviet Union until a study by the International Energy Agency (IEA) on European dependence on Soviet gas had been completed. Thus, the energy issue, which had triggered the dispute, was isolated from other controversial issues and negotiated within the confines of an international organization.

According to some Western analysts, the U.S.-Western Europe agreement on the necessity of "making economic relations with the East compatible with the security interests of the Western Alliance" is more than diplomatically covering up a lack of substantive consensus; rather, it forms a basis for forging consensus on operational steps like the updating of COCOM-lists, etc.[27]

In fact, since the lifting of the U.S. embargo, the subject of technology transfer and East-West trade has not been a source of continuing "open" controversies in Western trade policy towards the Comecon countries. But this problem has not disappeared. The U.S. has been trying in various ways to impose on other Western countries their own very restrictive view of East-West trade by extending substantially the list of controlled commodities. The U.S. has been seeking to do this through direct pressure on individual countries and through COCOM (the Coordinating Committee on Multilateral Export Controls).

Moreover, there are also deep differences in the decision-making processes and structural patterns of institutions and constitutional regulations for economic relations with the East. As some American authors justly remark, "the U.S. decision-making process is almost unique among nations in the extent to which...governmental powers are shared among the various units of government... To add to the complexities, both the President and the Congress are obliged at times to bow to the courts as individuals and groups exercise their rights of judicial initiative and appeal. With a structure of that sort, policy initiatives and actions to block policy initiative can come from a dozen different quarters."[28] There is also a constitutional difference in bureaucratic politics on foreign trade: the United States has always required licences for all items contained in the Commodity Control List (CCL) while a governmental licence of similar nature in other OECD member countries is the exception. Such a licencing procedure is applied in the United States to all exports defined by the above-mentioned National Control List (CCL) regardless of their destinations. In January 1984, the Department of Commerce, under pressure from the Department of Defense, proposed new rules for the distribution of licences, a "form of general licence used for multiple exports between American companies and foreign subsidiaries or affiliates."[29] This stipulated that Ammerican exporters would henceforth have to provide more detailed information on the use and location of their goods once they left the United States. In the same year two different bills emerged from the House and Senate revising the Export Administration Act of 1979. They revealed contrasting approaches to American export control policy. The original House bill leaned towards easing the difficulties of American exporters in conducting West-West as well as East-West trade. The bill also attempted to simplify and streamline the administrative process of export control. The original Senate bill, in contrast, exhibited a more restrictive approach to export control which was favored by conservatives and national security advocates. The Senate bill sought to strenghten bureaucratic mechanisms controlling the transfer of goods and technology to the West as well as the East - in the hope of preventing unauthorized diversions of such items by end-users in the United States and other Western countries.[30] Finally the "compromise" bills emerging from the House and Senate in the first days of the 98th Congress attempted to reconcile the two approaches both to West-West and East-West trade. Those bills, however, failed to resolve the fundamental question of where the focus of decision-making in American export control policy should lie, that is, in the Defense Department or in the Department of Commerce.[31]

A similar statement can be made concerning the "unilateralization" of the export restrictions of Western governments (mainly of technology export restrictions). Particular Western governments may have one or more of the following objectives in restricting exports to the USSR and other socialist countries:

- denying the USSR technology of direct military significance, for example, systems for guidance and control,
- curbing Soviet acquistion of Western "dual use" (civilian and military) technology, for instance in computers, which might have potential military applications,
- retarding the development of branches, like oil and gas, that play a key role in Soviet economic development and exports, and
- protesting specific Soviet foreign policy actions.

On the other hand, multilateral Western export restrictions are coordinated by the COCOM which maintains three lists of products and technologies (recently updated and supplemented) whose export to the USSR and other socialist countries is embargoed, controlled, or monitored through export licencing by COCOM member governments (all NATO member-countries except Iceland and Spain plus Japan). There are still some disagreements among the member governments of COCOM over which specific products or technologies should be added to, or removed from, these three lists.[32] On the one hand, the Western European countries are willing to, or simply must, cooperate with the United States in the area of security in order to contain the military threat of the

Warsaw Pact countries. On the other hand, Western Europeans compete with the United States in the area of commercial relations in order to maintain their traditional links with Eastern Europe and to increase their share on that market.

As many empirical studies confirm, the export restrictions adopted by COCOM or by individual Western countries have curtailed Soviet and Comecon countries' acquisition of Western technology for important branches of their industries such as electronics, electrical machinery, metalworking machinery, oil and gas equipment and chemical equipment. Many Western analysts admit, however, that it is not possible to reach a quantitative assessment of the impact of these controls.[33] As a recent study by the OECD shows, the contribution of Western technology to the growth and development of Soviet industry as a whole appears to be modest.[34] It should also be added that restrictions and embargoes have not retarded the economic development and technical progress in other socialist countries. Those restrictions helped to promote the economic consolidation of the Comecon countries and their cooperation in developing their substantial technological resources.

Because of space limitations it is not possible to describe in detail all controversial issues in Western trade policy towards the Comecon countries. In the first half of the eighties a growing tendency to pursue political goals by various means of economic sanctions and embargoes became visible. First of all, politicians in the United States seem increasingly inclined to use economic sanctions in support of foreign policy goals. On the other hand, most of the scholarly publications do not confirm the view that such tools of economic coercion produce the desired results. On the contrary, most of the academic literature supports the conventional wisdom that economic sanctions and embargoes are rarely effective and frequently counterproductive.[35]

The experiences of the past few years indicate clearly that the goals and possibilities of a Western policy of economic linkage in relation to the Comcecon countries are limited. Any attempt to influence Comecon countries' policy directly by openly challenging the socialist system's continuity, security (through military pressure) or political sovereignty is doomed to failure. On the other hand, there is still room for a Western policy of "positive linkage" in East-West economic relations. Much will depend, however, on overcoming the controversial problems in Western trade policy towards the Comecon countries. For the time being there is still no consensus on the design of a Western East-West policy that could be grounded on the above-mentioned positive-linkage approach.

2. Past trends of the United States/Western European trade with Comecon countries

Since the Second World War, East-West trade has been relatively insignificant in comparison with world trade or with the intra-trade of OECD countries. There is, however, a growing number of publications and analyses devoted to the problems of East-West trade.[36] This reflects more the political than the economic significance of East-West economic relations. The U.S. role in East-West trade has been small when compared with other highly developed Western countries, particularly Japan and West Germany. In 1973, for example, the United States exported to the socialist countries only small quantities of manufactured goods. It had only 3.5 per cent of the total market shares of Western manufactured goods exported to the socialist countries, compared with 40.9 per cent for West Germany and 7.5 per cent for Japan. However, there has been a transition from a passive to a more active U.S. role in East-West trade, dictated in part by increased world business competition. In 1976 total trade turnover between the U.S.

and Comecon countries (including the Soviet Union) was $ 4,365 million in which $ 3,501 million accounted for U.S. exports to those countries and only $ 865 million for U.S. imports. In 1984 , the value for U.S. exports to Comecon countries was $ 4,179 million and imports - $ 2,152 million (see Tables 1 and 2, statistical annex). However, in 1984 the Soviet Union, the six Comecon countries and the People' s Republic of China accounted for only a small share of total U.S. trade. Exports of $ 7.2 billion were only 3 per cent of total U.S. exports, while imports of $ 5.7 billion made up only 2 per cent of total imports. Trade with this group, however, provided the U.S. with a surplus of $ 1.5 billion. U.S. trade with China reached an all-time high of $ 6.4 billion in 1984. So, if we exclude U.S. trade with China it becomes evident that trade with Comecon countries is still of small importance to the United States. U.S. exports of agricultural products have been the only exception.[37]

Table 1: U.S. Trade with Centrally Planned Economies in Selected Products, 1983 and 1984 (millions of dollars)

	1983	1984	1983-84 Change Value	Percent
U.S. Imports, total (general c.i.f.)	3,955	5,738	1,783	45.1
Crude Oil	85	249	164	192.9
Petroleum products	738	1,140	403	54.7
Manufactures, total	2,585	3,740	1,155	44.7
Wearing apparel	925	1,131	206	22.3
Textiles	293	462	169	57.7
Iron and steel mill products	7	148	141	214.3
U.S. Exports, total (domestic and foreign, f.a.s.)	5 088	7 216	2 128	41.8
Wheat	1 184	1 756	572	48.3
Corn	669	1 509	832	24.4
Manufactures, total	2 033	2 545	512	25.2
Synthetic resins, rubber & plastics	95	239	143	151.6
Aircraft and equipment	236	114	-121	-51.7
Oilseeds, etc.	286	117	-110	-38.1

Source: United States Trade Performance in 1984 and Outlook, U.S. Dept. of Commerce, Washington, D.C. 1985, p.32.

Agricultural exports account for the bulk of total U.S. exports to socialist countries (see Table 1). Sales of U.S. agricultural goods to Comecon countries will tend to expand in the near future, particularly given the problems of socialist agriculture.[38] On the other hand, the performance of the United States in the export of manufactured goods to Comecon (or all socialist countries) lags far behind that of Western Europe and Japan as well as behind real American possibilities. In 1976, 73 per cent of all Western exports to socialist countries were made up of manufactured goods. The United States ranked tenth among the Western suppliers of such goods behind Belgium and Sweden. This is well below its competitive potential, as the U.S. is a major exporter of manufactured goods to Western countries, in particular high-technology industrial goods. U.S.-manufacturing exports to the socialist countries consist primarily of such products as machine tools and equipment, pumps and compressors, aircraft and parts, automotive manufacturing equipment, and electrical machinery. The greatest importer of those goods is the Soviet Union with one-half of total purchases of U.S. manufacturing exports to socialist countries. The next leading customers are Poland and Romania. However, the total volume of U.S. exports to Poland is largely a function of Polish grain imports. On the other hand, U.S. imports from socialist countries are composed of raw materials and low-technology manufactured goods. Imports of capital goods accounted for less than 1 per cent of total U.S. imports from the Soviet Union in the seventies. Among the products imported from the Soviet Union, platinum is of increasing importance, because it is used in the catalytic converter required for all U.S. automobiles manufactured after 1977. Thus, if we compare the so-called indicator of dependence on foreign sources of some raw-materials like chromite/ferrochrome and platinum-group metal, the major supplier countries of those two raw-materials to the United States are South Africa (44 and 50 per cent of U.S. imports respectively), the Soviet Union (12 and 22 per cent), Zimbabwe and Turkey (each 8 per cent for chromite-ferrochrome) and the United Kingdom (12 per cent for platinum).[39] U.S. imports from Poland and Romania consist mainly of agricultural and manufactured goods. The most important products imported from Poland are canned ham and pork which account for 88 per cent of U.S. agricultural imports from there. Imports of manufactured goods consist of leather footwear, organic chemicals, iron and steel sheets, as well as iron and steel nails. U.S. imports from Romania are concentrated in two areas - mineral fuels and manufactured articles. Agricultural imports involve canned ham, pork and cheese.

There is an imbalance between U.S. exports to and imports from Comecon countries. In 1976, for example, U.S. exports to the six Comecon countries amounted to $ 1.2 billion and to the Soviet Union to $ 2.3 billion, but imports came to only $ 643 and $ 210 million respectively. In 1984, U.S. exports to the six CMEA countries amounted to $ 0.9 billion and to the Soviet Union $ 3.3 billion, whereas imports came to 1.6 billion and $ 0.6 billion respectively (compare Tables 1 and 2 of the statistical annex). In 1984, only the six Comecon countries recorded a small surplus in their trade with the United States, while the trade balance of the Soviet Union was highly negative. The six Comecon countries and the Soviet Union together ran negative trade-balances with the United States which amounted to $ 2,529 million in 1982, $ 1,533 million in 1983 and $ 2,027 million in 1984. This situation occurred despite a visible decrease in the growth rates of the U.S. exports to Comecon countries (excluding the Soviet Union) and a significant increase in the growth rates of U.S. imports from Eastern Europe (see Tables 3 and 4, statistical annex). Future prospects for increasing trade between the U.S. and Comecon countries will be bleak if the socialist countries are not allowed to increase their exports to the United States. A steady expansion of trade between the United States and the Comecon countries requires more U.S. absorption of Comecon exports if these countries are to pay for their imports. For the time being the share of U.S. exports to the Soviet Union and to Eastern Europe (in 1982 - 1.2% and 0.49% of total U.S. exports respectively) is very small. The same statement applies to U.S. imports from the Soviet Union and Eastern Europe which in 1982 constituted only 0.1 per cent and 0.34 per cent of total U.S. imports. The share of all Comecon countries (including the USSR) in total exports of the United States amounted to 1.4 per cent in 1983 and to 1.9 per cent in 1984 as compared to 3.9 per cent in 1975 - the highest share those countries have so far attained. Thus, the share in 1984 was about 50 per cent below that of 1975. Comecon countries also make up a very small share of total U.S. imports, 0.5 per cent in 1983 and 0.7 per cent in 1984 as compared to 0.9 per cent in 1979 (see Tables 5 and 6, statistical annex).

The poor development of U.S. trade with Comecon countries in recent years has been due to a general deterioration of East-West economic relations starting in the 1980's. A decline occurred in 1981 and 1982, followed by stagnation in 1983 and 1984 (compare Tables 7 and 8, statistical annex). From 1981 to 1984 the annual rates of growth of OECD exports to Comecon countries were negative, as were the annual growth rates of OECD imports from those countries - with the exception of 1984 (compare Tables 9 ,10 and 13, 14; statistical annex).

The visible decrease in the rate of growth of East-West trade in the first half of the eighties resulted not only from unappropriate trade policies (described in the previous section of this report), but also from the growing internal difficulties of the socialist countries, the deepening economic recession in the West, protectionist pressures, the worsening of political relations between the two superpowers, and the high foreign indebtedness of the Comecon countries. This last factor still exerts a decisive influence on the import policy of Comecon countries, which are trying to curb their imports with the West and to use export revenues to reduce their indebtedness.

However, economic recovery did take place in the West during 1983, which also stimulated demand, for - in particular - raw materials, semi-finished products and fuels from Comecon countries. The absolute decline in OECD imports from Eastern Europe (the Soviet Union excepted), which started during the fourth quarter of 1980, came to a standstill during the third quarter of 1983 as a result of rising demand from the West. Since then, in the wake of the economic upswing in the West, there has been a noticeable acceleration in the demand for imports from Comecon countries. It should be stressed that East-West energy trade, in particular net energy exports from Comecon countries to the European Community, has been expanding until 1984. In that year, energy imports from the Soviet Union and Eastern Europe accounted for one-quarter of the Community's total energy imports from third countries and covered 11 per cent of the Community's primary energy needs. It can therefore be said that East-West trade begins to look more significant to the West when certain product groups are considered - in particular, energy imports. For example, in 1984 the Federal Republic of Germany received 24 per cent of its natural gas supplies from the Soviet Union, compared with 14 per cent from Denmark, and 29 per cent from the Netherlands (the balance coming from domestic sources). Since natural gas accounted for 15.6 per cent of West German energy consumption, Soviet natural gas made up slighty less than 4 per cent of total national energy consumption. The importance of Soviet gas supplies to West Germany will increase over the next few years under existing contracts, but shall remain below 35 per cent of total natural gas usage, according to an agreement on the upper limit of dependency on Soviet supplies of any major fuel for each NATO member (see previous sections).

In general, the flow of trade in energy from Eastern to Western Europe reached a record level in 1984 of over 100 Mtoe (or the equivalent of 2 million barrels daily). Oil and oil products, mostly from the USSR, accounted for 70 per cent of the total; natural gas for about one-fifth; and coal from Poland about 10 per cent (see Table 2).

Table 2: Net energy imports from the Soviet Union and Eastern Europe into the European Community, 1980-84

	1980		1981		1982		1983		1984	
	Mtoe	%	Mtoe	%	Mtoe	%	Mtoe	%	Mtoe	%
Total	78.6	100	68.8	100	81.9	100	90.4	100	102.4	100
of which										
USSR	56.7	72	54.7	79	67.6	82	73.6	81	82.2	80
Crude oil and feedstocks										
	22.8	29	20.8	30	26.7	33	31.55	35	38.0	37
of which										
USSR	21.0	27	18.0	26	25.2	31	30.7	34	37.6	36.8
Romania	0.6	0.8	1.4	2	0.8	1	0.15	0.2	0.2	0.2
Petroleum products										
	26.8	34	25.5	37	31.3	38	34.1	38	33.0	32
of which										
USSR	15.6	20	16.9	25	24.0	29	24.6	27	23.1	23
Natural gas										
USSR	18.5	23	19.4	28	18.1	22	17.6	19	20.6	20
Coal										
	10.5	13	3.1	4.5	5.8	7	7.2	8	10.8	10.5
of which										
Poland	8.9	11	2.7[1]	4	5.5	7	6.5	7	9.9[2]	10
USSR	1.6	2	0.4	0.6	0.3	0.4	0.7	0.8	0.9	0.9
Total as % of Community energy imports (net)	-	14.9	-	15.5	-	19.7	-	24.0	-	25.0

Sources: Statistical Office of the European Communities and IEA/OECD and Energy in Europe, Commission of the European Communities, December 1985, No. 3, p. 10.

[1] Polish strike
[2] UK Miners' strike.

In 1984, the Soviet Union was the largest single supplier of crude oil and oil products to the European Community. However, its six per cent share in oil supplies to the world market does not give the USSR any special control over the quantities of oil available to Western Europe or over the terms of oil availability. The same applies to Soviet supplies of gas, which will probably not give the USSR much leverage on Western Europe. Some estimates indicate that imports of Soviet gas to the European Community will not rise to more than 30 Mtoe by the end of the 1980's. Poland is, in turn, the main supplier of coal. Coal imports from Poland have now recovered from the slump following the Polish miners' strike in 1981. In 1984, i.e. at the time of the British coal miners' strike, Polish coal exports were over 1 million tons above the 1980 level. There are, however, limited possibilities of further expansion of East-West trade in energy. The future levels of that trade will depend to a great extent on the Community's import demand as well as on competition from other suppliers. Taking into account the present situation on the world oil market and the limited production potential of the Soviet Union, it seems that trade in oil between Eastern and Western Europe will remain significant over the coming years, but the amounts involved seem more likely to fall than rise.

It is interesting to note that the Soviet Union spent only about two thirds of its Western European trade earnings on imports from Western European countries. The rest was spent on food imports - mostly from outside Europe. Foodstuffs, in particular grain, is another commodity of special importance in East-West trade. The Soviet Union and some other Comecon countries represent more important markets for American, and recently also Argentinian and Australian foodstuffs exporters, than to Western European ones.

Another characteristic feature of East-West trade is the relative stability of its commodity structure. In fact there has been hardly any change in the composition of trade over the years. In 1983, the Comecon countries still exported to the OECD area mainly fuels (60 per cent of the total value of their exports). In the case of the USSR, the share of fuels was even higher and more stable, accounting for 80 per cent of Soviet total exports to the West. On the other hand, raw materials (excluding fuels) constituted 8 per cent of total Comecon exports to the West, and agricultural products 12 per cent. There was, however, a visible decrease in exports of manufactured products to OECD countries - the share of those products in total Comecon exports to the OECD area amounted to about 28 per cent in 1980, 20.7 per cent in 1983 and about 20 per cent in 1984.

There was also no significant change in the commodity structure of Comecon imports from the West. In the 1980's, the largest share of imports were manufactured goods (53-65 per cent of total imports from the West), followed by foodstuffs (22 per cent), raw materials (15 per cent) and fuels (only 2 per cent). The majority of Comecon countries are strongly dependent on trade with Western countries, which are the main suppliers of modern technology, capital and many investment goods. The share of OECD countries in global imports of Comecon countries in 1980-1984 amounted to 27.8 per cent and in global exports a little less, 27.2 per cent. During the same period, intra-CMEA trade and economic cooperation increased visibly due, among other things, to the U.S. policy of economic sanctions and trade restrictions against socialist countries described above. Thus, one of the unexpected effects of that policy was an increase of the six Comecon countries' dependence on trade with the Soviet Union. The small Comecon countries reduced their imports from the West. In 1983, for example, the value of Romanian imports from the West amounted to 33 per cent of the value of its 1980 Western imports. In the case of Poland it was 44 per cent; for Czechoslovakia - 67 per cent; in Hungary - 79 per cent; 86 per cent in the case of the GDR; and 97 per cent for Bulgaria. Of course, the curbing of imports from the West was also due to the attempts of particular Comecon countries to reduce their foreign debts mainly by decreasing their imports from, rather than accelerating their exports to, the so-called "hard-currency area".

Up to the middle of 1985 the Comecon countries have not, however, adjusted their imports from the OECD area according to the actual level of economic activity. Some of the Comecon countries had already accelerated their rate of economic growth and in the last three years have made positive adjustments in their economic systems. On the other hand, there is an urgent need for further adjustments which "would be less burdensome if refinancing of the maturities (of debts of the CMEA countries) would facilitate an improvement of the maturity distribution. More long-term credits would also serve the interest of Western exporters, because such financing would allow CMEA countries to resume a faster expansion of their imports from the West."[40] As one analyst has justly remarked, "balanced trade by 1990 would appear to be the most favorable solution both for East and West, allowing the Western industrial countries to increase their exports to the East reasonably quickly, yet at the same time eliminating the balance-of-payments deficits of the CMEA countries in the long run. But this variant presupposes on the part of the West to grant further credits to the CMEA countries throughout the 1980's, reasonable growth prospects for the OECD area, and avoidance of increased protection in the OECD countries'import policies."[41] However, in the present situation, where credits from the West are not as easily availabe to the Comecon countries as in the seventies, chances are rather bleak for a visible expansion of East-West trade through the growth of imports to the CMEA countries from the West. The same is true as to the possible expansion of the Comecon countries' exports to the West. It is known that an enormous majority of the CMEA countries has not developed "export-industries" producing high-quality goods for exports to the OECD area. However, in the present situation, those Comcecon countries heavily indebted to the West must simply find ways to produce more and increase their exports to the West as well as to developing or other Comecon countries on a hard-currency basis. That task will not be achieved under the present system of planning and the rather inconsequential decentralization and reform of the management of the economy.

3. Future Prospects

It is commonly accepted that in order to itensify their imports from the West the Comecon countries have to look for more durable and safe forms of trade with Western countries. They have also been looking for new impulses which are hard to find within the framework of traditonal bilateral forms of trade and economic cooperation. For both sides, much is to be gained from the introduction and adoption of multilateral forms of trade and through the creation of new forms of economic cooperation between, for example, Western and Eastern Europe. The Comecon countries must first increase their exports in order to expand their imports from the West. The most promising possibility of increasing the exports from socialist countries to the West lies in securing those countries the so-called preferential treatment on the European Community's market. Since 1975 the Community has been conducting an autonomous policy towards the Comecon countries mainly by introducing import quotas. There is no trade agreement between the EEC and CMEA as a whole. This implies that socialist countries are not entitled to the preferential treatment that the Community offers, for example, to many countries.

There are, of course, several alternatives for improving the future institutional framework of the Community-Comecon countries economic relations. The maintainance of the existing status quo would not create the conditions for further expansion of European East-West trade. One solution would be the conclusion of a non-preferential trade agreement between the EEC and CMEA. But this solution would imply the recognition of the EEC by the individual socialist countries as well as by the CMEA as a whole. Such a recognition would entail some political costs, although no economic ones. Within such a non-preferential trade agreement, the Comecon countries could probably obtain some reduction in the quantitative import quotas mentioned above or some other trade concessions. These would probably be rather insignificant and would not bring about a visible improvement in trade between the two groups of countries.

The chances for a rapid expansion of that trade would be greater if the Community would be willing to conclude a preferential trade agreement with the CMEA countries. Such an agreement would stimulate intra-European trade and economic cooperation as well as desirable structural adjustments in both parts of "divided" Europe. The point is, however, that if the Comecon countries want to gain more access to the Community's market, they must also be ready to open their markets for the Community's exports of manufactured goods. If we assume that there would be a real chance to create some kind of "free trade zone" for the expansion of trade in manufactured products within the whole of Europe - although in reality no such chance exists -, the main problem would lie in finding a solution that would allow for a balanced increase in imports and export as trade is liberalized. As the Comecon members are not developing countries (although some of them have similar characteristics), they cannot expect to derive all the gains of expanded trade for themselves. Every liberalization of trade between the Community and CMEA countries is possible only on a mutual basis.

In the near future, there is, however, only a bleak chance (or no chance at all) that both groups of countries will be willing and able to conclude some kind of preferential trade agreement or create a free trade zone for the exchange of manufactured products. Even if such an agreement were concluded, it would take at least 10-15 years for the implementation of the necessary structural and institutional changes in the Comecon countries and their trade systems. However, the recent exchange of views and formal letters between the EEC and Comecon countries has made it clear that the Community does not want any far-reaching relationship with Comecon, though it is open to bilateral dealings with individual Eastern European countries.[42] Hence, the Comecon countries have recently dropped their insistence on a group-to-group trade agreement, an idea the Community had always rejected on the ground that Comecon has no responsibility for the trade policies of its members. At the beginning of 1986, the Community confirmed that it is giving favored treatment to Romania, Hungary and Czechoslovakia. Romania already has concluded an agreement with the EEC (negotiated in 1980), and both Hungary and Czechoslovakia have expressed interest in similar agreements. Of the two, the Hungarians have been the more eager, but their enthusiasm has waned with the EEC's failure to offer significantly better access to the EEC market for Hungarian goods. Bulgaria and Poland have so far limited their formal contacts with the Community to a reluctant acceptance of quotas for their exports of steel and textiles to the EEC. The Soviet Union has until recently tried to pretend that the Community does not exist, though this has not prevented this country from buying surplus EEC beef and butter at bargain prices. And the GDR represents a special case: it already has privileged access to the EEC market by way of West Germany. The recent change of the Comcecon's attitude towards the EEC is - according to some experts - a sign of the new realistic approach to the question of trade and economic cooperation with the West. The Soviet Union and other Comecon countries recognize the fact that the EEC market takes about two-thirds of Western exports from the European members of Comecon.[43]

One can conclude that at present there is no real chance for a complete reorientation of the traditional patterns of East-West trade and economic cooperation. One can expect only a gradual liberalization of the conditions under which cooperation will remain "in line" with Western economic and political interests. From the Western European perspective, a further expansion of East-West economic relations would depend mainly on political, rather than economic, forces. From the Comecon perspective, slow economic growth (as compared with other countries) and serious foreign indebtedness are seen as the main driving forces behind national economic reforms as well as the search for closer economic ties with Western countries.[44] Within the system of interdependence with the United States, Western Europe has a considerable degree of control over Europe's future. The Eastern European countries are trying to gain some control over Europe's future through the implementation of economic reforms which have far-reaching political implications. It seems that the present, ambivalent relationship between the United States and the Soviet Union creates an opportunity for the so-called " differential détente" confined to Europe. Much will depend on the attitudes adopted by the Western European countries as well as on the ways East-West trade will be used as an instrument for improving all-European economic and political cooperation. Some

Western analysts consider East-West trade a political trap rather than an effective tool of East-West policy. Others, such as J.M. Guillaume, have remarked "we (i.e. Western Europe) do not have the capacity to shape the history of the Soviet bloc...but we may help bring about small changes and may, by our own ambivalence, make the position of Eastern countries... more ambivalent and therefore more likely to change."[45] If the Western countries could succeed in convincing the Soviet Union that closer economic and political cooperation between Western and Eastern Europe would pose no danger to Soviet interests, it could be a first step on the long road towards the "Europeanization of Europe", a process which would considerably improve the general state of East-West economic relations in a long run.

Some concluding remarks

Past trends and experiences in East-West trade confirm the highly unpredictable nature of East-West economic relations. They are sensitive to the development of several external economic and political factors which are hard to assess and foresee. East-West trade is defined by some economists as the "relatively most unstable part of international trade."[46] There are, however, several variables (such as: hard currency balances from exports, imports, the volume of indebtedness and interest payments, the rate of economic growth in both East and West, and other variables), which can be precisely measured and whose impact on the future development of East-West economic relations can be more or less accurately assessed. It is, however, the political factor that has a decisive influence on East-West economic relations. It has been proven in the past that the deterioration of the political climate usually leads to a new arms race, isolationism within the existing regional groupings and military blocs, and to protectionist measures against Eastern products.

If we assume that the relations between the two superpowers will gradually improve in the future, we can expect that the United States will not continue to pressure Western Europe into a policy of trade restrictions which could jeopardize long-term East-West economic cooperation. The United States and other Western countries would rather follow a more deliberate and prudent policy towards the Soviet Union and Comecon countries which would bring about a further improvement in East-West economic relations. As one American expert has justly remarked, "in the past, the clamor for subsidized credits and massive trade at all costs, regardless of the sensitive ideological, strategic and humanitarian concerns that plague East-West relations, has been as harmful as America's discriminatory tariff, credit and export barriers."[47] If the OECD countries were to conduct a "more liberal" trade and credit policy in the near future, they would help both to stabilize (or even decrease) the Comecon countries' indebtedness and expand Comecon imports from the West. Past experiences confirm the fact that most Comecon countries have cut back imports from the West only under severe financial pressure. The recent improvement in their balances of payments creates better conditions for a further expansion of East European trade with the West. According to some experts "such a liberal credit policy would leave room, by and large, for equal growth of East-European exports and imports in trade with the West."[48] Various projections show that a more liberal credit policy would also affect OECD exports to Eastern Europe favorably. It must be stressed, that a "more liberal" Western trade and credit policy can improve the prospects for East-West trade only in the short run. In the long run, however, the economic performance of Comecon countries, increases in the level of competitiveness of their products, and increases in their exports to the West will determine the scope and rate of growth of East-West trade and economic cooperation.

Footnotes

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7 P.G .Schmidt, Hard-Currency Indebtedness of the Developed Socialist Countries, "Intereconomics" 1985, No. 3, p. 114. Compare with G. Fink, K. Mauler, Hard-Currency Debt Assessment: Six CMEA Countries and Yugoslavia, WIIW Forschungsbericht No. 108, Vienna 1985, pp.41-43 and CMEA Selected Economic Indicators 1985, Vienna 1985.

8 Using another measure of the Comecon countries foreign indebtedness it can be said that the gross debts of Poland, Hungary and the GDR are particularly high at more than 680 U.S. dollars per capita. They are well above the average per capita indebtedness of the large majority of the developing countries: only Israel, Gabon, Venezuela, Argentina, Mexico, Algeria and South Korea show higher figures. H. Wilkins, The debt burden of developing countries, "Intereconomics" 1983, No. 2, pp. 55-59.

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12 J.M. Kramer, Soviet-CMEA Energy Ties, "Problems of Communism" 1985, July-August, p. 47.

13 P.G. Schmidt, op. cit. p. 120.

13a A. Allan, U. Luterbacher, Modelling East-West strategic relations in the 1980's, In: I. Dobozi, H. Matejka (eds.), East-West relations in the mid-eighties, Budapest 1984, pp. 35-67.

14 The most-favored-nation-clause (treatment) is a provision in commercial treaties between two or more countries that protects them against tariff discrimination by each other. It guarantees that all partners to the agreement will automatically extend to each other any tariff reductions that they might offer to nonmember countries. For example, if a trade agreement between the U.S. and the Netherlands contained a most-favored-nation clause, any reduction of the import duty on bicycles that the U.S. might offer to Great Britain (perhaps in exchange for a reduction of the British tariff on American automobiles) would automatically be extended to the Netherlands. Cf. The McGraw-Hill Dictionary of Modern Economics, New York 1982, p. 335.

15 PL 50, 65, Stat. 72.

16 Poland had been granted the MFNC by the United States for the first time on February 10, 1925 on the basis of a trade agreement which was replaced in 1931 by the Treaty of Friendship, Trade and Consular Laws. That last treaty also comprised the MFNC. On this basis the MFNC was in force after the Second World War.

17 19. U.S. C. P 1-93-618.

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Statistical Annex

All statistical tables (1-14) have been compiled on the basis of CMEA countries' Statistical Yearbooks, the OECD Economic Surveys and Monthly Bulletin of Statistics, UN - as given by:
CMEA - Selected Economic Indicators 1985, Vienna, First Austrian Bank and The Viennna Institute for Comparative Economic Studies, Vienna 1985.

TABLE 1

U S A: TRADE WITH CMEA COUNTRIES
IN MILL. US $

EXPORTS

	BULGARIA	CSSR	GDR	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	.	.	.	.	.	.	.	118	.
1971	.	.	.	.	.	.	.	162	.
1972	.	.	.	.	.	.	.	550	.
1973	.	.	.	.	.	.	.	1190	.
1974	.	.	.	.	.	.	.	614	.
1975	.	.	.	.	.	.	.	1837	.
1976	43	148	65	63	623	250	1192	2308	3500
1977	24	75	36	81	439	260	915	1627	2542
1978	48	105	170	99	680	319	1422	2252	3674
1979	57	281	356	78	793	501	2066	3607	5673
1980	161	185	478	80	714	722	2340	1513	3853
1981	258	83	296	78	682	505	1900	2432	4332
1982	106	84	223	68	296	224	1000	2593	3593
1983	66	59	139	110	324	186	884	2003	2887
1984	44	58	137	88	318	249	895	3284	4179

TABLE 2

U S A: TRADE WITH CMEA COUNTRIES
IN MILL. US $

IMPORTS

	BULGARIA	CSSR	GDR	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	.	.	.	.	.	.	.	72	.
1971	.	.	.	.	.	.	.	58	.
1972	.	.	.	.	.	.	.	96	.
1973	.	.	.	.	.	.	.	215	.
1974	.	.	.	.	.	.	.	350	.
1975	.	.	.	.	.	.	.	254	.
1976	27	36	14	49	319	199	643	221	865
1977	18	37	17	47	329	233	680	235	915
1978	19	58	35	68	439	346	966	540	1507
1979	35	51	36	112	427	329	990	874	1864
1980	25	66	44	107	417	312	971	454	1425
1981	34	67	48	129	365	560	1202	348	1550
1982	28	62	54	133	212	348	836	228	1064
1983	28	62	58	157	189	513	1007	347	1354
1984	29	86	149	221	220	893	1598	554	2152

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TABLE 3

U S A: TRADE WITH CMEA COUNTRIES
ANNUAL GROWTH RATES IN %

EXPORTS

	BULGARIA	CSSR	GDR	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	.	.	.	.	.	.	.	12.0	.
1971	.	.	.	.	.	.	.	36.8	.
1972	.	.	.	.	.	.	.	240.2	.
1973	.	.	.	.	.	.	.	116.3	.
1974	.	.	.	.	.	.	.	-48.4	.
1975	.	.	.	.	.	.	.	199.3	.
1976	.	.	.	.	.	.	.	25.6	.
1977	-45.1	-49.3	-44.2	27.5	-29.6	4.2	-23.3	-29.5	-27.4
1978	103.8	40.4	369.4	22.3	55.0	22.7	55.5	38.4	44.5
1979	17.4	167.2	108.8	-21.0	16.6	57.0	45.3	60.2	54.4
1980	183.6	-34.1	34.4	2.3	-10.0	44.0	13.2	-58.1	-32.1
1981	60.4	-55.5	-38.1	-2.3	-4.5	-30.1	-18.8	60.7	12.4
1982	-58.8	1.5	-24.6	-12.7	-56.6	-55.6	-47.4	6.6	-17.1
1983	-38.1	-29.7	-37.7	62.1	9.5	-16.8	-11.6	-22.7	-19.7
1984	-32.9	-.5	-1.3	-20.1	-1.7	33.5	1.3	64.0	44.8

TABLE 4

U S A: TRADE WITH CMEA COUNTRIES
ANNUAL GROWTH RATES IN %

IMPORTS

	BULGARIA	CSSR	GDR	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	.	.	.	.	.	.	.	.	.
1971	.	.	.	.	.	.	.	-20.2	.
1972	.	.	.	.	.	.	.	66.1	.
1973	.	.	.	.	.	.	.	125.1	.
1974	.	.	.	.	.	.	.	62.6	.
1975	.	.	.	.	.	.	.	-27.4	.
1976	.	.	.	.	.	.	.	-13.1	.
1977	-33.3	.8	21.7	-5.5	3.3	17.4	5.7	6.1	5.8
1978	6.7	58.2	108.9	47.1	33.5	48.6	42.1	130.3	64.7
1979	81.2	-12.4	3.4	64.0	-2.9	-4.9	2.5	61.7	23.7
1980	-29.3	29.6	22.3	-4.3	-2.3	-5.2	-1.9	-48.1	-23.6
1981	37.8	1.8	7.4	19.8	-12.5	79.3	23.8	-23.3	8.8
1982	-16.8	-7.2	13.2	3.0	-41.9	-37.9	-30.4	-34.6	-31.4
1983	-.0	-.5	7.2	18.6	-10.6	47.5	20.4	52.4	27.3
1984	2.1	39.8	157.5	40.5	16.2	74.0	58.6	59.6	58.9

TABLE 5

SHARE OF CMEA IN EXPORTS OF SELECTED OECD COUNTRIES
(IN %)

	1970	1975	1979	1980	1981	1982	1983	1984
FINLAND	15.7	23.9	16.2	19.8	26.4	28.6	27.8	20.8
AUSTRIA	12.9	17.0	13.0	12.0	11.4	11.1	12.0	12.1
FRG */	3.8	7.2	5.1	4.9	4.3	4.3	4.6	4.1
SWEDEN	5.0	6.3	4.3	3.9	3.7	3.0	2.5	2.5
FRANCE	3.6	4.9	4.0	4.0	3.7	2.9	3.5	3.0
SWITZERLAND	4.1	5.7	4.0	3.6	3.2	3.1	3.0	2.9
ITALY	5.3	6.2	3.7	3.5	3.3	3.3	3.7	3.4
JAPAN	2.3	3.9	3.2	2.8	2.6	3.2	2.4	1.8
USA	.8	2.6	3.1	1.7	1.9	1.7	1.4	1.9
DENNMARK	3.4	3.5	2.5	2.4	1.8	1.6	1.5	1.9
UNITED KINGDOM	3.2	2.9	2.3	2.3	2.0	1.5	1.6	1.8
BELGIUM/LUXEMBOURG	1.5	3.0	1.9	2.0	2.0	1.7	2.1	1.8
NORWAY	2.5	3.5	1.8	1.4	1.5	1.2	1.2	.9
NETHERLANDS	1.8	2.3	1.8	1.9	2.0	1.5	1.7	1.3
CANADA	.	1.8	1.7	2.6	2.5	2.8	2.2	2.1
EEC */	.	.	3.6	3.5	3.2	2.9	3.2	2.9
WESTERN EUROPE */	3.9	5.5	4.0	4.0	3.9	3.5	3.7	3.3
OECD TOTAL */	2.9	4.6	3.6	3.4	3.3	3.1	3.1	2.8

*/ WITHOUT INTRA-GERMAN TRADE

TABLE 6

SHARE OF CMEA IN IMPORTS OF SELECTED OECD COUNTRIES
(IN %)

	1970	1975	1979	1980	1981	1982	1983	1984
FINLAND	16.1	20.6	23.1	24.5	26.6	27.5	28.4	26.4
TURKEY	12.9	5.2	12.1	9.8	8.8	4.5	8.4	8.2
AUSTRIA	9.4	10.2	8.8	9.7	11.8	11.1	10.4	11.6
GREECE	5.2	5.2	6.2	5.8	6.7	5.3	5.1	.
ICELAND	10.7	12.3	12.6	11.3	9.3	10.1	11.1	10.8
FRG */	3.7	4.3	5.1	4.6	4.7	5.1	5.1	5.4
SWEDEN	4.7	6.0	6.1	4.8	4.3	5.6	6.6	5.7
FRANCE	2.4	3.1	3.1	3.9	4.1	3.7	3.8	3.7
SWITZERLAND	2.1	2.6	3.9	3.9	4.0	4.0	3.4	3.1
ITALY	5.5	5.0	5.0	5.3	5.2	6.0	6.5	7.2
JAPAN	3.1	2.4	2.0	1.5	1.6	1.4	1.4	1.3
USA	.6	.8	.9	.6	.6	.5	.5	.7
SPAIN	1.4	2.8	2.2	2.2	2.6	2.7	3.0	3.1
PORTUGAL	.	2.2	3.2	2.4	2.8	1.5	1.6	1.3
DENMARK	3.3	5.1	4.7	5.3	3.7	4.3	4.1	4.9
UNITED KINGDOM	4.0	2.8	2.8	2.5	1.6	2.0	2.0	2.2
BELGIUM/LUXEMBOURG	1.6	2.0	1.7	2.2	2.3	3.2	3.1	4.0
NORWAY	2.2	2.6	2.9	2.2	2.6	3.7	3.6	3.6
NETHERLANDS	1.6	2.2	2.7	2.9	3.9	5.1	4.9	4.6
EEC */	.	.	3.8	3.8	3.9	4.3	4.2	4.5
WESTERN EUROPE */	3.7	4.1	4.2	4.3	4.4	4.7	4.8	5.0
OECD TOTAL */	2.8	3.1	3.2	3.1	3.1	3.2	3.2	3.2

*/ WITHOUT INTRA-GERMAN TRADE

TABLE 7

OECD TOTAL: TRADE WITH CMEA COUNTRIES
IN MILL. US $

EXPORTS

	BULGARIA	CSSR	GDR*/	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	328	778	425	624	871	699	3725	2586	6311
1971	323	910	491	739	1035	761	4260	2582	6842
1972	348	993	630	831	1679	990	5471	3912	9384
1973	491	1353	754	1112	3207	1351	8268	5789	14057
1974	847	1742	999	1789	4586	2054	12017	7524	19541
1975	1098	1880	1129	1835	5487	2004	13432	12527	25959
1976	942	2083	1306	1822	5528	2016	13697	13745	27442
1977	903	2086	1195	2322	5054	2338	13898	13544	27442
1978	1109	2337	1491	2994	5614	3028	16574	15601	32175
1979	1236	2764	2400	2986	6065	3783	19234	19197	38431
1980	1603	2964	2482	3291	6490	3905	20735	21548	42283
1981	1883	2342	2504	3222	4367	3201	17519	22030	39549
1982	1543	2148	1712	2875	3227	1704	13209	22629	35838
1983	1562	1943	1971	2587	2891	1302	12256	22578	34834
1984	1445	1894	1806	2518	2948	1397	12008	21895	33903

*/ WITHOUT INTRA-GERMAN TRADE

TABLE 8

OECD TOTAL: TRADE WITH CMEA COUNTRIES
IN MILL. US $

IMPORTS

	BULGARIA	CSSR	GDR*/	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	242	726	410	535	1064	552	3528	2846	6374
1971	248	829	426	576	1210	625	3915	3091	7006
1972	270	950	512	798	1511	796	4838	3499	8337
1973	368	1278	663	1104	2131	1100	6645	5390	12034
1974	415	1536	956	1344	2874	1570	8695	8424	17119
1975	398	1638	1036	1246	3170	1655	9143	8928	18072
1976	489	1699	1078	1441	3607	1976	10290	10871	21160
1977	516	1878	1133	1675	3908	1905	11015	12218	23233
1978	581	2182	1412	1907	4392	2341	12814	13970	26784
1979	920	2757	1637	2543	5115	3253	16227	20042	36268
1980	978	3195	2097	2805	5607	3408	18090	24684	42774
1981	834	2730	2184	2496	3624	3549	15417	24279	39696
1982	798	2673	2361	2262	3330	2583	14007	25419	39426
1983	732	2616	2415	2316	3288	2757	14124	24624	38748
1984	738	2712	2334	2532	3966	3693	15975	25602	41577

*/ WITHOUT INTRA-GERMAN TRADE

TABLE 9

OECD TOTAL: TRADE WITH CMEA COUNTRIES
ANNUAL GROWTH RATES IN %

EXPORTS

	BULGARIA	CSSR	GDR*/	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	24.2	24.4	23.3	45.4	7.8	9.0	19.6	13.7	17.1
1971	-1.4	17.0	15.6	18.4	18.9	8.8	14.4	-.2	8.4
1972	7.6	9.1	28.2	12.5	62.2	30.1	28.4	51.5	37.2
1973	41.0	36.2	19.7	33.8	91.0	36.5	51.1	48.0	49.8
1974	72.7	28.8	32.5	60.8	43.0	52.0	45.3	30.0	39.0
1975	29.5	7.9	13.1	2.6	19.6	-2.4	11.8	66.5	32.8
1976	-14.2	10.8	15.6	-.7	.8	.6	2.0	9.7	5.7
1977	-4.2	.2	-8.5	27.4	-8.6	16.0	1.5	-1.5	-.0
1978	22.9	12.0	24.8	29.0	11.1	29.5	19.3	15.2	17.2
1979	11.4	18.3	60.9	-.3	8.0	24.9	16.0	23.1	19.4
1980	29.7	7.2	3.4	10.2	7.0	3.2	7.8	12.2	10.0
1981	17.5	-21.0	.9	-2.1	-32.7	-18.0	-15.5	2.2	-6.5
1982	-18.1	-8.3	-31.6	-10.8	-26.1	-46.8	-24.6	2.7	-9.4
1983	1.2	-9.5	15.1	-10.0	-10.4	-23.6	-7.2	-.2	-2.8
1984	-7.5	-2.5	-8.4	-2.7	2.0	7.3	-2.0	-3.0	-2.7

*/ WITHOUT INTRA-GERMAN TRADE

TABLE 10

OECD TOTAL: TRADE WITH CMEA COUNTRIES
ANNUAL GROWTH RATES IN %

IMPORTS

	BULGARIA	CSSR	GDR*/	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	21.6	11.1	3.8	15.7	19.3	22.1	15.6	11.3	13.6
1971	2.9	14.2	3.9	7.7	13.7	13.3	11.0	8.6	9.9
1972	8.8	14.7	20.3	38.5	24.9	27.3	23.6	13.2	19.0
1973	36.2	34.5	29.3	38.3	41.0	38.2	37.3	54.1	44.4
1974	12.8	20.2	44.3	21.7	34.8	42.7	30.9	56.3	42.3
1975	-4.1	6.6	8.3	-7.3	10.3	5.4	5.2	6.0	5.6
1976	22.8	3.7	4.0	15.6	13.8	19.4	12.5	21.8	17.1
1977	5.6	10.6	5.2	16.2	8.3	-3.6	7.0	12.4	9.8
1978	12.4	16.2	24.6	13.9	12.4	22.9	16.3	14.3	15.3
1979	58.4	26.5	16.0	33.3	16.5	38.9	26.6	43.5	35.4
1980	6.4	15.8	28.1	10.3	9.6	4.8	11.5	23.2	17.9
1981	-14.7	-14.6	4.1	-11.0	-35.4	4.1	-14.8	-1.6	-7.2
1982	-4.3	-2.1	8.1	-9.4	-8.1	-27.2	-9.1	4.7	-.7
1983	-8.3	-2.1	2.3	2.4	-1.3	6.7	.8	-3.1	-1.7
1984	.8	3.7	-3.4	9.3	20.6	33.9	13.1	4.0	7.3

*/ WITHOUT INTRA-GERMAN TRADE

TABLE 11

OECD-EUROPE: TRADE WITH CMEA COUNTRIES
IN MILL. US $

EXPORTS

	BULGARIA	CSSR	GDR*/	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	289	738	378	577	764	603	3349	2029	5378
1971	298	850	430	696	903	661	3838	1918	5756
1972	323	915	542	788	1409	852	4828	2468	7296
1973	447	1207	676	1050	2588	1150	7120	3573	10693
1974	746	1607	920	1687	3818	1598	10375	5544	15919
1975	1010	1754	1052	1715	4457	1612	11600	8310	19910
1976	843	1870	1135	1711	4438	1570	11568	8160	19729
1977	820	1940	1074	2178	4065	1760	11836	9362	21199
1978	994	2175	1238	2827	4385	2389	14007	10047	24054
1979	1125	2393	1734	2822	4692	3042	15808	11936	27744
1980	1370	2573	1841	3075	5150	2929	16938	14820	31758
1981	1502	2088	2039	3026	3256	2458	14370	14143	28512
1982	1341	1935	1258	2712	2517	1358	11122	13931	25053
1983	1348	1779	1309	2382	2371	993	10181	15759	25940
1984	1314	1735	1341	2362	2433	997	10183	13945	24128

*/ WITHOUT INTRA-GERMAN TRADE

TABLE 12

OECD-EUROPE: TRADE WITH CMEA COUNTRIES
IN MILL. US $

IMPORTS

	BULGARIA	CSSR	GDR*/	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	224	651	354	512	911	528	3181	2282	5463
1971	233	751	396	552	1053	592	3577	2522	6100
1972	251	864	476	762	1306	739	4398	2791	7189
1973	343	1157	624	1056	1865	999	6042	4070	10112
1974	378	1371	881	1216	2467	1339	7652	6622	14274
1975	358	1512	985	1182	2798	1453	8288	7472	15760
1976	442	1572	1038	1358	3156	1701	9267	9422	18690
1977	477	1737	1086	1591	3453	1605	9949	10502	20451
1978	537	2004	1343	1796	3817	1892	11388	11949	23337
1979	852	2567	1556	2372	4535	2769	14650	17156	31807
1980	925	2999	1992	2650	5045	2989	16601	22303	38904
1981	776	2526	2049	2309	3142	2856	13657	21837	35495
1982	741	2487	2255	2078	3026	2158	12745	23476	36220
1983	676	2447	2313	2101	3002	2075	12615	22782	35397
1984	641	2494	2120	2235	3622	2629	13740	23611	37351

*/ WITHOUT INTRA-GERMAN TRADE

TABLE 13

OECD-EUROPE: TRADE WITH CMEA COUNTRIES
ANNUAL GROWTH RATES IN %

EXPORTS

	BULGARIA	CSSR	GDR*/	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	16.7	24.5	23.7	39.4	3.9	2.9	16.2	7.3	12.7
1971	3.3	15.2	13.9	20.5	18.2	9.6	14.6	-5.5	7.0
1972	8.2	7.6	25.9	13.3	56.1	29.0	25.8	28.7	26.8
1973	38.7	32.0	24.8	33.3	83.7	34.9	47.5	44.8	46.6
1974	66.9	33.1	36.1	60.6	47.5	38.9	45.7	55.2	48.9
1975	35.4	9.1	14.4	1.7	16.8	.9	11.8	49.9	25.1
1976	-16.6	6.6	7.9	-.2	-.4	-2.6	-.3	-1.8	-.9
1977	-2.7	3.8	-5.4	27.2	-8.4	12.1	2.3	14.7	7.5
1978	21.3	12.1	15.3	29.8	7.9	35.8	18.3	7.3	13.5
1979	13.2	10.0	40.1	-.2	7.0	27.3	12.9	18.8	15.3
1980	21.8	7.5	6.2	9.0	9.8	-3.7	7.1	24.2	14.5
1981	9.6	-18.8	10.8	-1.6	-36.8	-16.1	-15.2	-4.6	-10.2
1982	-10.7	-7.4	-38.3	-10.4	-22.7	-44.8	-22.6	-1.5	-12.1
1983	.5	-8.1	4.0	-12.2	-5.8	-26.9	-8.5	13.1	3.5
1984	-2.5	-2.4	2.4	-.8	2.6	.4	.0	-11.5	-7.0

*/ WITHOUT INTRA-GERMAN TRADE

TABLE 14

OECD-EUROPE: TRADE WITH CMEA COUNTRIES
ANNUAL GROWTH RATES IN %

IMPORTS

	BULGARIA	CSSR	GDR*/	HUNGARY	POLAND	ROMANIA	EASTERN EUROPE	USSR	CMEA
1970	19.5	10.3	.2	15.2	23.3	24.8	16.2	12.3	14.5
1971	3.9	15.3	11.9	7.8	15.6	12.1	12.5	10.5	11.6
1972	8.0	15.0	20.2	37.9	24.0	24.8	22.9	10.7	17.9
1973	36.3	33.9	31.3	38.6	42.7	35.2	37.4	45.8	40.7
1974	10.3	18.5	41.1	15.2	32.3	34.0	26.6	62.7	41.2
1975	-5.3	10.3	11.8	-2.8	13.4	8.5	8.3	12.8	10.4
1976	23.5	4.0	5.4	14.9	12.8	17.1	11.8	26.1	18.6
1977	8.0	10.5	4.6	17.1	9.4	-5.6	7.4	11.5	9.4
1978	12.4	15.4	23.6	12.9	10.5	17.9	14.5	13.8	14.1
1979	58.8	28.1	15.9	32.1	18.8	46.4	28.6	43.6	36.3
1980	8.5	16.9	28.0	11.7	11.3	8.0	13.3	30.0	22.3
1981	-16.1	-15.8	2.8	-12.9	-37.7	-4.4	-17.7	-2.1	-8.8
1982	-4.5	-1.6	10.0	-10.0	-3.7	-24.4	-6.7	7.5	2.0
1983	-8.7	-1.6	2.6	1.1	-.8	-3.8	-1.0	-3.0	-2.3
1984	-5.2	1.9	-8.3	6.4	20.6	26.7	8.9	3.6	5.5

*/ WITHOUT INTRA-GERMAN TRADE

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