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28 August 1981

DOCUMENT 1-424/81

## Report

drawn up on behalf of the Committee on External Economic Relations

**on relations between the European Community and the East European  
state-trading countries and the CMEA (COMECON)**

**Rapporteur: Mr W. DE CLERCQ**

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By letter of 20 December 1979 the Committee on External Economic Relations requested authorization to draw up a report on the relations between the European Community and the East European state-trading countries and COMECON.

On 20 December 1979 the Committee on External Economic Relations provisionally appointed Mr DE CLERCQ Rapporteur.

By letter of 5 February 1980, the President of the European Parliament authorised the Committee to draw up a report on this matter.

On 18 December 1980 a Motion for a Resolution (Doc. 1-750/80) tabled by Mr Christopher JACKSON in accordance with Rule 25 of the then Rules of Procedure, on détente and trade with Comecon countries, was referred to the Committee.

The Committee considered the draft report at its meetings of 1 October 1980, 28 February 1981, 18 March 1981 and 23 June 1981, when it unanimously adopted the Motion for a Resolution and explanatory statement.

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Present: Sir Fred Catherwood, chairman; Mr van Aerssen, vice-chairman; Mr De Clercq, rapporteur; Mr Almirante, Mr de Courcy Ling (deputising for Sir John Stewart-Clark), Mrs Fourcade, Mr Irmer, Mr Nicalaou, Lord O'Hagan, Mr Pelikan, Mr Prout, (deputising for Sir Fred Warner), Mr Radoux, Mr Rieger, Mr Seeler and Mr Welsh

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A.

The Committee on External Economic Relations hereby submits to the European Parliament the following Motion for a Resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the relations between the European Community and the East European state-trading countries and the CMEA (COMECON)

The European Parliament,

- having regard to its resolution of 17 October 1980 on the follow-up to the Conference on Security and Cooperation in Europe held in Madrid, in which Parliament outlined the major themes and basic principles of relations in the economic sphere between the Community and its Member States and the East European states,
- wishing to contribute to greater cooperation with the East European states in the specific field of economic and trade relations,
- drawing attention once again to the powers conferred on the Community in the field of commercial policy by Article 113 of the EEC Treaty,
- having regard to the Motion for a Resolution tabled by Mr Christopher JACKSON (Doc. 1-750/80),
- having regard to the report of the Committee on External Economic Relations (Doc. 1-424/81),

The present state of relations and agreements between the Community and the individual CMEA countries

1. Wishes to encourage East-West trade for both political and economic reasons and therefore attaches great importance to the strengthening of direct, bilateral relations between the Community countries on the one hand, and the signatory states of the CMEA on the other;
2. Regrets that, for whatever reason, most CMEA countries maintain no diplomatic relations with the EEC, although no less than 113 third countries already do so;
3. Regrets that trade between the Community and the individual CMEA countries is still not regulated by trade agreements despite the offer of negotiations by the Community in 1974;

4. In this connection welcomes the conclusion in 1980 of the agreement with Rumania on an EEC-Rumania Joint Committee and trade in industrial products;
5. Calls on other East European countries to conclude similar agreements with the European Community;
6. Warns against the use of the ambiguous nature of many of the bilateral cooperation agreements between Member States of the Community and individual CMEA countries as a means of circumventing the common commercial policy;
7. Emphasises that in its view the Community is authorised to conclude cooperation agreements directly by virtue of its responsibility for formulating the common commercial policy, which covers in particular export policy (Article 113 of the EEC Treaty);
8. Calls also on the Member States to take account of this in future and to take steps to ensure that the Community is given the instruments necessary to implement such a policy;
9. Also requests that the consultation procedure for cooperation agreements decided on in 1974 should be amended to provide effective Community supervision of these agreements while respecting the powers of the Community and giving the Community a comprehensive basis for a cooperation policy;
10. Stresses that one prerequisite for an active trade policy by the Community is a common credit policy and above all the setting up and progressive development of a Community reinsurance system for export credits, which are normally channelled to market conditions; and points out in this connection that its resolution of 17 October 1980 called for a coordination of credit policies;
11. Calls on the Commission to push ahead with the preliminary work on which it has been engaged for many years but which has hitherto yielded no concrete results, and to submit proposals for guidelines for a common credit policy on which Parliament expects the Council to reach a swift decision;

The situation as regards institutional relations between the EEC and the CMEA

12. Notes that the talks instituted at the initiative of the CMEA countries on an agreement with the Community have failed to produce any concrete results so far and that negotiations are still very laborious;

13. Considers the conclusion of an agreement between the Community and the CMEA to be useful but stresses that differences between the conditions in the various CMEA countries rule out the inclusion of trade provisions in such an agreement, and notes the Community's initiative that a reference to the importance of trade between the CMEA and the Community is included in the preamble to the framework agreement;
14. Is opposed to an agreement with the CMEA being allowed to govern bilateral agreements between the Community and the individual CMEA countries;
15. Supports the Commission in the negotiations it has conducted so far in which it has consistently upheld the aims of the Community;

The specific problems of trade between the EEC and the CMEA countries

16. Notes that its resolution of 17 October 1980 called for the necessary steps to be taken to solve the problems associated with certain obstacles created by the imposition of linked trade agreements and dumping by East European states on Community markets;
17. Compensation arrangements
  - Points to the increasing number of compensation transactions in the last few years between firms in the Community and the CMEA countries;
  - Notes that these practices sometimes have drastic effects on existing or potential EEC industries, threatening existing markets and new employment opportunities;
  - Notes that difficulties arise from the non-convertibility of East European currencies;
  - Calls on the Commission to step up its efforts to find ways of controlling compensation transactions and to submit proposals on means by which the adverse effects of compensation transactions on the Community's economy can be reduced;
  - Requests the Commission to draw up a detailed report for communication to the Council and the European Parliament, on the operation of compensation arrangements, including an opinion as to whether the adaptation of competition rules is desirable;

18. Dumping

- Is disturbed by the increasing cases of dumping by the CMEA countries which mainly affect a number of economically sensitive sectors in the Community as well as end products, and which are also increasingly impeding the transport and services sectors;
- Hopes that the Community will further improve and, in particular, will harmonise the present lists of liberalised products as a replacement for the still existing bilateral import quotas and that this policy will be accompanied by negotiations with the state-trading countries on voluntary restraint agreements for sensitive products;
- Again urges the Community authorities to act consistently and effectively in the transport sector to prevent dumping by the CMEA countries;
- Wishes the Commission to publish its findings on the operation of the system introduced in 1978 for monitoring the activities of the merchant fleets of third countries and calls on the Commission to inform Parliament of its new plans in this respect in good time;
- Urges that an effective price clause be made a regular feature of any future cooperation agreements;

19. The East-West German trade

- Recalls that intra-German trade is covered by a special protocol to the Treaty of Rome;
- Requests the Commission to publish, on a regular basis, statistics under a special heading in Euro-Stat concerning intra-German trade;

20. Trade in agricultural products

- Asks the Commission to look into the possibility of expanding agricultural exports from the Community to CMEA countries without granting special preferences and without disadvantage for the Common Agricultural Policy;

21. The trade embargo

- Asks the Community authorities to give an exposition of the principles and effectiveness of the trade embargo as an instrument of Community trade policy, with particular regard to its possible application to the CMEA countries;



- Instructs its appropriate parliamentary committees to draw up an own-initiative report on the question of the COCOM arrangements;

22. The burden of debts

- Points to the growing indebtedness of the East European countries towards the industrialised countries and especially to the problem of the debt repayment ratios of some of these countries;
- Believes that, with a view to creating a Community credit policy, the Community must keep a close eye on this indebtedness and that concerted international efforts are necessary to solve the problem;

The energy crisis and the CMEA countries

23. - Notes that by virtue of its large energy and raw material resources the Soviet Union has been able to strengthen its trade position within the CMEA and vis-à-vis the Western countries;
- Expects that the energy crisis is likely to have adverse repercussions on EEC relations with the CMEA countries, since only by increasing exports and simultaneously reducing imports will the latter be able to achieve the foreign exchange surplus necessary to finance their energy requirements;
  - Calls for closer cooperation on energy between the Community and the individual CMEA countries in order to reduce unilateral dependence;
  - Points out that in its resolution of 17 October 1980 it reaffirmed a considerable interest in the development of cooperation and in the study of suitable projects, particularly in the energy field, and welcomes the preliminary work to this end in the ECE;

24. Observes the slowdown in East-West trade because of the economic and political situation and believes that the conclusion of the framework agreement between the Community and the CMEA and of trade agreements between the Community and individual CMEA countries will contribute to the reduction of obstacles in East-West trade and to its further development;

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25. Instructs its President to forward this resolution and the attached report to the Governments of the Member States and the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. Introduction

1. Problems connected with relations between the EEC and COMECON are important not only because relations with a large number of neighbouring countries are involved, but also because very little progress has been made so far in developing these relations, which have undergone considerable changes in recent years.

Various features of trade relations with the Eastern European countries differ radically from the EEC's traditional patterns of trade with other third countries. They have a different economic system, their external trade is determined by state machinery, and they are grouped together in an organization - COMECON - which does not have the same powers as the EEC: this means that East-West trade and organized relations between the two parties demonstrate some distinctive characteristics, with specific problems and practices, which sometimes give rise to polemic statements questioning the point of this trade. Although it is often claimed that East-West trade offers more concrete advantages for the Eastern European states than for the EEC, it should be stated from the outset that - as long as certain well-defined principles are observed - the EEC has little or no cause to oppose further harmonious development of its trade relations with the Eastern European countries. This problem is dealt with in greater detail in Chapter V of this report.

In this connection your rapporteur wishes to draw the attention of the Commission and the Council to the importance which the European Parliament attaches to being consulted whenever the Community is conducting negotiations with third countries. As the Community is currently engaged in negotiations with COMECON, it is essential to emphasize Parliament's desire to have a say in the decision-making process and in the Commission's policy in these negotiations.

2. It should be made clear from the start which countries belong to COMECON. They are the USSR, the German Democratic Republic (GDR), Poland, Vietnam, Czechoslovakia, Hungary, Romania, Bulgaria, the Mongolian People's Republic and Cuba. Albania is a passive member, Yugoslavia takes part in certain areas of COMECON's work and Angola, Ethiopia, North Korea and Laos have observer status. When we talk in this report of relations with certain state-trading countries, we are referring only to the Eastern bloc members of COMECON and not, for instance, to certain Asian COMECON countries. Trade with Mongolia, Vietnam and North Korea is not substantial and is therefore

of minor importance<sup>1</sup>.

3. There are many complex facets to East-West economic relations. As far as relations between the European Community and the above-mentioned Eastern bloc countries are concerned, your rapporteur will concentrate primarily on three aspects: first, agreements with individual state-trading countries; second, the possible conclusion of an agreement with COMECON as a whole and, third, the problem of certain practices of East European firms and states and their repercussions on trade relations.

Each of these aspects will be dealt with in turn, with a description of the present situation and a look at possible future developments.

## II. The state of relations and agreements between the EEC and the Eastern European state-trading countries

4. Since 1969, the end of the transitional period, the EEC alone has been empowered to pursue an autonomous trade policy. The period was extended in the case of its relations with state-trading countries, but since 1975 it has been forbidden for Community Member States to conclude individual trade agreements with these countries<sup>2</sup>.

When the earlier, individual agreements expired in 1974, the Community made it clear to the COMECON countries that it was prepared to negotiate trade agreements to replace the old ones. While waiting for the COMECON parties to take up this offer of negotiations, and in order to fill the vacuum thus created, the Community took the following measures: an autonomous import system was created<sup>3</sup>, a general outline agreement (together with a proposal on textiles) was drawn up and a joint consultation procedure for the cooperation agreements between individual EEC Member States and member states of COMECON was set up.

5. Cooperation agreements, which provide for technical, scientific, economic or industrial cooperation, are still a thorny problem. In some cases, these agreements are in the form of declarations of intent in

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<sup>1</sup> China (not a member of COMECON), on the other hand, has been the first state-trading country after Yugoslavia but before Romania to conclude a trade agreement with the Community (on the pattern of EEC agreements) on which the Committee on External Economic Relations has already published a report

<sup>2</sup> From 1 January 1973 all Member States of the Community were forbidden to negotiate or sign a bilateral trade agreement with an Eastern bloc country; most bilateral trade agreements expired on 31 December 1974.

<sup>3</sup> This autonomous import scheme is simply a Community list of import quotas. By 30 November each year the Council of the European Communities must decide on the changes to be made to the scheme for the following year.

which the parties concerned list the sectors in which they wish to promote cooperation.

These texts usually contain a description of the administrative methods to be used to implement the cooperation envisaged. Proposals for specific cooperation projects are set out in annexes to the agreement or contained in separate protocols. Larger countries, whose objectives in cooperating with Eastern Europe are not purely economic, sometimes incorporate specific cooperation projects in their cooperation agreements to help boost the prestige of certain sectors of their national economy.

In addition, these agreements create a framework within which undertakings and industrialists and businessmen are able to increase direct contacts and seek various practical forms of cooperation. One major problem is that, owing to the often ambiguous nature of these agreements - the distinction between a trade agreement and a cooperation agreement is difficult to draw - the Member States of the European Community circumvent Community powers and even fail to comply with the consultation procedure<sup>1</sup>.

6. It is the task of the European Parliament to urge the Commission to pursue a consistent policy and - as is the case with other third countries - itself institute Community cooperation agreements or change the consultation procedure set up by the decision of 22 July 1974 so as to make it a suitable means of obtaining all the necessary information for the implementation of a truly common policy in the field of cooperation. Cooperation agreements do constitute an important framework within which individual contacts between undertakings can be facilitated, although their importance should not be over-estimated, since they form the basis of only 10% of our relations with Eastern bloc countries<sup>2</sup>.

7. An encouraging feature is the number of sectoral agreements concluded since 1975 between the European Community and individual COMECON countries, particularly on steel and textiles.

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<sup>1</sup> On this point see Written Questions Nos. 939/79 by Mr Martinet and 486/80 by the rapporteur. The Commission points out in its answers that the main difference between a trade and a cooperation agreement is that, while the aim of the latter is generally to develop economic relations between the parties concerned, it contains no specific provisions on trade. The Commission acknowledges, however, that this distinction is a subtle one and fully shares the rapporteur's concern on this point.

<sup>2</sup> Based on statistics by the United Nations Economic Commission for Europe.

For example, in 1978 the European Community concluded bilateral agreements for steel products with Czechoslovakia and Hungary (which allowed market penetration by these countries of up to 90% of Czech or Hungarian steel sales; under these agreements these countries undertook not to sell their steel below a given EEC price). Steel agreements along the same lines also exist with Bulgaria, Romania and Poland. The first textile agreement to come into force was with Romania in November 1976 (renewed in 1977), then with Hungary, Poland and Bulgaria. However, these countries made reservations concerning the EEC territory to which the agreement was applicable.<sup>1</sup>

Talks were also held between the European Community and East Germany, Poland and the USSR on fisheries.

8. An agreement of exceptional importance is the first, and so far only, trade agreement, namely between the EEC and Romania on trade in industrial products, which was initialled this year. Under this agreement there will be no tariff concessions for imports of Romanian products into the Community, but import restrictions are to be abolished or suspended according to the product concerned - this applies particularly to a number of Romanian products such as chemicals, fertilizers, glass and ceramics. For its part Romania has undertaken to increase and diversify its purchases of Community products. It is hoped that other Eastern bloc countries will follow the example of the only COMECON member to have accepted the Community's invitation to conclude a bilateral trade agreement.

This is not inconceivable, in view of the significant change that has come about in the attitude of the Socialist countries towards the Community. Whereas in the 1960s they tended to be antagonistic towards the EEC, in the 1970s their attitude changed, perhaps as a result of the famous speech by Leonid Brezhnev in 1972 in which he stated that he recognized 'the realities in Western Europe'. This speech left the way free for a number of COMECON countries and, soon afterwards, negotiations were started, leading to the results mentioned above. The fact that the first trade agreement has been concluded at a time when negotiations with COMECON are at a standstill is an indication that we may expect further approaches by individual countries.

<sup>1</sup> Any agreement concluded by the Community with third countries refers to the territories to which the Treaty of Rome applies (Article 227 of the EEC Treaty), which include West Berlin, on the basis of a declaration by the Government of the Federal Republic of Germany in annex to the Treaty. This de facto situation is considered unacceptable by the Socialist countries, which refuse to recognize Berlin as part of the Federal Republic of Germany.

9. Lastly, in addition to its power to conclude trade agreements, the European Community must also back this up with an effective autonomous credit policy.

The wide range of goods offered by Western industrialized countries, and the combination of unsatisfied demand and the continuing shortage of foreign exchange in the COMECON countries, create conditions of competition in which the granting of credits plays a dominant role.

It is a regrettable fact that a veritable 'credit race' is taking place, not only between the Member States of the European Community but also between the latter and other Western industrialized nations. Selective State intervention to subsidize national export industries has led to considerable differences in the terms of financing, and this seriously distorts competition on export markets.

Although the Court of Justice of the European Communities has expressly stated that 'export credits' fall within the autonomous powers of the European Community, they still tend to be run on a national basis. Community harmonization in the field of export credits, particularly vis-à-vis COMECON countries, is making slow progress and it has so far proved impossible to coordinate the various national procedures and policies on the granting of credit.

A positive feature, however, is that the Commission and the Member States have actively collaborated to reach the 'OECD Consensus' on minimum interest rates and the maximum duration of export credits.

This 'consensus' was first signed in June 1976 and renewed in February 1978 for an indefinite period subject to annual review.

All the member countries of OECD are party to it except Iceland and Turkey.

In the case of the EEC the consensus was ratified by a Council decision of 14 March 1977.

In May 1980 the interest rates were increased slightly (+ 0.75% for the East European countries). However, in order to pursue a truly common commercial policy, the Community must first develop a common credit policy.

After all, the granting of credit is a means of influencing trade flows and therefore the volume of credit and the conditions under which it is granted must be determined at Community level.

This problem is however too complex to be dealt with in this study.

### III. The state of institutional relations between the EEC and COMECON

10. It should be stressed that the initiative to negotiate an agreement came from COMECON itself. At the same time, it should not be forgotten that, as institutions, the EEC and COMECON are very different in character. The degree of integration and the powers of COMECON, for instance, cannot be compared with those of the Community; the EEC has exclusive powers to pursue a common commercial policy, whereas COMECON has no such powers. Admittedly, COMECON as an institution may conclude agreements but it has no legal powers whatsoever to impose the implementation of such an agreement on its members. Naturally, this situation creates serious problems. Moreover, COMECON has still not officially recognized the EEC - despite the current negotiations - though it did finally agree to negotiate with the Commission of the European Communities (not with the Council).

11. For these reasons the Commission proposed that the projected agreement should contain a detailed preamble in which both parties express their desire to develop trade relations and agree that each individual COMECON country will conclude a bilateral agreement with the Community for the purpose of implementing the agreement. This is one of the crucial points which COMECON is still refusing to accept.

12. What stage has been reached in these negotiations? From the very outset the Commission and COMECON have differed as to the form an agreement should take and each side has rejected more or less explicitly the proposals put forward by the other. The Community did make an attempt to reach a compromise on a number of points, but the overwhelming impression is that COMECON is simply looking for new ways to formulate old proposals. In its most recent proposals it has revived its previous demands with regard to the 'most-favoured nation clause', 'credit facilities' and 'non-discrimination', even in the agricultural sector!

Although the Community must be deemed in a position to compromise on certain points, COMECON is clearly quite unable to do so.

Consequently, no agreement has yet been reached and it is still impossible to predict when this will happen. The view recently expressed by the Commission Vice-President Mr HAFERKAMP that consultations at political level should be suspended until COMECON adopts a more reasonable attitude suggests that there is a persistent state of incomprehension on the COMECON side.

A detailed account of negotiations between the EEC and COMECON from the beginning to the present day, is given in Annex I.

#### IV. Specific problems of trade between the EEC and the COMECON countries

13. For Western European industries, trading with Eastern Europe is fraught with major problems.

In virtually all East European countries the market situation is totally different from that in our Community, with its free market economy. Market transparency is restricted to a minimum and the state undertakings or special commercial agencies through which negotiations are conducted are bound by the strict rules of the planned economy. At the same time the East European countries do not always wish to trade in their most competitive products but frequently in products for which they have an export capacity but for which there is little demand in the West (for instance, sensitive products, products in surplus in Europe, poor quality products and so on).

In addition, most of these countries are having to contend with a serious shortage of hard currency, and in view of the deficit in their balance of trade with the West they are very anxious to step up their exports while at the same time adopting a fairly protectionist attitude towards certain of our products.

14. Hence, the great difficulty for these state-trading countries is to increase their exports to the EEC to the same extent as their imports from Western Europe.

However, since East European state undertakings are often not in a position to compete with West European firms as regards selling their products on EEC Member States' markets, they tend to resort to practices which give them technical and financial advantages at the expense of the Community's industries, markets and employment; a typical example is the use of 'compensation agreements' (barter deals, reciprocal purchasing arrangements, buy-back deals). The deeper the recession in the West the greater the demand for countertransactions in the centrally planned economies, because of the loss of markets in the West, the lack of foreign exchange and the inability to switch the manufacturing industry's production at short notice to exportable items.

It would therefore be useful to give a brief summary at this point of the various compensation arrangements.

##### a. Compensation arrangements

15. Barter transactions, i.e. transactions in which goods are exchanged for goods, have always formed the basis for foreign trade relations within COMECON. This is a result of the planned economy system used in the



Eastern bloc countries, which involves mutual commitments to supply and accept goods, and of the non-convertibility of East European currencies.

16. In recent years such transactions have played an increasingly important role in COMECON's foreign trade with the West. The main reasons for this development are to be found in the disequilibrium of the Eastern bloc countries' trade balances, which need to be stabilized by drastically reducing imports and considerably increasing exports.

The following reasons are advanced to account for this increase in compensation transactions:

- (1) Owing to its high external debt and chronic shortage of foreign exchange, Eastern Europe is obliged to pay for its imports in kind;
- (2) These transactions make up for Eastern Europe's lack of a commercial policy and strategy.

The poor sales organizations of East European countries and the low quality of goods on offer means they cannot be sold through the normal channels on Western markets;

- (3) The financing of imports not provided for in the plan. Since no foreign exchange has been budgeted for these imports, the likelihood of selling them is very small. The same applies to goods to which the state authorities have attached a low priority (consumer goods, certain industrial goods).
- (4) The desire to establish firm links with Western undertakings with a view to the regular importation of advanced technologies. If, for instance, a Western exporter knows that he will have to buy back a proportion of the goods manufactured in the factory he is building in the Eastern bloc, then he has every interest in allowing his East European partners to enjoy the benefits of the latest technological developments and he will be more attentive to the quality of the goods produced.

17. 'Compensation arrangements' is a general term covering a variety of different transactions ranging from the simple exchange of goods for goods to fully-fledged industrial cooperation.

A distinction is normally made between the following types of transaction:

- barter trade is compensation based purely on an exchange of goods without money being involved.

- a compensation transaction is one in which a West European supplier agrees to accept part or full payment in merchandise. In compensation transactions the commitments to buy and to sell are regulated in a single contract, which makes the implementation of such transactions very complicated and time-consuming.

Full compensation is similar to barter trading, although the West European and East European deliveries are paid for in cash - independently of each other - and the Western exporter has the possibility of transferring his obligation to buy to a third party.

In the case of partial compensation the Western exporter receives a percentage of his payment in cash and the rest in East European goods.

The disadvantage of partial compensation is that the Western exporter receives prompt payment for only a percentage of his supplies. He does not receive the remainder until a purchaser for the East European goods has been found and has made his payment. At the moment about 10 to 15% of all countertrade takes the form of compensation transactions.

- reciprocal purchasing arrangements constitute the most common form of countertrade. Under this arrangement the Western exporter undertakes to buy East European goods equal to the value of a given percentage of his supplies. The main difference between this system and compensation is that two separate contracts are concluded: one for the Western exporter's sale and one for his commitment to buy, each containing a reference to the other contract. Unlike compensation transactions, the exporter receives payment immediately after delivery is made and has time to look around for suitable goods and to fulfil his commitment to buy. The Western buyer must then make payment for the reciprocal purchases direct to the East European vendor.

- In the latter two cases it is customary that the Western exporter is allowed to choose from a list of goods. The longer the list, the greater the likelihood of finding a product that can be sold relatively easily on Western markets. Even though the list may be long, there is not, however, complete freedom to choose which goods to take in compensation, because the compensation goods on the list are subdivided into product categories and a proportion of the goods must be taken from each one.

- Product payback arrangements, also known as buy-back deals or industrial compensation: this type of transaction is gaining ground more rapidly than any other system. Under this procedure Western factories or industrial plant are purchased and paid for with products manufactured by the new plant (agreements of this kind are common, for instance, in the chemicals sector).

Under this arrangement the West European supplier accepts part-payment in goods manufactured with the plant supplied and with Western technology and know-how. Payments made in this way may amount to as much as 100% of the value of the goods supplied from Western Europe. Until recently product payback arrangements usually covered between 20 and 30% of the overall payment, but this has risen in the last few years; there have even been cases where the Western exporter has had to sign long-term contracts to take goods for up to 200% of the value of the goods he originally supplied.

- certain forms of industrial cooperation are sometimes included under the general heading of compensation transactions: these may range from the transfer of licences to collaboration in joint undertakings.
- lastly, there is the 'switch' or financial compensation. There are usually three or more countries involved in each switch transaction, one generally being an industrialized country, one an East European country and one a developing country. Between two of them, generally the East European country and the developing country, there will be a clearing agreement whereby the East European country can use its debt claim on the developing country as payment for a purchase in the industrialized country.

In other words the socialist country's balance-of-payment surplus with a developing country is used as a means of payment to finance that same country's structural balance-of-payment deficit with an industrialized country.

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18. Generally speaking, where compensation transactions involve complementary products, they do little harm to our economy; on the other hand, when they involve products which compete with Community products, these compensation deals can do serious damage to established or envisaged Community industries. They threaten existing markets or prevent the creation of new jobs. The European Community must take steps to avoid this happening, since these practices are very heavily and one-sidedly to the advantage of East European industries, in the following ways:

- (1) their industry is being built up on extensive Western credit (at subsidized interest rates);
- (2) the transfer of technology enables them to establish their own (competitive) industries;
- (3) these practices allow them access to markets which, without buy-back deals, would be closed to them.

19. However, to put all these negative aspects into some kind of perspective, it should be pointed out that countertrade does seem to fulfil a worthwhile function in East-West trade, particularly as a source of foreign exchange (for the East) and as a means of creating markets (for the West).

Countertrade can be advantageous to both sides: examples of this are the transactions between the Soviet Union and certain EEC countries whereby the former receives natural-gas pipelines and supplies, in return, raw materials which the Community lacks.

Eastern bloc markets present a challenge and potential advantages to our exporters precisely because of the saturation of our and other markets.

The only reasonable attitude, therefore, is to accept compensation transactions only under the most favourable conditions possible and to oppose them whenever they are detrimental to the interests of our consumers, producers or industries.

20. As there is no common trade policy in this sector either, the Commission must be asked what it is in fact doing to enforce the powers it enjoys vis-à-vis the Member States of the Community and to ensure that practices described above do not adversely affect the Community.

This means in practice that the Commission must be urged to draw up a Code of practice for compensation arrangements with specific and strict norms, which will give it the power - as in the case of the European provisions on competition - to impose sanctions on practices that disturb the market. At the same time it must intensify its surveillance by setting up a special service to investigate all compensation agreements, whose notification will be compulsory.

b. Dumping by the COMECON countries in the goods and transport sectors of the Community

21. Dumping by Eastern bloc countries is mainly concentrated in two sectors:

- (1) Dumping in the textile, steel and finished products sectors;
- (2) Dumping in the maritime transport and other sectors (maritime dumping).

22. Serious disturbances are caused on the European market by various COMECON countries disposing of their textiles and steel products below cost.

For these sensitive products the European Community should conclude voluntary restraint agreements, with the COMECON countries so that products from these countries to the Community are exported at prices which do not cause market disturbances.

In other sectors too, there are signs of an increase in the dumping of finished products of all kinds. The appended list speaks for itself and underlines the seriousness of the problem.

Dumping of finished products by the Eastern bloc is quite common, but in many cases complaints come to nothing either because dumping is difficult to prove or because the Eastern bloc countries themselves voluntarily cut back their sales of these products or put up prices.

Cases of dumping are generally characterized by the following features:

1. Normally the products involved are simple to manufacture, using technologies that are already well established in the West.
2. The products are often manufactured in the West in relatively uncompetitive conditions, by Western undertakings which are less modern than the more recent East European production centres.
3. Dumping complaints are normally made when the products from the Eastern bloc have already acquired a large market share to the detriment of domestic producers in the West.

Generally speaking, domestic producers do not react until they feel the adverse effects of dumping; complaints are seldom made before this stage, even when the prices of Eastern bloc products are very low (for example, LADA cars from the USSR).

Once the anti-dumping complaint has been made, it is difficult to come up with concrete evidence. Internal wholesale prices are a state secret and are not published in any of the Eastern bloc countries.

At the same time, the complicated pricing system (differences between internal and external prices) make the investigation procedure more difficult. Similarly, compensation arrangements are in fact a form of concealed dumping, where products are sold at reduced prices by representatives or firms specialized in countertransactions.

In many cases, in order to prove that products are being sold below their normal value, raw material prices and cost prices have to be estimated.<sup>1</sup>

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<sup>1</sup> Example: In the action brought by the Federation of British Printers against suppliers of Christmas cards imported from the USSR (1978) it was found that the Russian price represented less than half of the wages and material costs, quite apart from manufacturing costs and overheads.

In most cases of dumping, Community action is made more difficult by the continued existence of differences in national regulations. The Commission must therefore be urged once again to continue to harmonize the existing liberalization lists (replacing the present system of bilateral import quotas) and to adapt them to current requirements.

### 23. Dumping on the Community's transport markets.

The procedure adopted by the COMECON countries in the fields of sea transport, inland waterway transport and road transport in the Community is roughly as follows<sup>1</sup>:

- Enterprises from the COMECON countries collaborate with Western shipping and transport undertakings or establish their own branch offices in the Community. (Western undertakings are not allowed to do this in COMECON countries.)
- Western importers and exporters are increasingly required to effect corresponding transactions through East European transport undertakings.
- Freight rates in the Member States of the European Community are undercut by up to 50%, with the result that such dumping practices are threatening the existence of increasing numbers of Western undertakings.

'Maritime' dumping in particular is steadily increasing in these markets, with ships from COMECON countries accounting for 35% of sea traffic in the North Atlantic.

Two factors explain this increase in transport by East European - mainly Soviet - fleets :

- (1) The USSR stipulates in trade contracts concluded with Western partners that the goods must be transported in its own ships.
- (2) The Russian merchant fleet is playing an increasingly important role in transport in the North Atlantic, along the West African coast and in the Indian Ocean.

Its freight rates are considerably lower (from 15-20 to 40%) than the normal average Western rates. These differences are accounted for by the fact that the cost of depreciation and insurance for ships is borne by the State and because their labour costs are kept fairly low.

<sup>1</sup> Schmid Report - Doc. 89/78 - (PE 51.342/fin.) p. 24

24. At the same time, the Community appears to be in a paradoxical situation in which the very countries that are afraid of these dumping practices do not hesitate to offer extremely favourable conditions in contracts for the supply of vessels to the Eastern bloc.<sup>1</sup>

On 19 September 1978 the Council adopted a decision concerning the activities of certain third countries in the field of cargo shipping (78/744/EEC, OJ No. L 258 of 21.9.1978). This Council Decision relates to an information system on certain cargo liner routes. The Committee on External Economic Relations' opinion on this problem is contained in the report drawn up by Mr K. JUNG<sup>2</sup>. The system instituted provides for sanctions in the form of extra harbour dues or quotas if dumping is proved.

The rapporteur has no information about the development and results of the new system. The pronounced silence of the Commission as regards practical results can only mean that the system has proved a failure and is working either unsatisfactorily or not at all. It does seem that the Commission is to submit proposals to the Council in connection with this problem before the end of 1980. The rapporteur is sorry, however, that the Commission feels unable to provide the European Parliament with more information.

c. The 'East-West German Gap'

25. Another problem which urgently needs to be clarified by the Commission is that of 'German internal trade', its precise volume and its impact on intra-Community trade. It is not at all clear at this stage whether the 'East-West German gap' constitutes a serious loophole through which products from Eastern Europe penetrate our market without paying customs duties.

26. The Treaty of Rome makes provision for a special system for trade between East and West Germany, whereby East Germany is not subject, in respect of its trade with West Germany, to Community customs regulations applicable to goods from third countries.<sup>3</sup>

<sup>1</sup> Example: In 1979 France signed a contract with Poland for the supply of four ships, which will be sold to Poland at half their cost price with a state subsidy of FF 450 million. (See Le Monde, 27 January 1979).

<sup>2</sup> Report on the EEC's relations with the COMECON countries in the field of maritime shipping. Doc. 51/79 - 11 April 1979.

<sup>3</sup> See 'Protocol on German internal trade and connected problems'.

Article 1 'Since trade between the German territories subject to the Basic Law for the Federal Republic of Germany and the German territories in which the Basic Law does not apply is part of German internal trade, the application of this Treaty in Germany requires no change in the treatment currently accorded this trade.'

West Germany, which upholds the principle that, though there are two German states, there is only one German nation, does not apply Community rules on trade with third countries to East Germany, which is sometimes known as the 'tenth member of the EEC'. It is estimated that this status is worth \$4,000 million per year to the GDR.

What are the specific advantages of this special status?

- Community customs tariffs are not applied to the GDR.
- East German products escape the quota system in force between COMECON countries and the EEC.
- East German agricultural products (20% of the GDR's total exports) are sold in the Federal Republic at domestic market prices (or at Community intervention prices) and are therefore not subject to the levies which finance the EAGGF.
- Since trade (imports and exports) between the two states is not always in balance, West Germany effectively grants the GDR an interest-free 'swing' credit, which for the period 1979-81 has been estimated at DM 850 million; the Bundesbank and the East German Central Bank conduct their clearing operations in a currency whose exchange rate is equal to that of the West German mark.

27. What are the disadvantages of this system for Community trade?

- The possibility of East German goods being re-exported by West Germany.

Expert opinion is divided on this question. According to some, it is impossible to check on re-export; all 'made in Germany' products are assumed to have been manufactured in West Germany and are therefore considered as a Community product.

According to others, this kind of fraud tends to be the rare exception and involves only agricultural products.

- A second potential drawback is the possibility for third countries (particularly other Eastern bloc countries), to use the German internal trade system to put their goods onto the Community market via East Germany, possibly after minor processing.

In other words, there is a constant risk that countries may circumvent Community provisions and abuse the German internal trade system in order to dispose of their goods on the Community market without paying duties or levies.



28. In order to estimate accurately how much damage the Community is suffering it is important to know the volume of German internal trade. Here too, figures differ somewhat. Most sources, however, put the GDR's trade with the West at 25% of its total trade (42% in 1970; 30% in 1976; 26.5% in 1977). More than one-third of this 25% is with the Federal Republic of Germany.

According to the DIW (German Institute for Economic Research) German internal trade amounts to DM 10,000 million. (By way of comparison: the GDR's trade with the Soviet Union is worth DM 14,000 million and with the other five East European countries DM 16,700 million.) The fact is that trade between the FRG and the GDR is steadily increasing, and the future outlook is good.<sup>1</sup>

29. The flourishing trade between the two Germanies can be attributed to many factors, including the fact that, as the most industrialized of the COMECON countries, the GDR supplies fairly high-quality manufactured products in exchange for its imports from the West, its indebtedness vis-à-vis the West is relatively low and it enjoys very favourable credit terms in West Germany.

According to the Commission of the European Communities, the quantity of East German products imported duty-free into West Germany under the German internal trade system and subsequently re-exported to other Community member states is only small: DM 44 million, out of total imports from East Germany of DM 4,066 million and compared with the total of West Germany's exports to the other EEC Member States of DM 130,566 million.

It should be noted, however, that the above statistics are supplied by West Germany, as there are no Community checks on this area.

30. Some Member States feel that these calculations should not only include East European products that are re-exported - in order to evaluate the effect of German internal trade on Community trade - but should also take account of the loss of profit, since in certain cases Community products could be substituted for East European products imported via West Germany.

Despite the fact that under Articles 2 and 3 of the Protocol each Member State may take appropriate measures to prevent any difficulties arising for it from German internal trade, greater Community surveillance and vigilance is highly desirable if abuses are to be eliminated.

<sup>1</sup> Example: The GDR is highly interested in long-term contracts with large chemical, metallurgical and ceramic undertakings and the glass industry in the Federal Republic of Germany; the latest five-year plan may well herald closer links between the GDR's nationalized industries and the heavy industries along the Rhine and Ruhr.

A positive feature, however, is the fact that the EEC is tending to look upon the GDR more and more as a third country, with all that this implies, not least for the Federal Republic.<sup>1</sup>

d. Questions in connection with trade in agricultural products

31. So far there have been few problems with agricultural products, since products from COMECON countries are treated in the same way as those from other third countries in that the rules of the common agricultural policy are applied in full. In fact, if anything, it is the East European countries that complain about our Common Agricultural Policy, as the fairly protectionistic nature of the CAP is a considerable obstacle to their exports of agricultural products (which, after all, account for an important share of COMECON's exports to the Community) and as they find it hard to accept that products from developing countries should be given preferential treatment. Even so, their dissatisfaction is by no means entirely justified seeing that they also benefit from low-price sales of products when there is a large surplus (for instance, butter sales to the USSR).

There is also the fact that a number of COMECON countries regularly suffer from shortages of certain agricultural products and therefore the Commission should look carefully at ways of making optimum use of East European markets without according the countries concerned special preferences and without adversely affecting the Common Agricultural Policy.

e. The trade embargo problem

32. The embargo problem is not a new one. The embargo policy instrument, COCOM, the prime aim of which is to stop the export of strategic goods to the Soviet Union, dates from 1947.

The Member States of COCOM (Coordination Committee) - which was formally instituted on 1 January 1950 - are the same as those of NATO with the exception of Iceland and Japan. Since its original version the embargo list of goods corresponding to given criteria has often been amended and adjusted.

In recent years, however, there has been some displeasure about the existence of this list. Most of the criticism has been from American industry which has claimed that the COCOM system is very detrimental to the American economy, that the embargo list is inefficient and out-of-date and that the embargo is only too often circumvented by firms from other industrialized countries.

<sup>1</sup> Example: The EEC has decided to consider East German steel products sold in the West as originating from third countries and not as a German internal product as used to be the case. (Financial Times, 31 December 1977).

Although consideration is being given to the abolition of the COCOM system, certain sources believe that this would deal a heavy blow to certain European industries since some major European contracts with the Eastern bloc would never have been concluded without the enforced absence of American competition.

33. From a more general point of view one could question the advisability of an embargo policy at all.

Often an embargo fails to attain its intended goal. Earlier examples show that an embargo directed against a particular country have often encouraged that country to consolidate its potential productivity. It could also be asked whether it might not be more efficient to make the party which is the target of the embargo more, rather than less, dependent since this would also reduce the danger of an open conflict situation.

With regard to the European embargo problem, the EEC Council declared on 15 January 1980, following the Russian invasion of Afghanistan and the consequent American wheat embargo, that the Commission must take the necessary steps to ensure that it was not circumvented by EEC food deliveries to the Soviet Union. Subsequently the Community promised the United States that it would only maintain the conventional current trade relations with the USSR. As the US embargo ought not to be circumvented by EC exports, the Commission should - in the opinion of the rapporteur - tighten up its checks on the destination of products, as it already has done in the case of butter and wheat sales. It should also be noted that the impact of a US embargo is not the same as that of a European embargo since Europe has more dependent trade relations with the Eastern bloc than her Atlantic allies.

Consequently, although agreement may be recorded to the principle of an embargo policy, the European Community should avoid making it so strict that it might harm the Common Agricultural Policy or the European consumer.

f. The problem of Eastern European debts

34. Since the second half of the sixties trade between the EEC and Eastern Europe has progressed satisfactorily and kept pace with the general development of the Common Market's international trade relations. There are however possible changes on the way, partly as a result of the economic situation in the West and partly as a result of the constant growth of the Eastern European countries' debts to the industrialized countries. The net debt of the Socialist countries which was only US \$ 6,000 million in 1971 is put at US \$ 64,600 million for 1979.

The following table shows the growth of the debt positions of the various Eastern European countries with regard to the West.

CURRENCY DEBT OF EASTERN EUROPEAN COUNTRIES<sup>1</sup>

|                                   | 1971  | 1972   | 1973   | 1974   | 1975   | 1976   | 1977   | 1978   | 1979   |
|-----------------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Total</b>                      |       |        |        |        |        |        |        |        |        |
| Gross                             | 8,357 | 11,047 | 14,965 | 22,317 | 36,401 | 47,661 | 56,577 | 68,947 | 77,130 |
| Net                               | 5,987 | 7,518  | 10,570 | 16,175 | 28,898 | 38,869 | 48,244 | 58,303 | 64,660 |
| <b>Bulgaria</b>                   |       |        |        |        |        |        |        |        |        |
| Gross                             | 743   | 1,009  | 1,020  | 1,703  | 2,640  | 3,198  | 3,707  | 4,263  | 4,500  |
| Net                               | 723   | 909    | 997    | 1,360  | 2,257  | 2,756  | 3,169  | 3,710  | 3,730  |
| <b>Czechoslovakia</b>             |       |        |        |        |        |        |        |        |        |
| Gross                             | 485   | 630    | 757    | 1,048  | 1,132  | 1,862  | 2,616  | 3,206  | 4,020  |
| Net                               | 160   | 176    | 273    | 640    | 827    | 1,434  | 2,121  | 2,513  | 3,070  |
| <b>GDR</b>                        |       |        |        |        |        |        |        |        |        |
| Gross                             | 1,408 | 1,554  | 2,136  | 3,136  | 5,188  | 5,856  | 7,145  | 8,894  | 10,140 |
| Net                               | 1,205 | 1,229  | 1,876  | 2,592  | 3,548  | 5,047  | 6,159  | 7,548  | 8,440  |
| <b>Hungary</b>                    |       |        |        |        |        |        |        |        |        |
| Gross                             | 1,091 | 1,392  | 1,442  | 2,129  | 3,135  | 4,049  | 5,655  | 7,473  | 8,020  |
| Net                               | 848   | 1,055  | 1,096  | 1,537  | 2,195  | 2,852  | 4,491  | 6,532  | 7,320  |
| <b>Poland</b>                     |       |        |        |        |        |        |        |        |        |
| Gross                             | 1,138 | 1,564  | 2,796  | 4,643  | 8,014  | 11,483 | 13,967 | 17,844 | 21,100 |
| Net                               | 764   | 1,150  | 2,213  | 4,120  | 7,381  | 10,680 | 13,532 | 16,972 | 20,000 |
| <b>Romania</b>                    |       |        |        |        |        |        |        |        |        |
| Gross                             | 1,227 | 1,249  | 1,611  | 2,693  | 2,924  | 2,903  | 3,605  | 5,228  | 6,950  |
| Net                               | 1,227 | 1,204  | 1,495  | 2,483  | 2,449  | 2,528  | 3,388  | 4,992  | 6,700  |
| <b>USSR</b>                       |       |        |        |        |        |        |        |        |        |
| Gross                             | 1,107 | 2,409  | 3,749  | 5,176  | 10,573 | 14,853 | 15,728 | 17,227 | 17,200 |
| Net                               | 582   | 555    | 1,166  | 1,654  | 7,451  | 10,115 | 11,230 | 11,217 | 10,200 |
| <b>Comecon banks</b> <sup>2</sup> | 478   | 1,240  | 1,454  | 1,789  | 2,790  | 3,457  | 4,154  | 4,319  | 5,200  |

(in \$ million)

<sup>1</sup> Source: 'Estimated Soviet and East European Hard Currency Debt'  
A Research Paper - National Foreign Assessment Center,  
ER 80-10327, June 1980

<sup>2</sup> International Investment Bank  
International Bank for Economic Cooperation  
These are the two banks set up under the auspices of COMECON

Of the credits totalling US \$ 71,900,000, 69% was granted by private Western banks and 31% by public institutions. Calculation of the debt repayment ratio<sup>1</sup> for each of the Eastern European countries concerned gives the following picture:

|                |     |
|----------------|-----|
| USSR           | 18% |
| POLAND         | 92% |
| GDR            | 54% |
| HUNGARY        | 37% |
| ROMANIA        | 22% |
| BULGARIA       | 38% |
| CZECHOSLOVAKIA | 22% |

35. If we bear in mind that according to criteria operated by international banks, a debt repayment ratio of more than 30% is too heavy a burden, we can see that Poland is in an unenviable position. The USSR, Romania and Czechoslovakia can be regarded as normal risks, and Hungary and Bulgaria are somewhat in excess of the generally accepted norms but in the case of the GDR and particularly Poland facilities will most probably have to be granted in the future which perhaps run counter to the 'OECD Consensus'. In 1980 Poland will have to find US \$ 7-8,000 million to discharge its currency debts and this can only be done by refinancing on the basis of market interest rates and no longer on favourable interest terms since this would conflict with the OECD Consensus.

Extension of payment terms is equally impossible since the maximum financing period is 8½ years. In our opinion international concentration will be necessary to find a solution to this problem.

#### V. The importance of East-West trade - some fundamental points

36. In view of the difficulties and problems involved in establishing and maintaining trade relations with Eastern bloc countries, many people may wonder whether these trade relations are in fact useful and desirable, and indeed whether it is worthwhile for the Community to make such efforts to intensify contacts if at the same time it must remain vigilant and fight to prevent practices by Eastern bloc countries that disturb the market.

This may be answered as follows:

Despite the considerable differences between the two economic entities, an agreement between the Community and COMECON and its member states is desirable on both political and economic grounds. From the political viewpoint

<sup>1</sup> The debt repayment ratio is obtained by dividing the currency capital and interest amounts by the figure for currency revenue from export transactions

- and in the context of the Final Act of Helsinki - it is absurd that the EEC should entertain normal trade relations with every country in the world and conclude specific agreements with a large number of them, while at the same time its relations with its nearest neighbours have still to be normalized. From an economic viewpoint it is clear that many trade contacts are continuing to develop and therefore it is time to establish a stable legal basis for these reciprocal economic relations.

37. It can, generally speaking, be said that, whatever form the reciprocal or bilateral trade relations take, East-West trade by its nature offers considerable advantages to both sides.

The facts speak for themselves: four-fifths of East-West trade is based on agreements with European countries and the EEC countries account for around two-thirds of these trade relations between Eastern and Western Europe. In certain industrial sectors the COMECON countries have become the Nine's largest customer; one-fifth of the EEC's sales of metal-working machinery, pipelines and sheet steel go to the COMECON countries<sup>1</sup>. Moreover, the West is turning more and more to the Soviet Union and Eastern Europe for its supplies of natural gas, oil, uranium and other important raw materials.

Even under the highly controversial buy-back deals, West European firms can supply industrial plant to East European countries and in exchange have products manufactured more cheaply than in their own country. In many cases the transfer of technology is considered as the price the West has to pay in order to acquire new markets, which is a great advantage of industrial cooperation for the West. Also, more and more Western concerns are investing in Eastern Europe in the hope that their cooperation with COMECON countries will give them a foothold in the Third World markets from which they have hitherto been excluded. Indeed, tripartite agreements involving an OECD country, a COMECON country and a developing country are becoming more and more frequent.

38. Imports of Western technology and plant have played an important role in the industrial development of the Eastern bloc countries over the past ten years. The growth of East-West trade has enabled them to diversify their imports and exports and thereby gain more freedom of movement vis-à-vis the Soviet Union.

<sup>1</sup> Manufactured and semi-manufactured goods account for more than 90% of Community sales to COMECON, 40% of COMECON's imports from the Community consist of machinery and capital goods. In recent years the share of consumer goods in COMECON's overall imports from the Community has also risen; the main products being agricultural and food products; sales are effected on the basis of long-term contracts

These few advantages underline the importance of East-West economic relations and show that - in spite of the various drawbacks - a reasonable and rational approach towards East-West trade can benefit both sides.

## VI. The oil crisis and the COMECON countries<sup>1</sup>

39. What have been the consequences of the oil crisis for the COMECON countries and its repercussions on East-West relations?

- With the exception of Poland with its coal industry and Romania with its oil and gas reserves, the East European countries look primarily to the Soviet Union for their energy supplies<sup>2</sup>.

As a result, the economic dependence of these countries on the Soviet Union is growing.

And the need to secure the supplies of energy and raw materials which are crucial to their future development will induce COMECON member states to invest more and more in major projects in the Soviet Union and thereby fulfil the USSR's desire for more planning - and, particularly, more energy planning - within the COMECON organization. Because of its abundant oil reserves, the USSR's trading position is steadily improving; for instance it has been able to cut its trade deficit with the industrialized Western nations from \$3,350 million to \$1,130 million. In an effort to boost its revenue from oil exports still further, the USSR has increased its exports while at the same time keeping closely in line with OPEC price increases.

The trading position of the other Eastern bloc countries, on the other hand, has worsened as a result, since they need to pay part of their growing oil bill in foreign currency.

- Furthermore, it is already clear that recourse will have to be made more and more to imports of oil from the Gulf States.

What problems does this create for the East European countries?

First, it makes their need for hard currency all the more acute.

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<sup>1</sup> Sources : - 'De Financieel en Economische Tijd' (Belgian daily newspaper)  
- 'The effects of Energy Development on East European Economic Prospects' by Tony Seaulan. Nato colloquium 1980.

<sup>2</sup> Since 1974 the USSR has been the world's main oil producer and traditionally exports 20 - 29% of its output. Soviet exports of crude oil to Western Europe rose last year by 17%, while those to Eastern Europe rose by only 2%. In spite of this, the lion's share, namely 75.3 million tonnes still went to COMECON countries. 69.2 million tonnes went to Western Europe.

Eastern Europe will therefore try to use as little hard currency as possible and pay instead in kind with machines, factories, chemicals and, in some cases, agricultural products. However, the problem is that it will be difficult for Eastern Europe to find products in which the oil-exporting countries are interested; for they are already exporting their best products to Europe in exchange for essential Western technology and so as to reduce their indebtedness.

40. It is to be expected, therefore, that the COMECON countries will, on the one hand, continue to cut down their imports from the West in order to pay for their expensive oil and, on the other hand, will step up their exports to the West in order to obtain the vital foreign exchange.

Finally, the growing scarcity and rising cost of raw materials bode ill for the economic growth of the East European countries.

41. Because of the need to export, there is little room for investment or for improvement of living standards in Eastern Europe itself.

- In short, the impact of the energy crisis on COMECON countries is such that either:

- they will be obliged to collaborate in joint COMECON projects under the leadership of the Soviet Union; they will try to conclude more compensation agreements with the Soviet Union (on the lines of the Orenburg gas project, and the Khmel'nitsky (Ukraine) nuclear power station), but in this field they will come into competition with non-COMECON countries;

or;

- they will have to obtain more credit - either from the West or from the Soviet Union - to keep up with the rise in prices of raw materials (the Soviet Union has already granted loans to every country in the Eastern bloc);

or;

- they will try - again in competition with Western countries - to export their existing technology and products to the developing countries in exchange for energy supplies.



## VII. Future prospects

42. When looking at the various forms of trade relations between the Community and COMECON and/or its members, we must also consider prospects for the future. Up to now, trade between the Community and state-trading countries has developed satisfactorily and in the 1970s particularly there was a marked expansion in East-West trade<sup>1</sup>. However, a slowing down in East-West trade is now generally expected in what has actually been a record year. In 1979, overall East-West trade was 23% up on 1978. Exports from OECD countries rose by around 17% to \$38,000 million, while imports from Eastern Europe rose by around one-third to \$35,000 million. At the same time, the total indebtedness of COMECON countries vis-à-vis the West reached \$65,000 million at the end of 1979 i.e. an increase of \$6,000 million (or 10.2%) over 1978<sup>2</sup>.

43. Various reasons are advanced to explain this slowing down in East-West trade:

- recent tensions in international politics are thought to have cast a shadow over future trade prospects;
- the depression of 1975 and relative weakening of the European economies have reduced the import capacity of European countries;
- there was a definite decline in economic activity in the East European countries during the second half of the 70s and none of the countries concerned is expected to reach the target of 6.3% growth set in the 1976-80 five-year plans;
- the protectionist attitude of the EEC vis-à-vis all other countries. In 1966 61% of our imports from the Eastern bloc came from three of the ten product categories used to classify international trade; in 1977 the percentage fell to 38.9%. The goods in question are from our traditional manufacturing industries, which have become particularly vulnerable in recent years;
- the privileged relations which the EEC has established with the three new applicant countries, the Mediterranean countries, the ex-EFTA countries and the ACP countries, have had a trade-diverting effect by giving preference to exports from these countries at the expense of the East European countries.

<sup>1</sup> Total exports and imports between industrialized countries and the Eastern bloc rose from \$15,000 million in 1970 to more than \$73,000 million in 1979; the rapid growth in imports of Western capital goods and technology by the COMECON countries was the main driving force behind the rapid expansion of East-West trade.

<sup>2</sup> Two-thirds of the debts of the East European countries are with Western commercial banks and one-third with government and semi-state bodies (Poland is by far the largest debtor in the Eastern bloc with debts of \$18,500 million).

The industrialization of certain Third World countries, which normally concentrate on the manufacture of semi-finished products, and the emergence of 'workshop' countries, where wage levels are four times lower than in the Socialist countries, have had the same effect;

- faced with their worsening trade balance and growing foreign debt, the Socialist countries have taken a series of measures to remedy a situation which was threatening to become critical. In the meantime, however, they have also put a brake on the development of East-West relations;
- finally, a very important factor is the effect of the energy crisis on East-West relations. According to the Austrian Institute for Comparative Economic Studies, in order to pay for their oil the member states of COMECON will have to direct more and more of their exports towards the Soviet Union, which could then prevent Eastern bloc countries from developing their economic relations with the West (Le Monde, 25.4.80).

44. The general outlook is as follows: because of the COMECON countries' growing indebtedness (with the exception of the Soviet Union) their economic policy will be directed towards export-oriented growth over the next few years. This policy will have repercussions on the level of their imports, particularly that of capital goods from the West, and demand will be mainly for goods and technology that can promote economies in raw materials and energy. The future development of COMECON cooperation must therefore be seen against this background.

#### VIII. Conclusions

45. To sum up, the following conclusions may be drawn. Your rapporteur feels that the Commission should be congratulated for the cautious and sensible manner in which it has conducted its negotiations with COMECON. One cannot stress strongly enough that any agreement with state-trading countries, and in particular with COMECON as an organization, must include reciprocity in some form or another. This means that the Community does not intend to grant development aid in whatever form to East European industries or to the Soviet Union. In this respect the Commission's demands in connection with the text of the preamble are crucial to the conclusion of an agreement.

At the same time the Community must never accept that a particular agreement with COMECON as an organization should take precedence over agreements between the Community and the industrialized COMECON countries. Any such solution is unacceptable to us on legal, political and economic grounds.

46. It is not possible legally because COMECON has no supra-national powers - nor, for political reasons, would we wish it to; from the political angle such a course of events would be most undesirable since it would help to strengthen the Soviet Union's grip on the East European countries, and that is not our aim.

47. From an economic viewpoint such a priority may be equally unacceptable, given the considerable differences between the respective structures and the various economic links between the European Community and its individual Member States. Here again we are opposed to the individual COMECON countries becoming too economically dependent on the Soviet Union. Lastly, it should not be forgotten that, in spite of the COMECON-EEC dialogue, some members of COMECON are already standing up for their own economic interests by establishing individual relations with the Community outside the jurisdiction of COMECON.

48. The rapporteur considers that the EEC must give priority to separate trade agreements with individual COMECON trading partners. The main argument in support of this view is that agreements that promote trade itself can and must be concluded with the COMECON countries individually. Bilateral agreements of this kind take account of the intrinsic characteristics and requirements of each country; for, although these contacts are with state-trading countries, there are considerable differences between their respective systems. Our contacts must take account of this and must ultimately satisfy the economic needs of each individual COMECON member, needs which must at the same time be complementary to our own Community requirements. Over the past ten years a number of economic links have been established between East and West which we have no wish to abandon, given that this would entail disadvantages for all concerned. The disadvantages would be considerably greater for the small COMECON and West European countries than for the USSR and the USA. Lastly, it should be stressed that economic policy is the only field in which East European countries enjoy a certain autonomy and are less subject to Soviet influence.

49. This does not mean that the European Community should approach negotiations with COMECON as an organization with any less resolve; in the view of the EP, however, it must give priority to agreements with the individual countries, but in such a way that these relations do not adversely affect our industries and EEC markets. Your rapporteur hopes, therefore, that the Commission will intensify its trade relations with the individual East European countries and will take great care that certain practices referred to above are curbed or stopped completely.

In conclusion:

- the autonomous import policy needs to be supplemented by realistic Community lists of liberalized products;
- a common export policy should be framed which would provide for the promotion of our agricultural exports and an effective common credit policy;
- stricter measures are needed to counteract dumping;
- a proper Community monitoring system must be set up to keep trade between East and West Germany within agreed limits and,
- if possible a code of conduct for 'compensation' agreements should be drawn up.

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#### Sources

- Articles in 'Le Monde', 'De Financieel en Economische Tijd', 'Agence Europe', 'Europa van Morgen', 'Euroforum', the monthly magazine 'Impact'.
- Documentation supplied by DG I of the Commission.
- Previous COMECON reports by Mr E. Klepsch (Doc. 425/74) and Mr H. Schmidt (Doc. 89/78)
- 'Les relations économiques est-ouest' - Marie Lavigne (Presses Universitaires de France - 1979)
- NATO colloquium 1980 : 'Economic reforms in Eastern Europe and prospects for the 1980s'.

## ANNEX I : HISTORY OF EEC-COMECON RELATIONS

- 1957 Publication in the Russian periodical KOMMUNIST of '17 propositions on the Common Market' formulating the ideological bases of Russian opposition to European union.
- 1962 Publication in PRAVDA of the '32 propositions on imperialist integration in Western Europe' containing sharp criticism of the European Communities while at the same time noting that the existence of the EEC does not imply cooperation between the existing economic blocs in Europe.
- 1963 Following a Soviet 'aide-mémoire' on tariff reductions, the Community declares that it desires a normalization of relations.
- 1972, March and December  
Declaration by Mr Brezhnev on the recognition of 'realities' in Europe.
- October 1972  
The meeting of Heads of State and Government of the EEC expresses its readiness to encourage a policy of cooperation with the Eastern European countries.
- July 1973  
COMECON approaches the EEC and declares its desire for closer contacts.
- May 1974  
The Council of the EEC declares that the Community is prepared to negotiate on trade agreements with each of the Eastern European countries, taking account of the realization of the EEC's common commercial policy.
- September 1974  
Mr Fadeyev, Secretary of COMECON, invites President Ortoli to visit Moscow to discuss relations between the two organizations. Mr Ortoli accepts in principle and immediately proposes that preparatory talks should be started at official level.
- November 1974  
Following up the declaration of May 1974 the Commission forwards an outline trade agreement to the Eastern European States.
- 4-6 February 1975  
First talks in Moscow between a delegation from the Commission and a delegation from the COMECON secretariat. Both delegations agree that the talks should be continued.

- 16 February 1976

Mr G. Thorn (President of the Council of Ministers) receives a message from Mr G. Weiss (President of the Executive Committee of COMECON).

COMECON puts forward a proposal for a conclusion of a framework cooperation agreement between the EEC (and Member States) and COMECON (and Member States) known as the Weiss proposal. The bulk of the proposal concerns the commitments to be entered into by the Member States of both organizations as regards mutual trade relations.

- 17 November 1976

The Community (the Council) replies with a letter and a proposal for a draft agreement to Mr Olszewski, President of the Executive Committee of COMECON. This proposal provides for the institution of working relations between the two organizations (the exchange of information on general subjects such as economic prospects, production and consumption, trade statistics, standardization and management of the environment), and for the trade aspects to be regulated by bilateral agreements between the Community and the individual COMECON countries.

The Community expresses its readiness to enter into negotiations immediately.

- 18 April 1977

Mr K. Olszewski (President of the Executive Committee of COMECON) proposes an exchange of views with the President of the Council of Ministers on the form future talks should take.

- 25 July 1977

Mr Simonet, President of the Council of Ministers, accepts the proposal for a meeting and proposes that Mr Haferkamp take charge of negotiations with COMECON.

- 21 September 1977

The proposed meeting is held in Brussels. COMECON's representative is Mr Marinescu, Vice-Premier of Romania and President of the Executive Committee of COMECON.

Both parties agree to enter into negotiations with the aim of concluding an agreement between the two organizations during the first half of 1978.

- March/April 1978

Decision for Mr Haferkamp to have a meeting with Mr Fadeyev.

- 29 and 30 May 1978

Meeting between Mr Haferkamp (Vice-President of the Commission of the European Communities) and Mr Nikolai Fadeyev (Secretary-General of COMECON) in Moscow.

Agreement between the parties on a number of points set out in an annexed memorandum; the eventual agreement to stipulate that each party must respect the practices, objectives and institutional rules of the other party and that each party should negotiate in accordance with its own internal procedure.

- 25 and 28 July 1978

Meeting of experts in Brussels.

The delegation of experts from the Secretariat of COMECON and the individual Member States led by Mr Velkev and the delegation from the Community led by Sir Roy Denman proceed to an exchange of views on the area of application and the provisions of a cooperation agreement.

- 22 and 25 November 1978

Meeting in Brussels between Mr Fadeyev and Mr Haferkamp. In a personal initiative the latter makes a compromise proposal concerning the parties to such an agreement and the provisions relating to trade. His proposal goes as far as the EEC is prepared to go.

Mr Fadeyev promises a reply by February 1979.

- 22 March 1979

Mr Katushev, President of the Executive Committee of COMECON, delivers to the French Embassy a letter addressed to Mr François-Poncet, President of the Council of the EEC, repeating COMECON's proposals. A new meeting is proposed.

- 10 May 1979

Mr Haferkamp replies to this letter.

He accepts the suggestion of another meeting but states that COMECON should first reply to his proposal.

The letter also points out that letters should be addressed to the Commission of the EEC as the body responsible for conducting the negotiations.

- 2 July 1979

Letter from Mr Fadeyev.

Mr Haferkamp's letter ignored; COMECON proposes a new text. The COMECON proposal is virtually identical in content to its earlier proposals.

Invitation to hold the next meeting in Moscow.

- 26 to 28 November 1979

Meeting at political level in Moscow.

- exchange of views on existing draft agreements; the EEC submits a new proposal;
- negotiations not concluded;
- decision that further formulation of a draft shall be carried out by a group of experts in Geneva (February-March 1980);
- need to discuss again a number of fundamental issues at political level;

Points still at issue:

- the EEC unable to accept that commercial problems be covered by an outline agreement; but no objection to including most-favoured nation clause. COMECON has no common commercial policy and therefore no negotiations with COMECON possible on this question: such agreements to be concluded with its member states individually;
- the EEC unable to accept that the agreement cover industrial, technological and scientific cooperation;
- the EEC unable to accept that individual Member States of the Community also be parties to the agreement;
- the EEC opposed to setting up of a joint committee with general powers to discuss aspects of mutual relations.

P.S. The EEC does not reject the most-favoured nation clause as such, but simply opposes the inclusion of this clause in the outline agreement; is prepared, however, to include it in bilateral agreements with the individual members of COMECON.

EEC concessions:

- a reference to the importance of trade between the two parties included in the preamble to its draft agreement;



- both parties to undertake in the agreement to promote and develop mutual trade and no member of COMECON obliged to conduct trade negotiations with the EEC if unwilling to do so;
- the member states of COMECON, as well as COMECON itself, may be parties to the agreement.

- December 1979

'Haferkamp returns satisfied from Moscow'.  
P.S. So far no progress made.

- March 1980

Meeting of experts in Geneva.

- 31 March 1980

Statement by Mr Haferkamp: 'No more top-level contacts between the Community and COMECON'.

- Mr Haferkamp wishes, however, to continue technical contacts between officials (in the hope of this leading to fresh contacts at top level);
- Mr Haferkamp emphasizes, however, the Community's willingness to conclude an agreement with COMECON.

- 16 July 1980

Resumption of EEC-COMECON talks at expert level in Geneva.

Result: the parties return home once again without accomplishing their object: no agreement reached.

- 15 and 17 October 1980

Meeting of experts in Geneva.

Little progress on fundamental differences.

The EEC delegation proposes the organization of a further meeting in January 1981. This meeting to take account of the results of the CSCE meeting in Madrid (November 1980).

Present situation: Totally divergent views held by both parties on the nature of a future agreement.

COMECON wants the agreement to regulate directly trade relations between the two organizations.

The EEC's opposition to this is well known: there can be no question of a trade agreement between the Community and COMECON since:

- the degree of integration and the powers of COMECON bear no comparison with those of the Community, and
- COMECON's powers, particularly as regards trade, are altogether different from those of the European Community.

Moreover, the EEC will not contemplate a Joint Committee set up by COMECON to supervise the implementation of the agreement.

The Community IS prepared to conclude bilateral trade agreements with any member of COMECON (as it already has done, for instance, with Romania). The EEC also requires that the agreement apply to West Berlin and be signed by the Community as such.

COMECON refuses to countenance the above stipulations.

ANNEX II

LIST OF LONG-TERM COOPERATION AGREEMENTS BETWEEN THE EEC MEMBER STATES AND  
THE COMECON COUNTRIES (as at 31.12.1979)

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1. Belgium/Luxembourg Economic Union

|                |   |
|----------------|---|
| Bulgaria       | 26.3.1975   |
| GDR            | 31.8.1974   |
| Hungary        | 20.2.1975 initialled, signed 6.10.1975                                  |
| Poland         | 22.11.1973 and Five-year Agreement from 10.4.1975                       |
| Romania        | 27.5.1976   |
| Czechoslovakia | 10.10.1967 duration unspecified, supplemented by agreement of 10.9.1975 |
| USSR           | 19.11.1974  |
| Vietnam        | 11.10.1977  |
| China          | 26.11.1979  |

2. Federal Republic of Germany

|                |                                      |
|----------------|--------------------------------------|
| Bulgaria       | 14.5.1975                            |
| Hungary        | 11.11.1974                           |
| Poland         | 1.11.1974 and Agreement of 11.6.1976 |
| Romania        | 29.6.1973                            |
| Czechoslovakia | 22.1.1975                            |
| USSR           | 19.5.1973                            |
|                | 30.10.1974 (supplementary agreement) |
| China          | 24.10.1979                           |

3. Denmark

|                |                         |
|----------------|-------------------------|
| Bulgaria       | 22.4.1975               |
| GDR            | 21.2.1974               |
| Hungary        | 14.2.1976               |
| Poland         | 20.11.1974              |
| Romania        | 29.8.1967 and 1.12.1976 |
| Czechoslovakia | 9.11.1970               |
| USSR           | 28.8.1975               |
| Vietnam        | 1.6.1977                |
| China          | 14.9.1979               |

4. France

|          |   |
|----------|---|
| Bulgaria | 13.11.1974 and Five-Year Agreement from 19.3.1975 |
| GDR      | 19.7.1973   |
|          | 11.7.1975 (supplementary agreement)               |
| Hungary  | 9.11.1974   |

|                          |  |
|--------------------------|--|
| Poland                   | 5.10.1972 and Five-Year Agreement from 1975          |
| Romania                  | 28.7.1975  |
| Czechoslovakia           | 23.2.1970  |
|                          | Nov. 1977 (supplementary agreement)                  |
| USSR                     | 27.10.1971   |
|                          | 9.11.1974  |
|                          | 6.12.1974 (supplementary agreement) 10 years         |
|                          | April 1979 (supplementary agreement, not yet signed) |
| Vietnam                  | 27.4.1977  |
| China                    | 4.12.1978  |
| 5. <u>United Kingdom</u> |  |
| Bulgaria                 | 19.5.1974  |
| GDR                      | 18.12.1973   |
| Hungary                  | 21.3.1972 duration unspecified                       |
| Poland                   | 20.3.1973  |
|                          | 16.12.1976 for five years                            |
| Romania                  | 15.6.1972 for five years                             |
| Czechoslovakia           | 8.9.1972 for five years                              |
| USSR                     | 6.5.1974   |
| China                    | 4.3.1979   |
| 6. <u>Italy</u>          |  |
| Bulgaria                 | 27.5.1974 and Five-Year Agreement from 23.6.1975     |
| GDR                      | 18.4.1973  |
| Hungary                  | 25.5.1974  |
| Poland                   | 17.1.1974 (long-term programme)                      |
|                          | 28.10.1975 agreement for 1980-1984                   |
| Romania                  | 22.5.1973  |
| Czechoslovakia           | 30.4.1970 duration unspecified                       |
| USSR                     | 25.7.1974  |
|                          | October 1979 (not yet signed)                        |
| China                    | 23.4.1979  |
| 7. <u>Netherlands</u>    |  |
| Bulgaria                 | 11.12.1974   |
| GDR                      | 12.6.1974  |
| Hungary                  | 18.7.1975  |
| Poland                   | 2.7.1974   |
| Romania                  | 14.5.1975  |
| Czechoslovakia           | 19.11.1975   |
| USSR                     | 15.7.1975  |
| China                    | 11.10.1979 (draft)                                   |

8. Ireland

Poland

13.6.1977 for ten years

USSR

16.12.1976

ANNEX III

IMPORTS INTO EEC MEMBER STATES FROM EASTERN EUROPEAN COUNTRIES AND CHINA<sup>1,2</sup>  
(1978-1979)

(in million EUA)

|                         | 1978   | 1979   | INDEX |
|-------------------------|--------|--------|-------|
| USSR                    | 6,473  | 8,407  | 130   |
| GDR                     | 642    | 718    | 112   |
| POLAND                  | 2,256  | 2,442  | 108   |
| CZECHOSLOVAKIA          | 1,093  | 1,286  | 118   |
| HUNGARY                 | 1,012  | 1,260  | 125   |
| ROMANIA                 | 1,073  | 1,586  | 148   |
| BULGARIA                | 289    | 408    | 141   |
| ALBANIA                 | 23     | 48     | 209   |
| <u>TOTAL</u>            | 12,861 | 16,155 | 126   |
| % of EEC EXTERNAL TRADE | 7.2    | 7.4    |       |
| CHINA                   | 937    | 1,324  | 141   |

<sup>1</sup> Excluding intra-German trade

<sup>2</sup> Source: OECD. Monthly bulletin 3/1979 and telephone communication  
Luxembourg

COMMUNITY IMPORTS FROM EASTERN EUROPEAN COUNTRIES AND CHINA 1979-1980  
(first 6 months)

(in million EUA)

|                         | 1979  | 1980  | INDEX |
|-------------------------|-------|-------|-------|
| USSR                    | 3,327 | 4,730 | 142   |
| GDR                     | 306   | 411   | 134   |
| POLAND                  | 1,102 | 1,444 | 131   |
| CZECHOSLOVAKIA          | 589   | 733   | 124   |
| HUNGARY                 | 571   | 661   | 116   |
| ROMANIA                 | 652   | 817   | 125   |
| BULGARIA                | 178   | 194   | 109   |
| ALBANIA                 | 22    | 26    | 108   |
| <u>TOTAL</u>            | 6,747 | 9,016 | 134   |
| % of EEC EXTERNAL TRADE | 6.7   | 6.6   |       |
| CHINA                   | 568   | 869   | 153   |

Sources: OECD. Monthly bulletin 3/1979 and telephone communication Luxembourg

ANNEX IV

EXPORTS FROM EEC MEMBER STATES TO EASTERN EUROPEAN COUNTRIES AND CHINA<sup>1,2</sup>  
(1978-1979)

(in million EUA)

|                         | 1978   | 1979   | INDEX |
|-------------------------|--------|--------|-------|
| USSR                    | 5,632  | 6,310  | 112   |
| GDR                     | 536    | 745    | 139   |
| POLAND                  | 2,509  | 2,479  | 99    |
| CZECHOSLOVAKIA          | 1,211  | 1,277  | 105   |
| HUNGARY                 | 1,545  | 1,478  | 96    |
| ROMANIA                 | 1,421  | 1,744  | 123   |
| BULGARIA                | 539    | 599    | 111   |
| ALBANIA                 | 32     | 40     | 125   |
| <u>TOTAL</u>            | 13,425 | 14,672 | 109   |
| % of EEC EXTERNAL TRADE | 7.7    | 7.6    |       |
| CHINA                   | 1,489  | 2,101  | 141   |

<sup>1</sup> Excluding intra-German trade

<sup>2</sup> Source: OECD. Monthly bulletin 3/1979 and telephone communication Luxembourg



COMMUNITY EXPORTS TO EASTERN EUROPEAN COUNTRIES AND CHINA 1979-1980  
 (first 6 months)

(in million EUA)

|                         | 1979  | 1980  | INDEX |
|-------------------------|-------|-------|-------|
| USSR                    | 3,049 | 3,753 | 123   |
| GDR                     | 362   | 404   | 112   |
| POLAND                  | 1,206 | 1,478 | 123   |
| CZECHOSLOVAKIA          | 559   | 633   | 113   |
| HUNGARY                 | 749   | 767   | 102   |
| ROMANIA                 | 909   | 875   | 96    |
| BULGARIA                | 273   | 337   | 123   |
| ALBANIA                 | 13    | 22    | 169   |
| <u>TOTAL</u>            | 7,120 | 8,269 | 116   |
| % of EEC EXTERNAL TRADE | 7.7   | 7.6   |       |
| CHINA                   | 1,062 | 809   | 76    |

Sources: OECD. Monthly bulletin 3/1979 and telephone communication Luxembourg

ANNEX V

DEVELOPMENT OF EEC EXTERNAL TRADE WITH THE EASTERN EUROPEAN STATE-TRADING  
COUNTRIES

(in million EUA)

Total volume of EEC external trade with the  
COMECON countries

| Year              | Value  | Percentage growth |
|-------------------|--------|-------------------|
| 1958 <sup>1</sup> | 1,910  | -                 |
| 1960              | 2,771  | + 45              |
| 1963              | 3,490  | + 26              |
| 1966              | 3,814  | + 38              |
| 1967              | 5,537  | + 15              |
| 1968              | 6,010  | + 9               |
| 1969              | 6,755  | + 12              |
| 1970              | 7,590  | + 12              |
| 1971              | 7,988  | + 5               |
| 1972              | 9,409  | + 18              |
| 1973              | 12,413 | + 32              |
| 1974              | 17,991 | + 45              |
| 1975              | 20,196 | + 12              |
| 1976              | 23,854 | + 18              |
| 1977 <sup>2</sup> | 25,527 | + 7               |
| 1978              | 26,286 | + 2.9             |
| 1979              | 30,827 | + 17.2            |

<sup>1</sup> Source: Eurostat, monthly bulletin - external trade - special number 1958-1976, pp. 12 and 13

<sup>2</sup> Source: OECD. Monthly bulletin on external trade

<sup>1,2</sup> Excluding intra-German trade

ANNEX VI (A)BALANCE OF TRADE

between the European Community and the Eastern European countries  
(and China) (1976-1979) (by country)

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|                | 1976  | 1977 | 1978 | 1979   |
|----------------|-------|------|------|--------|
| USSR           | -358  | -347 | -541 | -2,097 |
| GDR            | - 26  | -115 | -106 | 27     |
| POLAND         | 860   | 15   | 253  | 37     |
| CZECHOSLOVAKIA | 249   | 164  | 118  | -9     |
| HUNGARY        | 204   | 333  | 533  | 218    |
| ROMANIA        | 3     | 185  | 349  | 158    |
| BULGARIA       | 318   | 280  | 250  | 191    |
| ALBANIA        | 3     | 10   | 9    | -8     |
| EUROPE TOTAL   | 1,253 | +925 | +565 | -1,483 |
| CHINA          |       |      | +552 | +777   |

Balance of trade between the Community and  
the Eastern European countries and China

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1979-1980 (first 6 months)

in million EUA

|                | 1979  | 1980  |
|----------------|-------|-------|
| USSR           | - 278 | - 977 |
| GDR            | + 56  | - 7   |
| POLAND         | + 104 | + 34  |
| CZECHOSLOVAKIA | - 30  | - 100 |
| HUNGARY        | + 178 | + 106 |
| ROMANIA        | + 257 | + 58  |
| BULGARIA       | + 95  | + 143 |
| ALBANIA        | - 9   | - 4   |
| <u>TOTAL</u>   | + 373 | - 747 |
| CHINA          | + 494 | - 60  |

ANNEX VI (B)

BALANCE OF TRADE BETWEEN THE NINE MEMBER STATES OF THE EUROPEAN  
COMMUNITIES AND THE EASTERN EUROPEAN STATE-TRADING COUNTRIES

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(in million EUA)

|                      | TOTAL <sup>1</sup> |        | TOTAL <sup>2</sup> |        |        |
|----------------------|--------------------|--------|--------------------|--------|--------|
|                      | 1975               | 1976   | 1977               | 1978   | 1979   |
| IMPORTS              | 8,470              | 11,331 | 12,301             | 12,862 | 16,155 |
| EXPORTS              | 11,726             | 12,523 | 13,226             | 13,425 | 14,672 |
| BALANCE              | +3,256             | +1,192 | + 926              | + 563  | -1,483 |
| GOODS TRADE<br>TOTAL | 20,196             | 23,854 | 25,527             | 26,287 | 30,827 |

<sup>1</sup> Source: EUROSTAT, monthly bulletins - external trade - special number 1958-1976, pp. 12 and 13

<sup>2</sup> Source: OECD - monthly bulletin, special number 1958-1978

<sup>1,2</sup> Including Albania and excluding intra-German trade

ANNEX VII

LIST OF RECENT ANTI-DUMPING COMPLAINTS AGAINST EASTERN EUROPEAN COUNTRIES

A. ANTI-DUMPING PROCEDURE

Official Journal No. and date

| Product                          | Exporting country | Officially opened | Imposition of rights     |                           | Closure after 'arrangement' or similar solution | Closure in view of 'other developments' | Closure after official rejection of complaint |
|----------------------------------|-------------------|-------------------|--------------------------|---------------------------|---|---|---|
|                                  |                   |                   | provi-sional             | defini-tive               |   |   |   |
| Galvanised sheeting (hot dipped) | Bulgaria          | C 19<br>24.1.78   |                          |                           |   |   |   |
|                                  | Poland            | C 19<br>24.1.78   | L 19<br>(1/2)<br>24.1.78 |                           |   |   |   |
|                                  | GDR               | C 19<br>24.1.78   | L 50<br>22.2.78          | L 131<br>(2)<br>19.5.78   |   |   |   |
|                                  | Czechoslovakia    | C 19<br>24.1.78   |                          |                           | C 110<br>11.5.78                                |   |   |
| Heavy and medium plate           | Bulgaria          | C 19<br>24.1.78   | L 19<br>24.1.78          | L 108(6)<br>22.4.78       |   |   |   |
|                                  | Hungary           | C 19<br>24.1.78   |                          |                           | C 184<br>2.8.78                                 |   |   |
|                                  | Poland            | C 19<br>24.1.78   | L 39<br>(4/6)<br>9.2.78  | L 195<br>20.7.78          |   |   |   |
|                                  | GDR               | C 19<br>24.1.78   | L 23<br>28.1.78          | L 108(6)<br>22.4.78       |   |   |   |
|                                  | Romania           | C 19<br>24.1.78   | L 23<br>28.1.78          | L 108<br>(5/6)<br>22.4.78 |   |   |   |
|                                  | Czechoslovakia    | C 19<br>24.1.78   | L 19<br>(3/6)<br>24.1.78 | L 195<br>20.7.78          |   |   |   |

(1) Extension OJ No. L 108, 22.4.1978, p. 29, (2) Amendment OJ No. L 183, 5.7.1978, p. 1, (3) Extension OJ No. L 106, 20.4.1978, p. 19, suspension OJ No. L 116, 28.4.1978, p. 20, (4) Extension OJ No. L 120, 4.5.1978, p. 25; OJ No. L 145, 1.6.1978, p. 45, (5) Suspension OJ No. L 155, 9.6.1978, p. 19, (6) Amendment OJ No. L 183, 5.7.1978, p. 1

| Product                     | Exporting country | Officially opened | Imposition of rights     |                        | Closure after 'arrangement' or similar solution | Closure in view of 'other developments' | Closure after official rejection of complaint |
|-----------------------------|-------------------|-------------------|--------------------------|------------------------|---|---|---|
|                             |                   |                   | provisional              | definitive             |   |   |   |
| Thin sheet                  | Czechoslovakia    | C 19<br>24.1.78   | L 19<br>(1/2)<br>24.1.78 |                        |   |   |   |
| Coils                       | Bulgaria          | C 19<br>24.1.78   | L 37<br>7.2.78           | L 120<br>(2)<br>4.5.78 |   |   |   |
|                             | Hungary           | C 19<br>24.1.78   |                          |                        | C 184<br>2.8.78                                 |   |   |
|                             | Poland            | C 19<br>24.1.78   |                          |                        | C 184<br>2.8.78                                 |   |   |
|                             | Czechoslovakia    | C 19<br>24.1.78   | L 17<br>(1/2)<br>21.1.78 |                        |   |   |   |
|                             | USSR              | C 19<br>24.1.78   |                          |                        |   |   |   |
| Wire rods                   | Hungary           | C 19<br>24.1.78   |                          |                        | C 184<br>2.8.78                                 |   |   |
|                             | Poland            | C 19<br>24.1.78   |                          |                        | C 184<br>2.8.78                                 |   |   |
|                             | Czechoslovakia    | C 19<br>24.1.78   | L 19<br>(1/2)<br>24.1.78 |                        |   |   |   |
|                             | Hungary           | C 33<br>9.2.78    |                          |                        | C 184<br>2.8.78                                 |   |   |
| Angles, shapes and sections | Czechoslovakia    | C 33<br>9.2.78    |                          |                        | C 110<br>11.5.78                                |   |   |
|                             | USSR              | C 105<br>3.5.78   |                          |                        | C 174<br>21.7.78                                |   |   |

(1) Extension OJ No. L 106, 20.4.1978; suspension OJ No. L 116, 28.4.1978  
(2) Amendment OJ No. L 183, 5.7.1978

| Product                 | Exporting country   | Officially opened                          | Imposition of rights |                   | Closure after 'arrangement' or similar solution | Closure in view of 'other developments' | Closure after official rejection of complaint |
|-------------------------|---|--|----------------------|-------------------|---|---|---|
|                         |   |  | provi-sional         | defini-tive       |   |   |   |
| Poly-buta-diene-styrene | GDR )<br>Poland )<br>Romania)   | C 196<br>17.8.78                           |                      |                   |   | C 210<br>10.8.79                        |   |
| Electric bulbs          | Hungary )<br>Czechoslovakia )<br>Poland )<br>GDR )                                    | C 211<br>5.9.78                            |                      |                   | L 97<br>15.4.80                                 |   |   |
| Sodium Carbonate        | Bulgaria )<br>GDR )<br>Poland )<br>Romania )<br>USSR                                  | C 277<br>21.11.78<br><br>C 277<br>21.11.78 |                      | L 297<br>24.11.79 | L 48<br>22.2.80                                 | C 303<br>4.12.79                        |   |
| Hardboard               | Czechoslovakia )<br>Poland )<br>Romania )<br>USSR )                                   | C 286<br>30.11.78                          |                      |                   | L 145<br>11.6.80                                |   |   |
| Herbicides              | Romania   | C 311<br>29.12.78                          |                      |                   |   |   |   |
| Gas pipes               | Romania   | C 21<br>24.1.79                            |                      |                   | C 109<br>2.5.79                                 |   |   |
| Electric motors         | Bulgaria )<br>Czechoslovakia )<br>GDR )<br>Romania )<br>Hungary )<br>Poland )<br>USSR | C 103<br>25.4.79<br><br>C 103<br>25.4.79   |                      |                   | L 53<br>27.2.80<br><br>L 53<br>27.2.80          |   |   |
|                         |   |  |                      | L 53<br>27.2.80   |   | L 153<br>21.6.80                        |   |



| Product                                  | Exporting country                             | Officially opened | Imposition of rights |                 | Closure after 'arrangement' or similar solution | Closure in view of 'other developments' | Closure after official rejection of complaint |
|--|---|-------------------|----------------------|-----------------|---|---|---|
|  |   |                   | provisional          | definitive      |   |   |   |
| Tyres                                    | GDR )<br>Romania )<br>Czechoslovakia)         | C 107<br>28.4.79  |                      |                 | L 113<br>1.5.80                                 |   |   |
| Lithium hydroxide                        | USSR  | C 126<br>19.5.79  | L 274<br>31.10.79    | L 23<br>30.1.80 |   |   |   |
| Angles, shapes and sections (iron/steel) | Romania                                       | C 146<br>12.6.79  |                      |                 | L 56<br>29.2.80                                 |   |   |
| Saccharin                                | China   | C 207<br>17.8.79  |                      |                 |   |   |   |
| Mechanical alarm clocks                  | China )<br>GDR )<br>Czechoslovakia)<br>USSR ) | C 212<br>24.8.79  | L 158<br>25.6.80     |                 | L 158<br>25.6.80                                |   |   |
| Ball bearings                            | Poland )<br>Romania )<br>USSR )               | C 235<br>18.9.79  | L 158<br>25.6.80     |                 | L 158<br>25.6.80                                |   |   |
| Mechanical watches                       | USSR  | C 181<br>19.7.80  |                      |                 |   |   |   |

MOTION FOR A RESOLUTION (DOCUMENT 1-750/80)

tabled by Mr Christopher JACKSON

pursuant to Rule 25 of the Rules of Procedure  
on detente and trade with Comecon countries

The European Parliament,

- having regard to recent actions by the Soviet Union and other Comecon countries in relation to human rights and security,
  - recalling the work of the Conference on European Security and Cooperation in Madrid,
  - mindful of the current tensions in Eastern Europe,
1. Requests the Commission, in consultation with Member States, to institute an immediate, thorough review of all trade and terms of trade between the Community and Comecon countries;
  2. Requests that a strategic analysis be made of such trade and terms of trade to ascertain
    - (a) whether products and know-how are being sold to Comecon countries, and in particular to Russia, which might directly or indirectly aid Russian military effort;
    - (b) whether products and know-how are being sold which have a high content of technology not readily available in Comecon countries and which therefore are of particular advantage to those countries;
    - (c) whether products and know-how are being sold to Comecon countries on terms which can bring damage to European industry or commerce through subsequent imports resulting from such sales or terms of sale
    - (d) whether the Community is becoming reliant in any important respect on imports from Comecon countries;

3. Asks that the Commission, in consultation with Member States and coordinating action with the United States and Japan, should propose appropriate action and plans to reduce any European Community reliance on Comecon imports, and to reduce any strategic advantages currently given to Russia and other Comecon countries through Community trade; adjusting this policy periodically according to the state of detente;
4. Instructs its President to forward this resolution to the Commission, the Council of Ministers, the Foreign Ministers acting in political cooperation and the Governments of the United States and Japan.

