



26/79

THE EUROPEAN COMMUNITY AND THE COUNTRIES OF EASTERN EUROPE

CONTENTS

The common trade policy	1
Negotiations in the textiles sector	1
Negotiations in the fisheries sector	2
Negotiations in the steel sector	3
Negotiations in the industrial sector	3
Independent trade policy	3
Other Community activities relating to the countries of Eastern Europe	4
Cooperation agreements	4
Export credits policy	5
Generalized preferences and the countries of Eastern Europe	6
Community-CMEA relations	6
ANNEX	
Trade between the countries of Eastern Europe and the Community	9
Imports into the EEC of the Nine from the countries of Eastern Europe	9
Exports from the EEC of the Nine to the countries of Eastern Europe	10
The trade balance between the EEC of the Nine and the countries of Eastern Europe	10
The structure of trade between the Community and the countries of Eastern Europe	11

THE COMMON TRADE POLICY

Since the end of 1969, the Community, rather than the Member States, has been responsible for the trade policy relating to third countries. In any case, the bilateral agreements could not have remained in force after the end of the transitional period, that is to say, twelve years from the setting up of the EEC.

Since 1 January 1975, all trade negotiations with State-trading countries have had to be carried out by the Community.

For this purpose, the Community Council of Ministers sketched out an agreement in November 1974 setting out the broad outlines of possible trade agreements between the Community and State-trading countries. This outline was sent to all State-trading countries linked to Member States through agreements which were due to expire.

The outline agreement provides for long-term, non-preferential trade agreements based on the principle of reciprocal advantages and commitments. In these agreements, the parties are to express their resolve to establish their commercial relations on such a basis as to create conditions which would encourage their development. The agreements would naturally take account of the specific trading structures with the various countries and would include provisions for constructively solving any trade problems which might exist between these countries and the Community. In order to encourage the fulfilment of these goals, the Community envisages including in these agreements the granting of the most favoured nation clause in the tariff sphere, subject to the usual exceptions. Provisions for the agricultural sector are not ruled out either. As is normal in these agreements, the outline agreement provides for the setting up of a Joint Committee and an appropriate safeguard mechanism.

NEGOTIATIONS IN THE TEXTILES SECTOR

In the context of this negotiation offer, which covers all areas of trade, the Community has made an additional proposal for the textile sector. The arrangement of 20 December 1973 concerning the international textile trade allowed for the possibility of bilateral negotiations between the participants in this arrangement. In the absence of any reaction from the Eastern European countries to the general negotiations offer, the Commission sent a letter on 28 March 1975 to the Eastern European countries which had signed the arrangement (Hungary, Poland and Roumania) including a further invitation to negotiate an agreement on textile products.

Roumania was the first to reply positively to the Community's offer, and a textile agreement was consequently initialled with this country on 16 December 1976.

This was the first sectorial trade agreement which the Community had concluded with an Eastern European country. It involved products covered by the 'Multifibres Arrangement', and also flax. The agreement was valid until 31 December 1977 when the first MFA expired.

According to the Community, the extension of the MFA (1) would be subject to the satisfactory conclusion of bilateral agreements with low-cost supplier countries. In this connection, a further agreement was initialled with Roumania on 16 December 1977. It is valid for five years beginning on 1 January 1978.

Negotiations have also been initialled with Hungary on 30 November 1978, with Poland on 25 January 1979, and applied 'de facto' as of 1 January 1978 and 1 January 1979.

Both agreements expire on 31 December 1982, the one with Hungary extending over a period of 5 years, and with Poland over a period of 4 years.

An agreement with Bulgaria was initialled on 8 April 1979. It went into 'de facto' effect on 1 January of the same year and is valid until 31 December 1982. It is similar to the textile agreements concluded with the other Eastern European countries even though Bulgaria was not a signatory of the 'multifibres arrangement'.

Imports of textile products from the other European State-trading countries are subject to the autonomous arrangements established by the Community.

NEGOTIATIONS IN THE FISHERIES SECTOR

Since countries playing an important role in deep-sea fishing were showing in growing tendency to unilaterally extend their fishing zones up to 200 miles, without waiting for the conclusions of the United Nations Conference on the Law of the Sea, the Member States of the European Community decided in 1976 to take joint action to fix the limits of their fishing zones in the North Sea and the North Atlantic at two hundred miles as from 1 January 1977.

On 12 November 1976, the Community informed the third countries involved (including the Soviet Union, the German Democratic Republic and Poland) of its decision and told them that it was prepared to negotiate fishing agreements with them.

These talks began in February 1977. The Community, on the one hand, and the Soviet Union, the German Democratic Republic and Poland, on the other, aim to conclude a framework agreement intended to set down the rules covering fishing rights in their respective exclusive fishing zones. In the meantime, the Community's autonomous interim measures governing the fishing rights granted to these three countries have been extended several times.

The negotiations were suspended at the end of September 1977. As there are no framework agreements on fishing, vessels from the Eastern European countries have not been allowed into Community waters to fish since 1 December 1977. Nevertheless, the commitments which exist within the framework of ICNAF (the International Convention on North-West Atlantic Fisheries) are being respected.

(1) Arrangement regarding International Trade on Textiles

NEGOTIATIONS IN THE STEEL SECTOR

During its meeting of 19 and 20 December 1977, the Council of Ministers decided to propose that all countries exporting steel to the EEC should conclude bilateral arrangements with the Community to impose price discipline in order to prevent a disruption of the Community market which is based on guide prices and the Community minimum prices. Traditional trade patterns with respect to 1976 would be maintained.

On 12 April 1978, Czechoslovakia became the first Eastern European country to conclude a steel arrangement with the Community. As with other third countries, the Community has granted Czechoslovakia a certain margin of market penetration. Czechoslovak special steels will benefit from a maximum 4% reduction with respect to the delivery prices applied in the Community, in the case of ordinary steels, this penetration margin will be 6%.

Similar arrangements have been concluded on 1 May 1978 with Hungary, 31 May 1978 with Roumania and 17 July 1978 with Poland.

These arrangements were renewed in January 1979.

On 24 January 1979, an arrangement was concluded with Bulgaria. This is the first agreement between this country and the Community.

NEGOTIATIONS IN THE INDUSTRIAL SECTOR

On 6 February 1979, the Council authorized the opening of negotiations between the Community and Roumania in view of concluding an agreement relative to the exchange of industrial products other than iron and steel or textile products and of creating a joint Committee.

The negotiations begun on 27 February, continued through May and July. The two parties share similar viewpoints on the whole as concerns the agreement on the creation of a mixed commission.

The discussions have, on the other hand, focussed on the structure of the industrial agreement and in particular on the provisions concerning the import regulations which the Community would apply to Roumanian products. Despite the complexity of the problems under consideration, work is progressing at a satisfactory pace.

THE AUTONOMOUS COMMERCIAL POLICY

Whilst awaiting the negotiation of trade agreements between the Community and the various State-trading countries in question on 27 March 1976, the Council adopted autonomous import arrangements with respect to these same third countries in order to ensure the continuity of trade with them.

On the one hand, the decision of 27 March 1975 established the quotas and other import facilities to be opened in 1975 by the Member States with respect to the various State-trading countries for the products subject to quantitative restrictions, and on the other hand, it set out the rules and procedures for possible modifications to these afore-mentioned import arrangements.

In December 1979, the Council will decide on quota levels for 1980. The decision on the table provides for an average increase of 5% over 1979 levels, except in the case of certain sensitive products for which smaller increases were allowed.

Although quota measures still play a certain role in trade with the State-trading countries, substantial progress has been made in the liberalization of trade. (Out of the 1012 headings in the new CCT applied since 1 January 1978 (1), the list of liberalized products which the Community has drawn up with respect to these countries presently includes 700 full headings and 104 part headings, on the basis of the 1978 CCT).

Where tariffs are concerned, and as expressed in its statement of 12 November 1974, the Community is anxious not to jeopardize the development of trade and continues, therefore, to apply with the usual exceptions, the most favoured-nation treatment to the State-trading countries.

On 8 May 1979, the Council laid down new regulations concerning the common arrangements applicable to imports from State-trading countries. These regulations which went into effect on 2 June replace the 1969 basic text.

Although Member States will still retain the right to take temporary protective measures for some time yet, they will be able to exercise this right only after previous consultation. As of 1982 the introduction of protective measures will no longer be possible excepting upon a decision of the Community institutions.

OTHER COMMUNITY ACTIVITIES RELATING TO THE COUNTRIES OF EASTERN EUROPE

Cooperation agreements

Following a proposal from the Commission on 22 July 1974, the Council decided to establish an information and consultation procedure for the cooperation agreements between Member States and third countries. Since most of the Member States have concluded such agreements with the various Eastern European countries, the above-mentioned Council decision is of particular interest as regards relations with these countries.

(1)The old tariff contained 1098 headings

This procedure enables the Commission and the Member States to obtain information not only on the contents of the cooperation agreements in the strictest sense of the word, but also of the commitments and measures planned in the framework of these agreements. Consultations are carried out either at the request of a Member State, or on the initiative of the Commission.

The objectives are three-fold: to make sure that the cooperation agreements conform with the common policies, particularly the common trade policy; to improve reciprocal exchanges of information and coordination of the actions of the Member States; and to assess the value of measures which the Community might adopt to encourage cooperation agreements.

Export credits policy

The export credit (and insurance credit) (1) policy will be of decisive value for the future of the Community trade policy. In 1978, the total figure for credits which received public support for a period of more than five years and which were granted to the Comecon countries by the countries of the OECD (2) amounted to USD 3 700 million.

During the last decade, the uninterrupted expansion in world trade which characterized the first few years has been accompanied and to a certain extent sustained, by a parallel growth in the volume of export credits. As competition in world trade became fiercer and nations endeavoured to maintain or improve their export figures, competition also extended to the sphere of export credits.

On 4 April 1978, the Council adopted a decision concerning the application, on an experimental basis, of guidelines for export credits for third countries. The export credits in question are those which have the support of the public authorities and which cover a period of two years or more. These guidelines are applied within the framework of a consensus by the EEC and the OECD countries, in particular the United States and Japan; they fix:

- the minimum payments made up to delivery, including those made on delivery, in relation to the per capita GNP figure for the country receiving the goods;
- the minimum interest rate;
- the maximum duration of the credit.

The Council decision of 4 April 1978 stipulates that if any Member State of the Community or any third country granting a credit which observes similar guidelines intends to waive these rules, then the members of the consensus must be informed. Such notification will make it possible to

(1) The insurance credit is intended to insure the exporter against the possibility of non-payment of a credit sale. In particular, it covers political and commercial risks

(2) OECD: Organization for Economic Cooperation and Development.
Members: Australia, Canada, the European Economic Community, Finland, Greece, Japan, Norway, Portugal, Spain, Sweden and the United States

carry out within the Community framework, regular and on-going assessments of the way in which the Member States and third countries are respecting the guidelines.

Generalized preferences and the countries of Eastern Europe (1)

As a follow-up to the letter dated 31 January 1973 from the Roumanian Government to the Council of the European Community, the Council decided that, as of 1 January 1974, this country should be included amongst those to benefit from the generalized preferences granted by the Community, on the understanding that adequate provisions would be made to take account of the conditions particular to the country.

The criteria taken into consideration relate to Roumania's level of development and economic structure in comparison with the similar criteria which characterize the economies of other countries granted generalized preferences.

Since 1975, the Community has made constant improvements to the preferential treatment applied to Roumania. In 1979, this country occupied the sixth place in the list of beneficiaries of the Community GSP.

In a request addressed to the President of the Council of Ministers of the European Community on 19 September 1977, Bulgaria indicated that it would like to take advantage of the Generalized System of Preferences.

On 24 July 1979, the Council agreed to examine with an open mind, the provisions aimed at including Bulgaria as of 1981 in the Community's system of generalized preferences.

COMMUNITY-CMEA RELATIONS

The first talks between the Community and the CMEA (2) (also known as the Comecon) took place from 4 to 6 February 1975, when a delegation of Senior Commission Officials met a delegation of the CMEA Secretariat to discuss relations between the two organizations.

Following this meeting on 16 February 1976, Mr Gaston Thorn, President of the Community Council of Ministers at that time received Mr Gerhard Weiss, the then President of the CMEA, who gave him a message from the CMEA to the EEC proposing that an agreement be concluded covering relations between the two organizations.

(1) Since 1 July 1971, the Community has applied a system of customs exemption

(2) Council for Mutual Economic Assistance

On 18 November 1976, the Council replied to the CMEA's February proposal by sending a letter containing a preliminary draft agreement setting out the forms and procedures of the relations to be established between the Community and the CMEA.

At the same time the Council stressed the importance which it attached to the development of Community relations, not only with the CMEA, but also with each of its member countries.

On 18 April 1977, Mr K. Olszewski, the President of the CMEA Executive Committee at that time, proposed that an exchange of ideas should take place between the President of the CMEA Executive Committee and the President of the EEC Council on the way in which subsequent negotiations should develop. Mr Simonet, the then President of the Community Council replied to this on 25 July 1977 by accepting the idea of this meeting. He pointed out that it would be his duty to introduce Mr Haferkamp, the Commission Vice-President with special responsibilities for negotiations, to the CMEA representatives.

The planned meeting took place on 21 September 1977 in Brussels. The CMEA representative was Mr Marinescu, the Roumanian Deputy Prime Minister and President of the CMEA Executive Committee at that time. The two parties agree to think in terms of beginning the negotiations leading to an agreement between the two organizations during the first half of 1978.

On 29 and 30 May, Mr Haferkamp met Mr Faddeev, Secretary of the CMEA, in Moscow. In the course of these negotiations both sides showed a willingness to reach agreement, and a wide-ranging exchange of views enabled the participants to acquaint themselves with one another's positions. An aide-memoire was drawn up, noting points of agreement and issues on which the views of the two delegations differed. In accordance with the work schedule set out in the aide-memoire, a meeting of experts took place in Brussels from 25 to 28 July.

From 22 to 25 November 1978 Mr Faddeev and Mr Haferkamp met again. In the course of their discussions in Brussels, the two delegations reasserted their joint intention of working towards the conclusion of an agreement.

At this meeting Mr Haferkamp personally put forward compromise proposals concerning, inter alia, the way in which trade issues would be dealt with in the agreement. It was agreed that the CMEA would examine these proposals and give its answer in writing.

On 28 June 1979 Mr Faddeev telexed a counter-proposal in the trade angle of the agreement, but failed to comment on Mr Haferkamp's proposal. At the same time, he suggested a further meeting in Moscow. After considering Mr Faddeev's text, the Community prepared a new draft agreement, replacing the November 1976 draft and taking account of the proposals made by both Mr Haferkamp and Mr Faddeev. The new text was submitted to the CMEA at a meeting held in Moscow from 26 to 28 November 1979, and a preliminary exchange of views took place.

To give the CMEA a chance to go over the new draft agreement in detail and prepare its reply, the Community Delegation proposed that a further meeting be held in Brussels in April 1980, to be preceded by the establishment of an expert-level drafting committee.

ANNEX

TRADE BETWEEN THE COUNTRIES OF EASTERN EUROPE AND THE COMMUNITY

Trade between the Community and the rest of the world (1) totalled 300 889 million EUC (2) in 1976, 336 031 million EUC in 1977 and 352 180 million EUC in 1978.

Trade between the Community and the State-trading countries of Eastern Europe increased from 23 835 million EUC in 1976 to 25 527 million EUC in 1977 and 26 285 million EUC in 1978.

The share of the State-trading countries of Eastern Europe in the Community's total world trade has slightly decreased.

In 1977 and 1978, this share amounted to 7.6% and 7.5% of total trade compared with 7.9% in 1976.

Imports into the EEC of the Nine from the countries of Eastern Europe (1)

Millions of EUC (2)

Country	1976	1977	1978	% variation compared with previous year	
				1977	1978
USSR	5 522	6 199	6 473	+ 12	+ 4
GDR (3)	583	590	642	+ 1	+ 9
Poland	1 976	2 138	2 256	+ 8	+ 6
Czechoslovakia	988	1 072	1 093	+ 9	+ 2
Hungary	851	1 004	1 012	+ 18	+ 1
Roumania	1 092	1 008	1 072	- 8	+ 6
Bulgaria	256	262	289	+ 2	+ 10
Albania	24	28	23	+ 17	- 18
Total	11 291	12 301	12 860	+ 9	+ 5

(1) Sources : SOEC Monthly Bulletin on External Trade—Special issue, 1958-1978 (Statistical Office of the European Communities)

(2) EUC - for 1976 : 1 EUC = 1.12 USD; for 1977 = 1.14 USD and for 1978 = 1.27 USD

(3) Inter-German trade is not included in these figures

(1) Sources : SOEC Monthly Bulletin on External Trade, special issue 1958-1978 (Statistical Office of the European Communities)

(2) For 1976: 1 EUC = 1.12 USD; for 1977 = 1.14 USD and for 1978 = 1.27 USD

Exports from the EEC of the Nine to the countries of Eastern Europe (1)

Millions of EUC (2)

Country	1976	1977	1978	% variation compared with previous year	
				1977	1978
USSR	5 164	5 852	5 632	+ 13	- 4
GDR (2)	557	475	536	- 15	+ 13
Poland	2 836	2 553	2 509	- 10	- 2
Czechoslovakia	1 237	1 236	1 211	- 0	- 2
Hungary	1 055	1 337	1 545	+ 27	+ 16
Roumania	1 095	1 193	1 421	+ 9	+ 19
Bulgaria	574	542	539	- 6	- 1
Albania	27	38	32	+ 41	- 16
Total	12 544	13 226	13 425	+ 5	+ 2

(1) Sources : SOEC Monthly Bulletin on External Trade, special issue 1958-1978. (Statistical Office of the European Communities).

(2) Inter-German trade is not included in these figures.

The trade balance between the EEC of the Nine and the countries of Eastern Europe (1)

Millions of EUC (2)

Country	1976	1977	1978
USSR	- 358	- 347	- 841
GDR (2)	- 26	- 115	- 106
Poland	+ 860	+ 15	+ 253
Czechoslovakia	+ 249	+ 164	+ 118
Hungary	+ 204	+ 333	+ 533
Roumania	+ 3	+ 185	+ 349
Bulgaria	+ 318	+ 280	+ 250
Albania	+ 3	+ 10	+ 9
Total	+1 253	+ 925	+ 565

(1) Sources : SOEC Monthly Bulletin on External Trade, special issue 1958-1978. (Statistical Office of the European Communities).

(2) Inter-German trade is not included in these figures.

The structure of trade between the Community and the countries
of Eastern Europe

Imports	1976 (1)	1977 (1)	1978 (1)
Food products, beverages, etc	9.3 %	8.4 %	8.6 %
Energy products	37.0 %	35.6 %	37.1 %
Raw materials	15.1 %	14.1 %	11.8 %
Chemical products	5.3 %	7.4 %	7.4 %
Machines and transport equipment	7.1 %	7.5 %	8.2 %
Other manufactured products	26.2 %	27.0 %	26.9 %

Exports	1976 (1)	1977 (1)	1978 (1)
Food products, beverages, etc	5.1 %	4.5 %	4.7 %
Energy products	0.9 %	0.7 %	0.9 %
Raw materials	2.6 %	2.8 %	3.0 %
Chemical products	14.4 %	16.3 %	16.5 %
Machines and transport equipment	40.7 %	41.3 %	40.1 %
Other manufactured products	36.3 %	34.4 %	34.9 %

(1) Sources : SOEC, Supplement to the Monthly Bulletin on External Trade
n° 4-6/1977, 5/1978 and 6/1979