



**European
community**

BACKGROUND INFORMATION

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BACKGROUND INFORMATION

PEACE THROUGH TRADE: BOOST IN COMMON MARKET-COMECON EXCHANGES

Greatly increased East-West trade is the European Common Market's contribution to the bid for a "generation of peace." European Community officials compare the trend to President Richard M. Nixon's Moscow visit and German Chancellor Willy Brandt's Ostpolitik.

From the Community's inception in 1958, trade with the Soviet bloc grew from \$1.8 billion to \$6.9 billion in 1970. Common Market imports from Eastern Europe increased by 300 per cent, compared to a 180 per cent increase in imports from other countries. Community exports to countries in the Council for Mutual Economic Assistance (COMECON) increased by 385 per cent, while total Community exports rose only 181 per cent. (See Table I.)

European Community countries have overlooked ideological and political differences in lifting restrictions on East European trade. Ninety-two per cent of COMECON trade with the Benelux countries is tariff-free; so too is 90 per cent with France, 81 per cent with Italy, and 77 per cent with West Germany.

East-West Trade Limited by Product Range

The Community's trade with COMECON members has increased much faster than its trade with other countries, but the pace may slow as the Community market becomes saturated with the goods Eastern Europe sells. If trade is to go on expanding, its structure must be modified.

In contrast to Western industrial societies, East European countries export to the Community mainly primary goods -- foodstuffs, wood, oil, and coal. Agricultural products and raw materials amount to 58 per cent of COMECON's exports to the Common Market. Community imports of finished products from COMECON, on the other hand, amount to only 30 per cent. (See Table II.)

Also in contrast to Western industrialized nations, COMECON members import few consumer goods from the Community; but Eastern Europe provides an important market for such specialized Community products as ships, textiles, and electrical machinery. Since 1958, Community exports of industrial equipment to COMECON have grown by approximately 95 per cent.

The Soviet Bloc Faces the Common Market "Reality"

To date, the only institutional framework for trade relations between the Community and COMECON is the United Nations Economic Committee for Europe. But Poland and Romania have recently become members of the General Agreement on Tariffs and Trade (GATT), along with Czechoslovakia (an original GATT member). Hungary has applied for membership, and Bulgaria has observer status.

On January 31, Romania asked to be included in the Community's generalized preference system, the first official request from a COMECON country to a European Community institution.

The USSR has also finally and inevitably recognized the European Community as "a fact of life," in the words of Soviet Party leader Leonid Brezhnev at the fifteenth Congress of Soviet Labor Unions in March.

After January 1, 1973, the Common Market will indeed be a fact of life for Eastern Europe. On that date, according to a Council of Ministers decision on December 16, 1969, trade negotiations with East European countries will be conducted by the Community, instead of by its individual member states. Bilateral agreements between individual Common Market members and third

countries will no longer be allowed.

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TABLE I

EC Exports to Eastern Europe

(in millions of dollars)

	<u>1958</u>	<u>1970</u>
Bulgaria	29.7	170.0
Hungary	73.2	143.0
Poland	138.0	376.3
Romania	51.3	431.5
East Germany	250.4	705.6
Czechoslovakia	122.2	430.4
USSR	<u>221.8</u>	<u>1,169.5</u>
TOTAL	886.6	3,626.3

EC Imports From Eastern Europe

(in millions of dollars)

	<u>1958</u>	<u>1970</u>
Bulgaria	25.2	165.0
Hungary	75.3	350.0
Poland	120.0	432.0
Romania	55.7	375.5
East Germany	251.9	650.5
Czechoslovakia	109.9	393.5
USSR	<u>271.3</u>	<u>858.7</u>
TOTAL	909.3	3,225.2

TABLE II

Main Exports to EC

USSR	Raw materials and energy products
Poland	Agricultural products
Bulgaria	" "
Hungary	" "
Romania	Raw materials and oil
Czechoslovakia	Finished goods