Multilateral Policies for East-West Trade

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Trade between eastern and western industrial nations amounts to barely 4 p.c. of the total foreign trade of the latter, yet the interest in this part of world trade is disproportionately great. A number of many-sided studies have been devoted to East-West trade, and their results have given sufficient knowledge of the special difficulties which accompany East-West trade transactions.

During the fifties, the foremost obstacles in the ways of this trade were export embargoes and strict import quotas against goods produced in the "East", but in the sixties, after much progress had been made in consolidating trade relations between western industrialised countries, a start was made towards liberalising East-West trade. Only the United States retained a restrictive policy on eastern trade up to about 1970, and this influenced also the actual development of other western industrialised countries' deliveries to the East, for which a striking example was the German embargo of 1963 against the export of steel pipes. More recent activities in eastern trade prove that official US attitudes have undergone a fundamental change, thus adapting themselves largely to the wishes of the business community.

Trade Promotion

Socialist countries adhere to the principle of balancing international payments bilaterally, and this was a major obstacle to trade growth right from the beginning. As long as this system is adopted literally, any given western industrial nation can export to a given socialist country goods only up to the same value as it imports from it. Any strict observation of this rule has been found, more or less, impossible, because trade balances between individual socialist and capitalist countries were, after a while, always in deficit for the former. Socialist countries remained, as a rule, unable to supply sufficient volumes of goods in demand in the West, which meant that they could not earn sufficient western currencies for the payments required. The socialist countries made therefore increased efforts to pay for their rising imports by expanding their exchange deliveries.

In the long run, such barter, which was due to western willingness to promote trade, was not blessed by lasting success either. Western exporters had to accept, in exchange for their exports, usually goods for which they did not know the markets, and which they frequently were able to sell only at a large discount. From about the middle sixties, more western credits have therefore been used for facilitating exports to socialist countries and at the same time redemption periods have been extended far beyond the limits agreed upon under the Berne Union more frequently, side by side with the promotion of imports from the East and with barter trade.

It is, however, only natural that credit financing of exports to the East cannot and will not be a permanent solution of the problem. There will always be a point beyond which a western partner will not increase a given credit volume. Accumulating more debts, the eastern partner will, one fateful day, become hopelessly insolvent – a state of affairs equally undesirable both for eastern and western contracting parties.

Cooperation as a New Way

This is not the least important reason why socialist states are interested in cooperating with the West in the most varied forms. Between processing contracts and coproduction, there is a wide gamut of cooperative structures which lift from the shoulders of socialist countries all the major burdens hitherto operating as obstacles to mutual trade, but at the same time bringing them all the blessings of obtaining western investment goods. Such agreements are free from the aforementioned foreign exchange and barter problems. Economic cooperation, is, of course, not intended to replace trade but to lift economic relations between East and West to a new and higher level of quality and continuity.
Yet in spite of this new reinforcement, it can only be expected that the increase of volume in east-western trade will be limited, and this has caused a number of national associations for promoting economic international cooperation to consider new measures for strengthening economic east-western relations. The result of intensive exchanges of ideas between national US, Japanese, West German, French, British, and Swedish associations has been recently published by the US Committee for Economic Development, together with a review of US eastern trade policies. This joint statement attempts to show new ways for enlivening east-western trade relations by their increasing multilateralisation. Unlike other suggestions, this statement does not, predominantly, put forward proposals for national measures such as liberalisation of imports, making more and cheaper credits available, or determined promotion of cooperation, but speaks of the possibilities of using multilateral negotiations and organisations to reduce the impact of hitherto unresolved problems. It is primarily devoted to sketching an institutional framework within which the multitude of individual difficulties of east-western cooperation could be overcome.

**Private International Initiatives**

A number of international organisations have taken umbrage at this joint statement, and especially the USA has been reproached with deliberately going behind the back of existing agencies. Therefore, it must be emphasised that all the above-named national associations have cooperated in drawing up, and have signed, that paper. Moreover, there is no possible connection between this paper and the recent turn in US trade policies towards the East, implying more liberalisation. Since before the statement was published in September 1972, many years of talks and discussions had preceded it, among other places in London and Paris. Even though the Committee for Economic Development, which sponsored the publication, may not be considered to be completely independent of the US Administration, the paper itself has had as its co-authors mainly representatives of private enterprise.

Its text makes it clear that governments of western industrial countries, when negotiating for bilateral agreements on east-western trade, bear a heavy responsibility, although on the western side trade and cooperation are the business of private firms. The fact that these agreements are bilateral has the effect that only national, and not international, organisations are briefed for hammering out the legal and administrative details. From 1973 onwards, unless the socialist states prevent it, the EEC, as the first supra-national authority, will have a direct influence on building this framework. Japan's agreements and the most recent ones made by the USA for eastern trade are also of the bilateral type.

**New International Institutions**

Whilst recognising the importance of several multilateral organisations also for east-western trade relations, the statement points out that neither OECD nor the Coordinating Committee on Export Controls (CODOM) nor the Agreement of the Berne Union nor the General Agreement on Tariffs and Trade (GATT) nor the United Nations Conference on Trade and Development (UNCTAD) have dealt exclusively or with sufficient thoroughness with east-west trade. Questions which arise from the differences in the two economic and social systems do need specialised treatment by an institution specifically competent for them. This is true both of the problems deriving from the fact that eastern partners negotiate deals only through their foreign trade monopolies, whilst their partners in the West are usually private companies, and of the dumping problem which arises from different methods of price calculation, etc. Economic reforms carried out in socialist countries, except those in Hungary, have not, so far, cleared away these problems.

All the above-named international bodies have searched, among existing agencies, for one that would be suited for regulating east-western trade relations — but they have failed to find one, because the basic condition for being so suited is that all the countries taking part in east-west trade should be affiliated to them. It is true that the Economic Commission for Europe (ECE) is sufficiently experienced in this field, and among its members are not only all western and eastern European states but also the USA and Canada, but unrepresented in it are the important countries of China and Japan. Nor is ECAFÉ, ECE's opposite number for Asia and the Far East, eligible for the purpose, since most of ECAFÉ's members are not concerned with the problem in hand. UNCTAD, whose principal task is to deal with the trade of LDCs, is even less suitable. And only a few socialist countries belong to GATT, the most important absentees being the Soviet