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44

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1. Introduction

East-West trade takes place between countries with different economic, political and social systems. The mechanism, development and the prospects of this trade will be analysed in the first part of this paper. In the following the OECD countries will be referred to as the West, the European CMEA (COMECON) countries as the East, and the European CMEA countries excluding the USSR as Eastern Europe. Yugoslavia is not included. The statistical analysis is based on Western data.

Important determinants of East-West trade are now subject to fundamental changes. At least in some Eastern countries reforms of the economic and political system are on the way. The shape of Western Europe is changing, too. These developments will influence the trade relations between East and West. Their probable impact will be described in the second part of this contribution. The main attention will be given to the consequences of the completion of the Internal market in the EC on the East-West trade. The effects of a possible EC-membership of Austria on East-West trade will also be discussed briefly.

2. East-West Trade

2.1 Mechanism of East-West Trade

The volume and the development of East-West trade can be explained by a simple mechanism, which is regulated mainly by economic, to some degree also by political factors. The pivotal determinant is the availability of foreign exchange in the East. Foreign exchange can be generated by trade and by capital transactions.

Trade income depends on the import demand of the West, which is directly connected with the business cycle. The most important commodity of Eastern exports to the West are fuels. In 1987 oil, oil products, gas and coal contributed 42 percent to the East's exports to the West (USSR 64 percent, Eastern Europe 17 percent). The ups and the downs of the oil price are therefore an important factor determining the foreign exchange receipts of the East, mainly of the USSR. The purchasing power of the USSR is affected by the exchange rate of the US-dollar. The USSR earns dollars for oil, but pays its import bills mostly in West European currencies. A strong dollar is favourable for the East.

Eastern trade income is also influenced by the East's competitiveness on Western markets. The competitive position of the East depends – in a rather complex way – on the economic and political system in the East. One of the main target of the present reforms in the East is to improve the international competitiveness. The performance of the East is also influenced by all kinds of trade barriers for Eastern products. A removal of barriers improves the competitiveness of the East and vice versa. These aspects are dealt with in the second part of this paper.

Trade in services is mostly neglected in analysing East-West relations. This is mainly due to the lack of appropriate statistics. However, interest payments (investment income) play an

important role. Interest payments are a heavy burden for the highly indebted Eastern countries. The rate of interest is therefore a factor influencing East-West trade.

Capital transactions (net borrowings) may increase or decrease the volume of foreign exchange available to the East. The volume of net lendings to the East depends both on political decisions in West and East and on commercial considerations of Western creditors.

Western exports to the East equal simply the foreign exchange resources of the East. From this point of view, Western demands on the East to "open the market" does not make much sense. The East buys as much in the West as it is able to pay for (the different behaviour of Romania cannot be explained by rational arguments). The exports of individual Western countries to the East are basically determined by this mechanism, but also by the competitiveness on the Eastern market. The competitiveness depends not only on price and quality, but also on financing, countertrade and "human relations". That politics also plays a certain role, especially in connection with big projects, cannot be excluded.

It should be mentioned in this connection, that – given the Eastern import demand – Western export restrictions (COCOM) influence only the commodity and regional composition of Western exports, not the volume. Only in a wider sense can a restrictive impact be seen: More Western computers might improve the competitiveness of the East and thus increase its foreign exchange income.

2.2 East-West Trade: An Overview

The value of East-West trade was approximately \$ 44 billion in each direction in 1988. This was only a small fraction of world trade (1988 \$ 2,840 billion). The share of the East in total trade of the West (OECD) was approximately 2.2 percent in 1987 (EC 2.5 percent). For the East, the trade with the West is more important. In 1987 the share was 21 percent for exports and 25 percent for imports, with the EC accounting for more than half of this trade.

East-West trade expanded strongly in the seventies. Western exports to the East were financed partly by terms-of-trade gains of the East, partly by Western credits. The indebtedness of the East increased from some \$ 5 billion at the beginning of the seventies to \$ 85 billion in 1981. The defaults of Poland and Romania in 1981 marked the beginning of a serious crisis in the financial system of the West.

In the first half of the eighties the smaller East European countries – with the exception of Poland – were in general successful in their efforts to stabilize and reduce their foreign debt. However, they only succeeded in curbing imports (at the expense of investment and of consumer goods), not in increasing exports of manufactures. Various studies show that the competitiveness of the East deteriorated markedly: Between 1980 and 1986 the market share of Eastern Europe in OECD imports of machinery decreased from 0.77 percent to 0.32 percent (USSR: from 0.23 percent to 0.12 percent). Over the same period the Non-European NIC's increased their market share in this category from 4.12 percent to 8.02 percent. In the seventies, in a period of substantial technology transfer from the West to the East, the East improved its position on the Western market slightly. Similar results can be seen also in other groups of industrial products. The East was successful (market share gains) only in exports of fuels and raw materials (*Levcik – Stankovsky, 1988, Stankovsky, 1988A, for FRG: Machowski, 1989*).

In the 1980's (1980-1987) OECD imports from the East increased by 4 percent p. a. in real terms. However, the East had to use its foreign exchange income to offset terms-of-trade losses (4.3 percent p. a.) and to finance interest payments (\$ 6.5 billion in 1987). The net "real" debt (at constant exchange rates) was stabilized in the eighties (only Romania reduced its indebtedness). The amount of foreign exchange available for imports decreased. Thus, the OECD exports to the East fell in real terms by 1.9 percent p. a. in 1980-1987.

2.3 Actual Development and Forecast

In 1986 the OECD exports to the East shrank by 11 percent (USSR -18 percent), in 1987 by 3 percent (USSR -7 percent). This adverse trend was halted only in 1988. In this year East-West trade increased in real terms by some 7 percent in each direction. The East benefited from the buoyant import demand in the West and from gains in market shares in the oil market. The terms-of-trade losses of the East (some 10 percent) were financed by Western credits.

In 1989 and 1990 the upswing of East-West trade will probably persist, with growth rates slightly lower than in 1988: OECD export might increase by 6 percent and 4.5 percent respectively, OECD imports by 5 percent: This forecast is based on the assumption of sustained economic growth in Western Europe (GDP +2.5 percent to 3 percent), an oil price of 17 \$ per barrel and a small revaluation of the dollar. It was further assumed, that the East will maintain the trade balance at the 1988 level in the next few years.

The higher growth of East-West trade in the last years of the eighties can be attributed entirely to the improved economic conditions. The influence of the political changes in East and West on East-West trade are only marginal. The political climate between East and West is still improving, but its bearing on trade must not be overestimated; however some impact is possible. Some Eastern countries experiment with incentives to stimulate exports to the West. The surge of Joint Ventures in some Eastern countries may contribute to a certain increase in trade. On the other hand, the various changes in organization, management and responsibility cause a lot of difficulties, likely to dampen the development of trade. The Soviet decision concerning credit financing of Western imports will be of great relevance. According to press reports, framework agreements for \$ 10 billion in Western credits to the USSR were signed. A utilization of these financial resources - especially for consumer goods - could immediately stimulate OECD exports to the East. In the long run, however, such a decision would be counterproductive. In the forecast only a modest use of Western credit facilities by the USSR was assumed.

3. The Completion of the EC Internal Market and East-West Trade

3.1 The Targets of the Single Market

The EC "White Paper" envisages the removal of physical, technical and fiscal barriers within the Community up to 1992. In the Single European Act this target is defined as follows: "The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services, and capital is ensured in accordance with the provision of this Treaty" ("Four freedoms"). The Internal Market (Single Market) concept is supplemented by a program for a European Technological Community.

The main targets and instruments of the Single Market program are: The elimination of all controls of goods and individuals at the frontiers; mutual recognition of standards and regulations; a community-wide liberalization of public procurement; free movement of labour and the professions; the creation of a common market for services; full liberalization of capital movement.

3.2 Single Market and Third Countries

The completion of the Internal Market will affect third countries in different ways. The Cecchini report expects an additional GDP growth in the EC of 4.5 percent to 7 percent within a period of six years. EC officials stress the positive effect of higher EC growth and import demand on third countries. According to Mr. De Clercq, the former EC "foreign trade minister" a rise of almost 10 percent in EC imports from third countries can be expected as a consequence of the Single Market (see also *Catinat - Donni - Italianer*, 1988). The optimistic EC perspective

is, at least partly, supported by a study of *Breuss – Schebeck* (1989). A simulation of Austria's economy yields an additional GDP growth in Austria of 1.6 percent within a period of six years as a consequence of the completion of EC Internal Market even if Austria remains outside the EC; the volume of exports of goods and services would increase by 5.3 percent.

The negative effects of the deepening of the EC integration on third countries must, however, also be taken into consideration. They result from liberalization within the Community (in the area of nontarif barriers) without comparable measures on the frontiers. They can be labelled as "new discrimination" – which is not intended, but which happens inevitably. In addition, the increased competition within the Community and the benefits of economies of scale will improve the international competitiveness of EC enterprises vis-à-vis firms of third countries. In a study commissioned by the EFTA Krugman summarizes the impact of 1992 of the EFTA as follows: "As barriers to trade between the EC countries fall, their increased exports may be expected to displace not only each others domestic sales but also sales by EFTA-based firms in each market. Meanwhile, EFTA-based firms will not be experiencing any offsetting increase in their own exports. Thus, the net effect will be a decline in sales of EFTA-based firms, leading to a reduction in EFTA welfare." "In the language of modern trade theory discriminatory liberalization among two countries can have a strategic negative effect on third countries, altering the terms of competition in a way that favours firms in the liberalizers at the expense of firms based outside".

In an other EFTA study (*Pintado et al.*, 1988) a decrease of EC imports from third countries of ECU 36 to 47 billion was calculated. This equals 1.2 percent to 1.6 percent of EC GDP or 10.6 percent to 13.8 percent of EC extra-imports in 1987. The calculation is based on statistics of the Cecchini-Report (*Emerson et al.*, 1988). Only short-term barriers removal effects were considered. No data are available concerning the import effects of longer term consequences on the completion of internal market (economies of scale, reduced X-inefficiency).

In addition to the "new discrimination" the danger of an increased "old protectionism" of the EC cannot be excluded. The idea of the EC as a "Fortress Europe" is strictly denied by the EC

- but has some real content. Discussing the foreign trade consequences of the Single market *Scharrer* (1987) points to the following question: "The central issue in this regard is whether the realization of internal market will permit a further liberalization of trade with the rest of the world or oblige the Community to erect additional external defences, notably against Japan, the USA, the CMEA and the newly industrializing countries". According to Scharrer Western Germany and Netherlands are the proponents of trade liberalization, whereas "France is the most prominent, but by no means the only proponent of the opposite view - namely that the internal market should be strengthened only if external protection is increased".

3.3 Single Market and the East

What are the possible consequences of the Single Market for the East and therefore for East-West trade? After 1992, national protective measures - which still play an important role - have either to be abolished or "applied on a Community-wide basis" (EC, White paper, No. 36). According to De Clercq: "We (EC) do not, however, exclude the possibility that, by the end of 1992, there will still be a limited hard core of products where particular economic difficulties in some Member States mean that national protective measures may be replaced by appropriate measures at Community level". This is of substantial importance also for the East: The degree of liberalization for Eastern products varies considerably among EC countries. It is possible, that the unification of the EC import regime (abolishment of national regulations) might in some cases deteriorate the market access of the East. However, cuts in quotas - if any - will certainly be limited to some (structural weak) branches and will be applied only for a transitional period.

Another point is the commodity structure of trade. Fuels, primary commodities and semi-manufactures - which represent today the bulk of Soviet and also East European deliveries to the West - will in general not be negatively affected by the Single Market. A possible exception are steel and textiles. On the contrary, higher EC growth could stimulate imports of se-

mimanufactures from the East. On the other hand, the efforts of the East to improve the commodity structure of its exports to the West (more industrial products) might become more difficult.

In the area of industrial products, however, Eastern Europe is competing mainly not with highly developed industrial countries, but with the NIC's. At present, the East is discriminated vis-à-vis the NIC's in the South of the EC (Spain, Portugal, Greece). There is a high degree of similarity between manufactured exports from Southern EC and East European exports to the industrialized EC countries (*ECE*, 1989). According to the ECE calculations the EC enlargement in 1986 caused significant trade diversion from Eastern Europe to Spain, Portugal and Greece. The Single Market will probably aggravate this disadvantage.

The East has also some disadvantages compared to Third World NIC's. EC imports of industrial products are – with some exceptions – liberalized against NIC's but not against the East. Lower (zero) GSP (General System of Preferences) tariffs are applied to imports from most NIC's (with a rather complicated system of graduation), but only to imports from Romania. On the other hand, safeguard measures (including anti-dumping), are applied mostly against Asian NIC's, not so often against the East.

Over the next few years some improvement of the Eastern position in the EC can be expected. An important step in this direction was the Common Declaration between the EC and the CMEA of July 1988. Based on this document, trade agreements between the EC and Hungary and Czechoslovakia were signed. The trade agreement with Hungary envisages, among other things, the abolishment of all EC quotas for Hungarian non-agrarian products in three steps by 1995. Agreement with most other East European countries can be expected soon. They will not necessary be as favourable as the agreement with Hungary. Bulgaria and Hungary will try to get GSP-status from the EC. Hungary can support this demand by pointing to the example of Austria and Japan. Should Hungary succeed, Poland will possibly follow.

3.4 East's Attitude Toward the EC

What is the attitude of the East toward the EC and toward the Single Market? The Eastern EC-discussion must be seen against the background of the radical improvement of the political climate between East and West, the political and economic liberalization in the East and also of the increasing economic problems of this region.

The official treatment of the EC turned from open hostility in the sixties to half-hearted recognition in the Breschnew-era (since 1972) and to warm friendship under Gorbatschow. A short quotation from a study of the official Soviet APN publishing house can illustrate the present Eastern high "rating" of the EC: "All these processes (of regional integration in the EC) are in a historical perspective objectively progressive" (*Schischkow, 1987*).

Most Eastern countries want to get "closer" to the EC. According to the Hungarian Vice-Premier Medgyessy: "It is expected, that the actual negotiations with the European Parliament will later bring about an associated membership (of Hungary)." . . . "The immaturity of the Hungarian market mechanism . . . would preclude very close ties to the EC impossible." (*Nepszabadsag, March 4, 1989*).

The possibility of a free trade area in Europe between East and West has been discussed for a long time (see *Duseburg - Lodahl - Machowski, 1980, Stankovsky, 1981, Lawniczak, 1975, 1988*). Individual free trade agreements between Eastern countries and the EC seem to be the more realistic perspective. Sometimes even the possibility of EC-membership is raised, not only in Poland and Hungary, but also in some Baltic republics (and also in the Northern Republics of Yugoslavia). It has to be mentioned that - from the point of view of the East - the GDR benefits heavily from the "EC association" through the special regulations for the Intra-german trade.

4. Austria's Relations with the EC and with the East

Austria has close economic relations with East and West and claims to be a "bridge" between these two regions. Some problems of East-West trade and West European integration can therefore be illustrated by the case of Austria.

4.1 Austria and the EC

About two thirds of Austria's foreign trade are directed towards the EC. Measured by trade shares, Austria's EC integration is stronger than the integration of the EC itself (share of intra-EC trade 61 percent). On the basis of the free trade agreements from 1972/73, no tariffs are applied to non-agricultural trade between Austria and the EC. The completion of the Internal Market will cause disadvantages for Austria's exporters in the EC as compared to intra-EC competitors. The concern for Austria's exports is one reason for Austria's decision to apply for EC-membership: Only members of the "EC club" will participate fully in the liberalization, de-regulation and economies of scale of the Single Market.

The main problem of Austria's EC-membership is the neutrality. Austria does not seek an approval from the Soviets, but a confrontation with the USSR must be avoided. At present, however, the most serious problem seems to be the question, whether Austria's neutrality will be accepted by the EC. On the other hand, it would not be easy for the EC, to bluntly reject Austria's application, should the EC "fundamentalists" prevail. The preamble of the Treaty of Rome, inviting other European countries to join the Community, is still in force. Therefore at least a "second best" solution – a form of participation in the Single Market but not in the political integration – seems to be possible.

4.2 Austria and the East

Austria's close relations with the East are based on geography and history. In 1988 9 percent of Austria's exports went to the East, 6.5 percent of imports came from this region. This is more than in all other Western countries, except for Finland. In the seventies and in the first half of the eighties the trade shares of the East were considerably higher. The decline was not caused by Austria's market share losses, but by the slow growth of the East's foreign trade. Austria's East Trade is oriented mainly towards the smaller East European countries. For this region Austria is, after Germany, the second most important Western trading partner.

Austria is heavily engaged in the financing of the East. The share of Austria in Western bank credits to the East (BIS statistics) is twice (12 percent) as high as Austria's market share in OECD exports to the East (6 percent). Austria's transit trade fulfils an important function in the area of countertrade. Austria utilizes extensively the possibility of forming Joint Ventures with partners in the East: Austria's share in Joint Ventures is significantly higher than its share in trade. Special relations exist between Austria and Hungary. In 1981, Austria granted financial support to Hungary which helped to avoid a financial crisis in this country. In 1988, Austria granted Hungary the GSP-status for developing countries with reduced custom tariffs. Austrians receive preferential treatment at the Hungarian border. Vienna and Budapest will jointly organize the World Trade Exhibition in 1995.

4.3 Austria's EC-membership and East-West Trade

Several studies (*Breuss - Stankovsky, 1988, Stankovsky, 1988B*) have shown that Austria's EC-membership would have more positive than negative consequences on Austria's trade with the East. Similar results can be obtained from an opinion survey among Austria's enterprises engaged in trade with the East (*Deutsche Handelskammer, 1987*). The East would benefit from the introduction of Common EC-tariff, which is lower than Austria's tariff

(4.2 percent and 4.9 percent, respectively for industrial products). Austria has significantly higher tariffs than the EC for commodities which play an important role in Eastern exports (textiles, clothing, tools). According to *Barisitz* (1989), even Austria's lower GSP-tariffs for the 30 most important Hungarian export items are basically the same as the "regular" EC-tariffs. Therefore the loss of GSP-status would not hurt Hungary. Austria's non-agriculture imports from the East are fully liberalized (there are no quotas). Only for some imports a counter-signing procedure (Vidierungsverfahren) is applied. In the EC quotas still exist against the East. By the time Austria will be a full EC-member an import liberalization in the EC for the East can be expected.

Only 29 percent of Austria's imports from the East are industrial products. With this commodity structure the danger of trade diversion from the East to the EC is rather small. Some room for trade diversion exists in the area of agricultural imports, which account, however, for only 9 percent of total Austria's imports from the East.

An improvement in trade relations with the East can be expected in the case of Austria's EC-membership in the area of industrial cooperation. Subdeliveries from the East for products which are exported from Austria to the EC are limited today due to the restrictive rules of origin in Austria's EC trade. Austria as an EC member would not have to consider any rules of origin.

So far as Austria's exports to the East are concerned, no direct impact of EC-membership has to be expected. Indirectly, higher imports from the East and an improved competitiveness might stimulate Austria's exports to Eastern countries.

The attitude of the smaller East European countries towards Austria EC application is in general positive. No serious objections, based on economic arguments, have been raised. In discussions with Soviet politicians the question of neutrality prevails. There are some doubts on the Soviet side whether it will be possible to separate the economic issues of EC-member-

ship fully from security policy and military cooperation. At lower levels, however, full understanding of Austria's position is often expressed.

5. Perspectives

The European integration in the 90's might emerge as graduated integration (or "two-or-multi-tier integration"; [Abgestufte Integration], which is not necessarily the same as "Europe a geometric variable"; see *Grabitz*, 1984). In my view some 15 members of the EC will form a fully integrated economic and monetary union. The participation of neutral countries will cause no problems. In a "hard core" of – say – 8 to 10 countries integration will be carried on also in other areas (including military cooperation), aiming for the "United States of Europe". On the other hand, there will be an "outer ring" – the "European Economic Space" – formed by the EC and a new EFTA, with (at least) free trade for industrial products. From today's perspective, the members of the "new EFTA" might include, in addition to the remaining "old" members, Hungary, Yugoslavia and Poland. Taking into account the different economic powers of the EC and of the other participants of the "European Economic Space" the danger of "satelization" cannot be neglected.

The role and the importance of the CMEA will depend on the future development in the most developed Eastern countries, the GDR and Czechoslovakia. Only when these two countries will accept political and economic reforms of the Hungarian type, a transformation of the CMEA into a "Common Market" will be achieved. In the present form the CMEA doesn't serve the needs of its members.

Even in a very optimistic scenario, the road to a "Common Market" in the East will be a long one. And it is only on the basis of "Common Markets" in Eastern and Western Europe that Gorbatschow's idea of a "Common European House" might really materialize. Otherwise it would be restricted to a loose cooperation at governmental and bureaucratic levels, with no significant impact on the economy.

With the increased market orientation of the Eastern economies, East-West trade will lose its specific features and will turn more and more into simple intra-regional trade. This process, however, will have to be measured not in years, but probably in decades. In this sense I see many opportunities for further conferences on problems of East-West trade.

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Table 1

**International market conditions and East-West-Trade: in real terms
(volumes)**

annual changes in %

	1980	1983	1984	1985	1986	1987	1988 1)	1989 1)	1990 1)
I									
World trade	-1	3.4	9.2	3.6	3.7	5.2	8.5	7.5	7.0
I									
Economic growth in the West 2)									
I									
gross domestic product	1.4	2.7	4.7	3.2	2.7	3.2	4.0	3.2	2.7
I									
of which: Western Europe	1.5	1.6	2.5	2.6	2.7	2.7	3.7	2.9	2.6
I									
industrial production	-9.8	3.6	7.9	2.7	1.1	3.2	5.5	4.0	3.5
I									
Economic growth in the East 3)									
I									
net material product	2.7	4.1	3.5	3.5	4.2	2.6	4.2	5.2	.
I									
of which: USSR	3.9	4.2	2.9	3.5	4.1	2.3	4.4	5.5	.
I									
industrial production	3.3	4.2	4.2	3.9	4.8	3.8	3.8	4.8	.
I									
Exports of the West									
I									
total	3.6	2.0	9.3	4.2	2.3	6.1	9.6	8.0	7.5
I									
to: CMEA 3)	3.0	2.1	3.9	1.0	-11.4	-3.4	7.5	6.3	4.5
I									
USSR	7.1	4.8	4.9	-2.4	-18.1	-7.3	10.0	8.0	5.5
I									
Eastern Europe 4)	-1.0	-2.1	2.2	6.7	-1.0	1.7	4.5	4.1	3.1
I									
Imports of the West									
I									
total	-1.6	3.5	11.6	5.4	8.4	6.4	8.6	7.3	6.8
I									
from: CMEA 3)	-5.5	7.6	12.3	-3.3	8.7	7.3	7.2	4.9	4.3
I									
USSR	-8.7	7.5	7.7	-8.3	15.4	10.2	7.8	5.0	4.8
I									
Eastern Europe 4)	-9	7.6	19.7	3.9	.1	2.9	6.2	4.8	3.6

1) Forecasts and plans. - 2) OECD countries. - 3) European CMEA member countries. - 4) European CMEA member countries without USSR.

Source: OECD (yearly data); ECE; AIECE; NIESR; GATT; HAMA; IMF; WIFO and own calculations and estimates.

Table 2

International market conditions and East-West-Trade: at current prices

annual changes in %

	1980	1983	1984	1985	1986	1987	1988 1)	1989 1)	1990 1)
World trade	21.9	-2.1	5.5	1.2	9.9	17.1	14.0	12.9	11.3
Exports of the West									
total	17.6	-1.3	6.6	3.8	16.3	17.6	14.5	12.3	12.7
to: CMEA 2)	10.2	-3.5	-2.4	-.3	6.3	5.8	15.0	11.6	9.7
USSR	12.5	-1.5	-2.5	-4.3	-1.7	.1	18.0	13.4	10.8
Eastern Europe 3)	7.9	-7.0	-2.1	6.9	19.3	13.4	11.4	9.3	8.3
Imports of the West									
total	20.1	-1.6	8.8	4.1	12.4	18.0	13.0	13.7	11.6
from: CMEA 2)	18.1	-1.0	7.2	-7.7	-3.2	13.2	4.5	12.5	9.0
USSR	23.3	-2.2	3.9	-11.1	-11.7	12.4	-8	14.5	10.0
Eastern Europe 3)	11.6	1.0	13.0	-2.2	9.3	14.1	10.7	10.4	7.9
on SDR-basis 4)									
Exports: West to CMEA	9.4	-.4	1.8	.6	-8.0	-4.0	10.6	14.0	9.7
Imports: West from CMEA	17.2	2.2	11.8	-6.8	-16.3	2.7	.5	14.9	9.0
Exchange rates									
SDR per \$	-.7	3.3	4.3	1.0	-13.5	-9.3	-3.8	2.1	.0
DM per \$	-.8	5.2	11.5	3.4	-26.2	-17.2	-2.3	5.3	.0
levels									
SDR per \$.768	.935	.976	.985	.852	.773	.744	.760	.760
DM per \$	1.818	2.553	2.846	2.944	2.171	1.797	1.756	1.850	1.850

1) Forecasts and plans. - 2) European CMEA member countries. - 3) European CMEA member countries without USSR. - 4) Special drawing right.

Source: OECD (yearly data); ECE; AIECE; NIESR; GATT; HMMA; IMF; WIFO and own calculations and estimates.

Table 3
Prices in world trade and in East-West-Trade
annual changes in %

	1980	1983	1984	1985	1986	1987	1988 1)	1989 1)	1990 1)
I									
Inflation: GDP deflator 2)	10.2	5.3	4.8	4.1	3.8	3.4	3.5	4.1	4.1
I									
CPI 3)	13.0	5.3	5.2	4.5	2.6	3.2	3.8	4.0	4.0
I									
World trade 4)	22.0	-5.3	-3.4	-2.3	6.0	11.2	5.1	5.0	4.0
I									
Export prices of the West									
I									
total	13.5	-3.3	-2.5	-.4	13.7	10.9	4.5	4.0	4.8
I									
to: CMEA	7.0	-5.5	-6.0	-1.3	20.0	9.5	7.0	5.0	5.0
I									
USSR	5.0	-6.0	-7.0	-2.0	20.0	8.0	7.3	5.0	5.0
I									
Eastern Europe	9.0	-4.9	-4.2	.2	20.5	11.5	6.6	5.0	5.0
I									
Import prices of the West									
I									
total	22.0	-5.0	-2.5	-1.2	3.7	10.9	4.0	6.0	4.5
I									
from: CMEA	25.0	-8.0	-4.5	-4.5	-11.0	5.5	-2.5	7.2	4.5
I									
USSR	35.0	-9.0	-3.5	-3.0	-23.5	2.0	-8.0	9.0	5.0
I									
Eastern Europe	12.6	-6.2	-5.6	-5.9	9.1	10.8	4.3	5.4	4.2
I									
Terms of trade of the West									
I									
total	-6.9	1.9	.0	.8	9.6	.0	.5	-1.9	.3
I									
With CMEA	-14.4	2.7	-1.6	3.4	34.8	3.8	9.7	-2.1	.5
I									
USSR	-22.2	3.3	-3.6	1.0	56.9	5.9	16.6	-3.7	.0
I									
Eastern Europe	-3.2	1.3	1.4	6.5	10.4	.6	2.2	-.4	.8
I									
on SDR-basis 5)									
I									
Export prices of the West									
I									
total	12.7	-1.1	1.7	.5	-1.6	.6	.6	6.2	4.8
I									
to: CMEA	6.2	-2.4	-2.0	-.4	3.9	-.7	3.0	7.2	5.0
I									
USSR	4.2	-2.9	-3.0	-1.1	3.9	-2.0	3.2	7.2	5.0
I									
Eastern Europe	8.2	-1.8	-.1	1.2	4.3	1.2	2.6	7.2	5.0
I									
Import prices of the West									
I									
total	21.1	-1.9	1.7	-.3	-10.2	.6	.1	8.3	4.5
I									
from: CMEA	24.1	-5.0	-.4	-3.6	-23.0	-4.3	-6.2	9.5	4.5
I									
USSR	34.0	-6.0	.6	-2.1	-33.8	-7.5	-11.5	11.3	5.0
I									
Eastern Europe	11.8	-3.1	-1.5	-5.0	-5.5	.5	.3	7.6	4.2
I									
Oil prices									
I									
OECD import prices, % change	.	.	-3.5	-5.5	-46.9	20.3	-14.2	13.8	3.0
I									
level \$/barrel	.	29.0	28.0	26.4	14.0	16.9	14.5	16.5	17.0

1) Forecasts and plans; - 2) GDP deflator of OECD countries on \$-basis. 3) Index of consumer prices of OECD countries. -
4) GATT; forecast: IMF; on \$-basis. - 5) Special drawing right.

Table 4

Trade balances in East-West-Trade

in \$ bn

	I	1983	1984	1985	1986	1987	1988 1)	1989 1)	1990 1)
A West with CMEA	I								
	I								
I Basis fob (exports) - cif (imports)									
	I								
CMEA	I	-4.4	-8.0	-4.9	-1.6	-4.4	-.6	-1.1	-.8
USSR	I	-2.5	-4.0	-2.1	.2	-2.3	1.6	1.6	2.0
Eastern Europe	I	-1.9	-4.0	-2.8	-1.8	-2.1	-2.2	-2.7	-2.8
	I								
II Basis fob - fob 2)	I								
	I								
CMEA	I	-2.1	-5.5	-2.6	.7	-1.9	2.0	1.9	2.4
USSR	I	-1.0	-2.5	-.7	1.5	-.9	3.0	3.2	3.7
Eastern Europe	I	-1.0	-3.0	-1.9	-.8	-1.0	-1.0	-1.3	-1.3
	I								
B CMEA with the West 3)									
	I								
CMEA	I	4.5	6.3	1.5	-3.3	1.1	-.7	.	.
USSR	I	1.2	2.1	-.8	-3.8	.5	-2.3	.	.
Eastern Europe	I	3.3	4.2	2.3	.5	.6	1.6	.	.
	I								
C Inner-German trade	I								
	I	.0	-.5	.1	.3	.4	.2	.	.

1) Forecast. - 2) Imports adjusted to fob values by factor 0.94. - 3) According to CMEA statistics.

Source: OECD (yearly data); national statistics of CMEA countries; Central Statistical Office Wiesbaden.

Table 5

OECD exports to Eastern countries by commodity groups

	1985	1987		1986		1987		1987		1987		1987	
		East	Structure in % East	USSR East.Eur.	East	Annual change in % East	USSR East.Eur.	East	USSR East.Eur. for W.1) for W.E.2)	East	East	Significance in %	East
Food	18.1	9.9	13.1	6.1	-33.9	-10.2	-7.9	-15.7	3.1	2.3			
Cereals	14.0	6.2	9.3	2.6	-43.6	-14.5	-15.1	-11.9	9.6	6.4			
Crude materials	5.3	4.1	2.5	6.0	15.0	-27.8	-54.6	1.1	2.0	3.1			
Mineral fuels	2.3	1.4	.8	2.2	-19.7	-14.7	-17.3	-13.4	.8	.7			
Chemicals	13.9	16.9	14.6	19.6	9.6	20.7	25.3	16.9	3.5	4.0			
Manufactured goods	24.4	25.7	30.7	19.9	5.8	8.3	7.6	9.6	3.4	3.7			
Paper	2.6	2.7	3.5	1.7	5.6	5.1	-0	20.6	2.5	3.3			
Textile yarn	3.6	4.2	2.6	6.2	12.4	12.0	4.3	16.2	3.1	3.5			
Iron and steel	12.7	12.2	19.0	4.0	.2	4.2	6.1	-5.6	7.4	7.7			
Manufactures of metal	1.9	2.6	2.7	2.6	28.5	18.3	27.1	8.9	2.5	2.9			
Machinery, transport equip.	26.3	32.3	29.2	36.1	31.6	1.7	-10.7	17.3	1.7	2.6			
Machinery for industries 3)	6.4	8.8	7.5	10.3	47.4	.9	-15.5	21.0	4.3	5.3			
Metal working machinery	2.8	4.0	3.9	4.1	34.1	18.4	9.0	31.1	7.9	10.5			
Other industrial mach. 4)	6.0	7.4	6.2	8.8	29.2	3.3	-9.5	16.9	3.7	4.6			
Aircraft, ships	2.7	1.7	2.5	.8	20.3	-41.7	-43.4	-34.8	1.3	2.6			
Consumer goods	6.5	7.0	6.8	7.3	16.1	1.0	-8.7	14.5	1.4	1.7			
Clothing	1.4	1.2	1.3	1.1	6.9	-12.3	-23.2	9.7	1.4	1.5			
Scientific instruments	2.0	2.5	2.3	2.8	27.5	10.0	4.5	16.0	2.8	3.8			
Total	100.0	100.0	100.0	100.0	5.8	2.8	-2.9	10.5	2.2	2.8			

Source: UNO-World trade databank, SITC rev.2. - 1) Share of the East in total exports of the OECD. - 2) Share of the East in total exports of Western Europe. - 3) Paper mill machinery, printing machinery, agricultural machinery and others. - 4) Cooling equipment, pumps, parts of machinery and others.

Table 6

OECD imports from Eastern countries by commodity groups

	1985		1987		1987		1987		1987		1987	
	East	East	USSR East.Eur.	East	East	USSR East.Eur.	East	East	USSR East.Eur.	West 1) West.E.2)	in	in
	Structure in %		Annual change in %		Dynamics		Market share		in %		in	
	East	East	USSR East.Eur.	East	East	USSR East.Eur.	West 1) West.E.2)	in	in	in	in	in
Food	5.1	6.7	1.6	12.7	16.4	23.1	24.8	22.9	1.9	2.1	1.9	2.1
Meat	1.8	2.1	.0	4.6	7.8	18.4	-48.9	19.0	4.3	4.9	4.3	4.9
Crude materials	7.8	10.2	11.8	8.3	22.5	15.1	21.8	5.5	4.1	5.5	4.1	5.5
Wood	3.3	4.8	6.4	3.0	31.0	18.9	23.3	9.3	9.3	15.2	9.3	15.2
Mineral fuels	56.9	42.3	63.6	17.3	-22.4	3.0	3.5	1.0	8.7	14.9	8.7	14.9
Coal, coke	4.1	3.6	2.6	4.7	.2	-5.4	3.3	-10.2	11.5	15.8	11.5	15.8
Oil	15.2	12.1	22.2	.2	-40.1	42.7	43.7	-28.0	4.6	9.0	4.6	9.0
Oil products	26.6	18.7	24.4	12.0	-33.9	14.1	16.9	7.9	14.2	21.6	14.2	21.6
Gas 3)	10.0	6.9	13.4	.2	27.3	-42.3	-42.7	-15.5	8.1	14.1	8.1	14.1
Chemicals	6.9	7.0	4.9	9.5	5.1	4.1	3.4	4.5	2.0	2.3	2.0	2.3
Manufactured goods	10.6	15.5	10.6	21.1	31.9	18.9	33.8	11.6	2.3	2.6	2.3	2.6
Iron and steel	2.9	3.7	1.3	6.4	24.2	9.0	28.2	5.3	3.2	3.6	3.2	3.6
Non-ferrous metals	2.7	4.5	5.3	3.5	28.8	36.6	55.4	12.8	4.9	4.7	4.9	4.7
Machinery, transport equip.	5.0	7.1	3.6	11.1	40.8	8.8	2.2	11.5	.5	.8	.5	.8
Motor cars	1.3	2.0	2.0	2.1	34.9	26.8	45.0	11.2	.4	.8	.4	.8
Consumer goods	5.8	8.6	.6	18.0	29.2	22.7	45.5	22.0	1.5	2.2	1.5	2.2
Furniture	1.3	2.1	.1	4.3	33.3	28.2	21.3	28.4	4.8	6.6	4.8	6.6
Clothing	2.6	4.0	.0	8.5	31.1	24.0	103.7	23.9	2.3	3.3	2.3	3.3
Total	100.0	100.0	100.0	100.0	-1.3	9.1	7.1	11.4	2.3	3.3	2.3	3.3

Source: UNO-World trade databank, SITC rev.2. - 1) Share of the East in total imports of the OECD. - 2) Share of the East in total imports of Western Europe. - 3) Shares including not reported imports of natural gas from USSR to FRG.

East-West-Trade 1980 - 1990
Volumes and Terms of Trade
 1980=100

