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## New approach to east-west cooperation

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# New Approach to East-West Cooperation

**E**ven though the meetings of the mixed economic commissions set up under the inter-governmental economic and technical cooperation agreements are by now a matter of routine, they still attract fresh attention every time they are held. The reason may be that in spite of all the efforts made only a few hundred concrete cooperation projects have so far been effected by western firms with socialist enterprises, and so each new meeting is looked forward to as the harbinger of the great break-through to genuine production cooperation. If the pattern of East-West cooperation projects in which German firms participate applies to all East-West cooperation, the overwhelming majority of all projects are concerned with licensing and commission-processing transactions and technical-scientific cooperation while a small proportion only refer to coproduction and similar forms of cooperation.

It is on this coproduction which creates a close link between partner firms in East and West, that the industrialised countries of the West base their hope for positive repercussions on progress in the traditional East-West trade over the medium term. While barter deals and substantial credits have been shown to be of little avail in overcoming the obstacles which impeded the East-West trade in the past, inter-systemary cooperation in manifold forms is indeed a suitable means of bringing a positive influence to bear on such obstructive production and trade patterns by virtue of the technology transfer inherent in cooperation, and of gradually overcoming the currency bottleneck and dearth of capital in the socialist countries.

Two significant features have emerged in East-West cooperation as practised hitherto and are most likely to be even more characteristic of future practice: one, many cooperation projects are inherently barter deals, which — though mostly of quite a different quality — have been unpopular with the western side in the traditional East-West business; the other one is that many cooperation projects are only possible to match with credits. This is an important fact calling for further consideration.

The terms of the credits at the disposal of the western partner will attain increasing importance for the conclusion of cooperation transactions. The EC Commission in particular is no doubt fully

aware of what this means. It therefore urges that consultations be held, at least in the credit sector, so as to minimise the economic disadvantages which must befall the EC if competitors outbid each other.

So far it cannot be said that the individual countries are coordinating their actions in any way although it is obvious that no country can profit from acting alone, e.g. in regard to rates of interest and terms of credits, unless it can make sure that the general economic advantages of cooperation will be of primary benefit to itself. But on this point there is, over the medium or longer term, no certainty. Such improvements in the pattern of trade with socialist countries relating to the various categories of goods as may be attributed to cooperation will unquestionably not be of sole benefit to the cooperation partner who has shown himself to be most "generous" in the past. Even in the case of projects which are encouraged on national economic grounds connected with the safeguarding of raw materials the positive effects will not be confined to the direct cooperation partner.

Given the present conditions in the EC, it would be utopian to believe that the individual countries might espouse a common cooperation policy in the near future — in disregard of short-term national advantages — for the sake of common future advantages. It must be feared that an uncoordinated cooperation policy will over the longer term disadvantage the EC countries, which are today still favourably placed in regard to East-West exchanges, because the — individually strong — economic blocs of the USA and Japan will very soon set about buttressing their positions in East-West economic relations.

That there is so little "cooperation propensity" among western countries at present is the basic cause propelling each individually to independent action on "East-West cooperation". A country like the Federal Republic of Germany, which ranks first among western economic partners of the socialist countries of Eastern Europe, could so far take a hard line on subsidised credit. But how much longer can it go on in this manner if the competition in the eastern market, the economic position at home and the supply situation for raw materials grow more and more critical?

*Klaus Bolz*