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A Poor Result

Discussions during the Conference on Security and Cooperation in Europe were dominated by the political principles of inter-government relations in Europe and greater permeability of East/West frontiers for both people and information. These subjects have largely overshadowed the fact that economic and industrial cooperation had also been chosen as a major theme of the debate. Has there been progress in this so-called "Second Basket" justifying the enormous effort?

The most contentious item of the agenda relating to economic problems was the question of most-favoured nation treatment. The Eastern camp, and particularly the Soviet Union, called for a formal declaration of the Western nations in this matter. Western governments, especially those of EC members, rejected this demand, because this would have meant the satisfaction of an important claim without an adequate *quid pro quo*. And indeed, since the most-favoured nation treatment was designed for operation in free markets, the systemic differences between East and West will set up difficulties: For countries operating their economies on market principles, customs tariffs are one of the few tools of trade policy, while centrally-administered economies, on principle, manage and manipulate their foreign trade. Granting most-favoured nation treatment, therefore, would have been of different significance on either side. And none of the Eastern governments wanted to commit itself to the GATT principle of mutuality and equivalence of all trade concessions.

In order not to let negotiations founder completely, a non-committal resolution was adopted in the end stating: "The participating states recognize the beneficial effects which can result from the application of most-favoured nation treatment", that cannot possibly lead to expectations of direct and practical effects for the participating states.

But even the formal commitment to granting most-favoured nation treatment, at least by the EC members, would have caused scant changes in the exchange of goods as it is practised today, since East European countries already enjoy such treatment *de facto*.

As far as they have joined GATT (Poland, Czechoslovakia, Hungary, and Rumania), this advantage is theirs even *de jure*. And even *vis-à-vis* Eastern non-member countries, including the Soviet Union,

the German Democratic Republic, and Bulgaria, the EC – in commercial relations the legal successor of individual member governments – permits its members to continue past treatment of their Eastern partners after the lapse of bilateral trade treaties which had granted most-favoured nation treatment. This leads to the conclusion that Soviet pressure for a *de jure* proclamation is based on their fear lest they lose this advantage in case of a deteriorating political climate – not a very realistic supposition in view of the strong interest of all EC members in the continuity of trade relations with the economies of Eastern Europe. The Soviet efforts in this direction rather had as their real aim the US, which had tied the grant of most-favoured nation treatment to free emigration of Jewish subjects of Moscow, through the so-called "Jackson Amendment".

Among other results of economic negotiations were statements of intent on quicker and fuller exchanges of information, on the permission of advertising and marketing, the establishment of depots and servicing networks, the improvement of working conditions for companies' foreign representatives, on the avoidance of sudden fluctuations in trade flows, better protection of foreign assets of companies, on the admission of more medium-sized and small firms to economic cooperation, on the establishment of mixed, binational companies, easier capital and profit transfers, and on the prospect of concluding double-taxation agreements.

At first sight an impressive list, especially as many of the agreed statements speak a far more concrete and practical language than those concluded in other fields. Among the more important causes of such realism may have been the fact that mutual interests of the two camps were more evenly balanced over a wide scope than in the two other "baskets". Nonetheless, it must not be ignored that even here, what has been agreed upon are mere declarations of intent. Even the most generous interpretation of the texts cannot make more of them than waysigns from which a lot of good will and mutually-agreed interests might fashion something useful by practical, everyday economic work. After negotiations that have lasted nearly two years, this seems a rather poor result.

Claus Hamann