

Bolz, Klaus

Article — Digitized Version

Limits to growth in East-West trade

Intereconomics

Suggested Citation: Bolz, Klaus (1976) : Limits to growth in East-West trade, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 11, Iss. 6, pp. 155-, <https://doi.org/10.1007/BF02928957>

This Version is available at:

<https://hdl.handle.net/10419/139376>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Limits to Growth in East-West Trade

However reluctant the individual socialist countries of Eastern Europe are to publish meaningful details about their plans for the development of foreign trade, the available data are nevertheless sufficient to conclude from them that in the five-year plan which runs till 1980 all these countries again expect foreign trade to play a significant part. It is reasonable to assume that, as in the past, trade with their capitalist partners, mainly because it produces so many technological spin-offs, will once more occupy a prominent place in the planning dispositions of the COMECON-countries. However, the socialist countries began the new five-year plan already burdened with debts which, according to American estimates, by the end of 1975 had grown to US \$ 32 bn. In the circumstances, it seems doubtful whether it will be possible for the trade between East and West to go on growing at something like the same rates as in recent years. Since, in the opinion of experts, a closing of the gap between Eastern Europe's imports and exports cannot be expected in the foreseeable future, the fulfilment of the socialist countries' ambitious aims presupposes on the part of the Western countries a willingness to make available credits on a scale never before granted.

Nevertheless, during the first stages of their new five-year plan the socialist countries will probably still be able to import from the West most of what they need; for a few years they — and the Soviet Union more than any other — will still benefit from the fact that the Western countries have still not been able to agree among themselves on a common — and efficient — credit policy. True, only recently the big EC countries, Japan and the US managed to conclude a "gentlemen's agreement" to the effect that they would harmonize their export credit terms in their trade relations with third countries. In the absence of sufficient information on the details of the agreement, its effectiveness especially in deals with the socialist countries cannot yet be evaluated. But failure to agree within the EC on a uniform credit policy vis-à-vis the state trading countries would seem to indicate that individual countries in the European Community are still not quite ready to tie themselves down to any cast-iron agreement. Even if one day the agreement reached by Eastern Europe's most important trading partners should work and possibly restrict credit to certain limits, in the short run it will not adversely affect the financing of exports to Eastern Europe.

The credit volume already conceded to the East European countries before the becoming effective of the agreement is sufficient to finance a further expansion of exports to the East, at least in the years 1976, 1977 and, possibly, 1978. Thus Eastern European states — and the Soviet Union in particular — have at their disposal not only credit lines which are linked to particular deliveries, but they are also able to call on additional credit lines amounting to billions of dollars, granted them by the governments of some of the states. Besides, there are reports of East-West deals having been signed for deliveries right up to 1980, and these are also said to be running into billions of dollars. After all, these exports should also be covered by proper financial arrangements. It is said for instance that the West German economy alone has on its books orders to the tune of some DM 12 bn. Last, but not least, there is the Euro-Dollar Market, which is sure to remain for some time yet at the more or less unrestrained disposal of the East for the funding of large-scale imports from the West.

In the long run, however, prospects are less rosy. For some time already there have been sure signs that private banks have become more reluctant to run the risk involved in granting large-scale credits to the East, and it will not be long before East European borrowers will feel a growing reluctance among lenders on the Euro-Dollar Market as well to take risks. The financing of trade-balance deficits between East and West will therefore in future depend to an even greater extent on the willingness of individual countries either to make available straight government credits or to provide a 100 p.c. insurance cover for credits granted by private industry. Where individual countries will set their limits for government credits to finance trade deals with the East or to what level they are willing to increase their export credit guarantees cannot yet be made out. But as the economic situation of the Western World improves and unemployment decreases, it should become more and more difficult for governments politically to justify to their own nationals the financial aid given for exports to the East.

As the seventies draw to a close, new methods of financing will have to be devised if the trade with the East is to take a stable development or else there will be hardly any further increase.

Klaus Bolz