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## Missile Deployment Unlikely to Impair East-West Trade

The ardently voiced public debate on the pros and cons of deploying medium-range missiles in Western Europe has repeatedly raised the question of the consequences for East-West economic relations.

One thing would seem certain: the western countries will basically stick to their previous trade policies towards the Eastern bloc countries after deployment. The USA will continue to take a tough line; indeed, it may well correspond to American logic to pursue its restrictive policies even more adamantly in connection with deployment in order to protect its security interests. However, as the USA has only a minute share of the non-agricultural exports of western industrialised countries to Eastern Europe and the USSR, its aim of cutting off deliveries to the socialist countries of technologically relevant goods can only be achieved if the Western European countries meet American demands to drastically extend existing embargo lists. The recent discussion of the amendment to the Export Administration Act has once more shown that the American Administration is bent on pushing through its policies by all means – if need be, by pressurising its European allies. This amendment, which also provides for American sanctions against European firms if individual countries back down from the American “control list”, would mean an extra-territorial application of American export control policy. In pursuance of their own interests, European countries have up to now been able to resist such attempts by the USA to make them adopt restrictive foreign trade and lending policies towards Eastern bloc countries lock, stock and barrel. Even after deployment, harmonisation of the West’s trade policies towards the Eastern bloc is still a long way off.

Although Western European governments may well be resolutely committed to deployment, they would like to view this move as an isolated measure necessitated by security interests, i.e. they wish to avoid anything which might put further strain on the relations to the Eastern European countries and the Soviet Union. They would prefer – probably precisely because of missile deployment – to see a deepening of relations, particularly in the economic field. This sector is still regarded as an instrument of political détente between the two blocs.

The post-deployment course of East-West economic relations – breaking-off, freeze or reorientation – will therefore primarily depend on the behaviour of the socialist countries, above all of the Soviet Union with its more than 50 % share of Eastern bloc trade with the West. Up until a few weeks ago there has been no lack of threats from Moscow and East Berlin with regard to the economic consequences. Soviet scientific experts also repeatedly stated that the West could not assume that East-West trade would stay as it was before deployment. Perhaps the Soviet leaders were not yet quite clear about their reaction to deployment; perhaps the Western Europeans were to be made to feel insecure during the run-up period to deployment. Whichever the case, the threats were all worded in rather general terms. This could be taken as an indication that the Soviet Union would not take rash and careless decisions on an issue so vital to its own interests in particular and to East-West relations in general. This supposition was supported by the fact that the Soviet Union regarded economic relations as a part of its proclaimed policy of détente. As regards the economic relations between the Soviet Union and the Federal Republic of Germany, the Soviet leadership has meanwhile declared for their continuation and intensification.

The Soviet Union is untiring in its efforts to make it clear that anti-Soviet economic sanctions would be of no avail and are on the whole unsuitable political instruments. This opinion is shared by wide circles in the Western European countries. If the Soviet Union itself were to resort to economic sanctions against the West, it would have to face the question of whether the objections raised only apply in one direction. The socialist countries will not be so unrealistic as to believe that they could take influence on the deployment issue via economic sanctions; for in the final analysis, a serious security policy cannot be a matter of a little more or a little less trade! However, if the political goal proper cannot be attained, the only goal left would be to punish the western industrialised countries.

Although trade with the Eastern bloc has gained appreciable publicity in the West, wide sections of the population regarding its continuation as expressly desirable, it is only of marginal importance to the total foreign trade of each of the western countries involved. Even during its "boom" period (1975) exports (imports) to (from) the Eastern bloc only accounted for 5.4 % (4 %) of total EC exports (imports); in the meantime (1981), the share of exports to the Eastern bloc countries has in fact dropped to 3.6 %, whilst imports have stabilised at 4.2 %, the latter, however, being due only to the increases in the price of Soviet oil. Trade links between the East and the West have shown a declining tendency. The economies of western countries affected could therefore certainly cope with economic sanctions. Those individual firms and sectors hit noticeably by such sanctions would have to receive temporary state assistance until a successful market reorientation has taken place. The energy sector, which appears particularly sensitive, would hardly run into any serious difficulties, since its procurement policies have long been orientated towards diversification.

The marginal significance of trade with the Eastern bloc is also reflected in its employment effects. The number of persons in the Federal Republic of Germany whose jobs depend on East-West trade is not – as claimed by the Soviet Union a few years ago – 500,000 but probably less than half this figure.

Furthermore, an assessment of the effects of a sanctions policy by Eastern bloc countries would have to relate to even lower foreign trade shares and employment figures, since relevant sections of East-West trade are based on long-term contractual agreements. Previous experience has shown that the Eastern bloc countries strictly observe the fulfilment of such contracts and would not include them in short-term sanctions.

Neither Moscow nor any other Eastern European capital would be so blind as to fail to realise that the breaking-off of economic relations with the West would ultimately harm its own interests. After all, trade with the West accounts for approximately 30 % of total external trade by CMEA countries. Given the unfavourable quantitative and structural general economic conditions in the CMEA countries such a loss in trade could certainly only be replaced to a limited degree by an intensification of intra-CMEA trade. The disadvantages would be unevenly distributed, with the smaller CMEA countries being far more seriously affected than the Soviet Union. Although a lack of trade with the West would not necessarily rock the foundations of the Eastern bloc economies, various lines of production would suffer considerably. A termination of business dealings with the West would turn many of the investments carried out in all CMEA countries, including the Soviet Union, over the past few years into misinvestments. What is more, the socialist states would have to commit a breach of contract on the fulfilment of their credit agreement obligations, a move they are unlikely to make, not least due to the resultant damage to their image in the Third World and elsewhere.

In view of these general considerations, abrupt changes in economic relations between East and West would appear most improbable. Given the futility of attempts to push through political objectives via economic sanctions against the West, the Soviet Union and the other CMEA countries are likely to view the burdens they would face in the event of imposing sanctions on their part as too great. In all probability, trade – as a bridge between East and West – will be impaired only slightly or not at all by missile deployment. The conclusion could therefore be drawn that although East-West trade required a policy of détente to be able to expand during the 70s, it has today become less directly dependent on the political situation and is more strongly orientated towards economic necessities.

*Klaus Bolz*