

# newsfeature

NF/8

December 10, 1974

## EUROPE SPINS THE WHEEL OF DETENTE

The European Community--the Common Market--is rapidly becoming a fact of life for Eastern Europe. By the end of this year, most trading agreements which the nine Common Market nations have with East European countries will expire. After that, Eastern Europe's trade pacts will be negotiated and signed with the Nine as a whole -- that is, with the Common Market.

This month, the European Community (EC) Commission has invited all state-trading countries with expiring pacts to conclude new trade agreements with the Market. They were also given an EC Council of Ministers' outline of what the accords would look like.

Eastern Europe, especially the Soviet Union, has been reluctant to deal with the Common Market as such, preferring to deal with the EC countries individually. No East European embassies are, as yet, accredited to the Common Market's headquarters in Brussels. Informal contacts have been increasing in recent years, however.

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**European Community**

A significant shift in the Soviet position occurred this fall when Commission President Francois-Xavier Ortoli was invited to visit the Moscow headquarters of the Council for Mutual Economic Assistance (Comecon).

The Commission has replied, accepting in principle the invitation to have exploratory talks and suggesting that a meeting at official levels be prepared.

Heretofore, Comecon has not played any role in the external trade dealings of its members (the Soviet bloc, Cuba, and Mongolia, with Yugoslavia as an observer). A loosely knit version of the Common Market, Comecon promotes economic planning and cooperation among its members. Unlike the Market, it has no supranational character, as do EC institutions, nor does it act as an East Bloc spokesman on trade or economic matters.

Any Common Market ties with Comecon would complement relations with the East European nations. They might lead to the setting up of information exchanges covering, for instance, the short-term economic situation, statistics, norms, and standards.

Eastern Europe's willingness to strengthen relations with the Market stems from its desire to raise its standard of living and economy to Western levels. Seeking to bridge the technological gap, several Eastern countries have signed cooperation agreements with EC countries to intensify the influx of capital goods and scientific, technical, or economic know-how.

Europe has long had a foot in the door of detente -- through rapid trade expansion. Between 1958 and 1972, trade between the Common Market and Eastern Europe quintupled. In 1973, total EC trade with Eastern Europe reached \$12.9 billion, nearly six times US-East Bloc trade (\$2.3 billion). That year, the Common Market sent over \$8 billion in exports to Eastern Europe while bringing in more than \$7.5 billion in East European goods. Nearly 7.5 per cent of the Market's external trade is with East Europe.

Europe is liberalizing its quotas on East European imports, notably textiles. Out of over a thousand tariff headings, the largest number of quotas on Eastern European goods imported by any Market country is about 200. Some West European countries have only about 50 remaining quotas. Eventually, all quotas will be ended.

Common Market trade with the East Bloc follows the pattern of that between industrialized and developing countries. Market exports to the East Bloc consist mainly of investment goods, machines, textile products, and high-value consumer goods, such as cars. From the Bloc, it brings in farm products, semi-finished goods, some steel products, and raw materials such as copper.

The Common Market already has had dealings with Poland, Czechoslovakia, Hungary, and Romania -- within the General Agreement on Tariffs and Trade (GATT). Romania has also been included in the Common Market's generalized preference program.

The Community recipe for future pacts with Eastern Europe was outlined this month by the Council of Ministers. It calls for long term non-preferential accords. They will be based on reciprocal arrangements -- providing equal advantages and obligations. Each would be tailored to the trading structure of the relevant country and provide mechanisms for handling individual trade problems. The Community foresees granting most-favored-nation treatment of tariffs.

Although the Common Market will now handle all trade pacts with Eastern Europe for the Nine, cooperation agreements are still up to the national governments. In the future, however, these too could take on a Community dimension. The Nine have agreed to exchange information as well as consult on an EC level before signing any such agreements, and about the details of their year by year implementation.