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Common efforts to be made by Western Europe to promote normal trade relations with the East

Report
Committee on Economic Affairs and Development
Rapporteur: Mr Hellmut KALBITZER, Germany

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1. The work of the Committee on Economic Questions on East-West Trade is based on the factual and up-to-date memorandum compiled by the Secretariat-General, which has been distributed to the Representatives of the Assembly as Document SG/Ą (54) 3. In the course of a first discussion in the Committee on this subject a number of questions and issues were raised, which will be briefly mentioned hereafter ; tho list must, of course, not be regarded as exhaustive.

2. The note prepared by the Secretariat-General lays due emphasis on the joint efforts of Western and Eastern European Governments within the Economic Commission for Europe, and of the Commission itself, to reduce obstacles to trade across the Iron Curtain. The Committee notes with satisfaction the belief expressed by the Executive Secretary of the Commission after the second East-West Trade Consultation in Geneva, which finished three weeks ago, that " it would appear reasonable to expect an increase in trade during the next twelve months, and also developments which will permit this trade to continue to expand and to become more stable in the longer run ".

3. However, such co-ordination of efforts between the Western countries alone as exists at present is mainly negative in character, being confined to the embargo on strategic goods. But can the embargo be considered as a strategic advantage for the West of a lasting character, or was it, in fact,, only useful during the circumstances prevailing when it was first introduced ? Has the embargo not now lost its value as a result of the changes in Russian policy, and is all that is left of it just a policy of pinpricks, which is scarcely calculated to diminish tension ?

4. Whereas there seems to be a certain agreement in the West as to the desirability of relaxing controls in trade with Soviet Russia and her satellites, there exists at the same time a tendency to maintain the embargo on sales to China. The question must be put whether this situation implies a risk that China will be increasingly dependent on Russia instead of being given the possibility of trading freely both with West and East.

5. We have been told repeatedly by Soviet Russia that she is in favour of an increase in trade with our countries. It is up to her to give a clear indication of her intentions and to show in practical action that she is ready to contribute to the achievement of that aim. For example :

she should offer such goods to us as we need and which can be considered as being equivalent to those we sell to her ;

she should show what might be called political reliability in trade, i. e. she should offer guaranteees to deliver goods which have been contracted for, even in the event of a deteriorating political situation ;

she must once and for all put a stop to the compulsory extraction of goods by right of occupation, as experienced even today in Austria, this being quite contrary to accepted principles of trading. Thus since 1948 Soviet Russia has extracted goods from Austria worth 92 million dollars annually, this levy

allowing for no compensation or even remuneration. It should be noted that before the war both imports and exports represented a higher proportion of the total trade of Austria than of any Member State of the Council of Europe.

6. However great our desire to expand trade with the East, Ave should have no illusions about what it is possible to achieve. It appears as if the limited export capacity of the Eastern countries will at an early stage impose an upper limit to trade across the Iron Curtain, at least in the present conditions of economic development in the East. It is most unlikely that the exports of the Western countries to the East will be based on long-term credits unless the political confidence between the Western and Eastern blocs is restored.

7. We must be aware of the fact that when trading with Eastern countries we are in an " inferior " position because their foreign trade is " organized ". To generalise, the whole Eastern bloc must be regarded as one closed unit as far as economic policy, including trade, is concerned ; in contrast, the countries of Western Europe trade individually with those of Eastern Europe, and within each country there is competition between individual firms. Such coordination as takes place among the majority of the Member countries is of a negative character, i. e. concerns restrictions on trade. What the Committee on Economic Questions requests is positive action ; common efforts between us, not to restrict, but to promote, trade.

8. The Committee on Economic Qüestions intends to pnt forward definite proposals to this end in its final Report, which will be presented at the Second Part of this Session. In that Re port the number of questions enumerated above will also be more fully examined and discussed in the light of the Assembly's preliminary deliberations on Saturday, 29th May, 1954. The Committee is of the opinion that the Special Committee to watch over the interests of European nations not represented in the Council of Europe should be asked to submit its views on the Pinal Report to the Assembly.