TENDENCIES OF THE INTERNATIONAL ECONOMY AND THE RELATIONSHIP BETWEEN ITALY AND HUNGARY

Istituto Affari Internazionali
Institute for World Economics
Roma, 12-13/XI/1985

a. Programme
b. List of participants
1. "World economic growth and East-West economic cooperation in the eighties"/ Béla Kádár
2. "The economic relations between the EEC and the CMEA: a survey of problems and prospects"/ Sheila A. Chapman
3. "Methodology and policy issues in the projection of world economic changes: a Hungarian experience"/ Mihály Simai
4. "Hungarian-Italian economic relations in the early-1980s"/ Jenó Hámori
5. "The adaptation of agricultural production to international division of labour: commnts"/ Ottone Ferro
6. "L'adattamento della produzione agricola alla divisione internazionale del lavoro: alcune considerazioni"/ Ottone Ferro
7. "Some topical questions of Hungarian-Italian economic relations"/ Éva Szita
8. "Political and economic factors affecting East-West cooperation in Europe: a mid-1985 evaluation"/ Roberto Aliboni (vedi DOCIAI8537)
9. "Limited cooperation in money and trade and international political economy"/ Paolo Guerrieri, Pier Carlo Padoan (vedi DOCIAI8536)

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PROGRAMME

ISTITUTO AFFARI INTERNAZIONALI - ROME

ISTITUTE FOR WORLD ECONOMICS OF THE HUNGARIAN ACADEMY OF SCIENCES - BUDAPEST

Rome, 12-13 November 1985

Seminar on "Tendencies of the International Economy and the relationship between Italy and Hungary"

Tuesday, 12 November

10.30-13.00	General survey
	Lunch
15.00-16.30	The tendencies of the international economy and their impact on East-West cooperation (B. Kadar, S. Chapman)
	Coffee break
17.00-18.30	The regional factors influencing East-West cooperation (N. Loson, R. Aliboni & S. Silvestri)

Wednesday, 13 November

9.30-11.00	The methodology of international political economy (M. Simai, P.C. Padoan)
	Coffee break
11.30-13.00	The positions of Italy and Hungary in the international economy: common problems and the possibility of cooperation (I. Amori, O. Ferro)

(b)

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LIST OF PARTICIPANTS

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World economic growth and East-West economic cooperation in the eighties

by Dr. Béla Kádár

The new longer term stage in international economic-political--social evolution which unfolded in the seventies modified on a wide range not only the external conditions for the growth of some countries and country groups, but also trends in international economic cooperation, including East-West economic cooperation. The East-West economic relations were influenced also by worldwide changes in the spheres of domestic-, foreign- and military policies /e.g. changes in the scale of economic-social values, in power relations, in Soviet-American relations, etc./. This lecture intends to sketch down the characteristic trends which could be observed so far in the East-West relations of the eighties, and then those elements in the world economic situation which are judged to be most important in their influence on East-West cooperation.

I. Evolution of East-West economic relations, their dynamic, general trends and relative importance

1. The international economic and political processes which unfolded in the past decade had in toto and in the longer run an unfavourable influence on the dynamic of economic relations between the European CMEA countries and

the OECD countries. With strong fluctuations from country to country and from year to year, as a general trend, the expansion of East-West relations that had unfolded in the first half of the seventies, came to a standstill. In the second half of the seventies, the volume of the exports of the CMEA countries to the OECD countries still rose in the average by an annual 6 percent, and their imports by 7 percent, but in the average of the years 1980-83 the volume of their exports stagnated and that of their imports rose by but 2.2 percent.x/ In value, the imports of the CMEA countries fell between 1981 and 1984 by an average 2.4 percent annually, while their exports rose by 3.4 percent. Within the upswing of world trade in 1984, the value of the trade of the OECD countries rose by a round 8 percent, while that of East-West trade stagnated in essence /-0.5 percent/. At the beginning of the eighties trade between the two groups of countries expanded at a slower pace than the world average. In the average of the first half of the seventies. East-West relations still represented a round 3 percent of world trade, in the average of 1980-82 2.4 percent, and in 1983 already as little as 2.2 percent. Of course, this order of magnitude cannot influence world economic processes in merit, but also owing to reasons of the order of magnitude it reacts sensitively to world economic changes. Between 1977 and 1984 the share of the CMEA countries fell in in the exports of the OECD countries from 5.2 percent to

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x/ Source: Un Economic Bulletin for Europe, 1983, 1984.

4 percent, and in their imports from 3.6 percent to 3.5 percent, including intra-German trade.[x/] However, within the falling relative importance of total East-West trade, the importance of the Soviet market has remained unchanged on the export side and has been increasing on the import side, while the share of the small CMEA countries dropped from 2.8 percent to 1.8 percent in western exports and from 2 percent to 1.5 percent in western imports. With the exception of the GDR, the loss of markets has been considerable in the case of all small CMEA countries, but especially by Poland and Romania.

2. In the long run, the purchases of the CMEA countries expanded faster in East-West trade than their sales. However, the emerging tensions of imbalance caused by the indebtedness induced the CMEA countries to restrict imports vigorously, and the effect of this on improving the equilibrium - at a rapid rate which has caused surprise internationally too - can be felt since 1982.

The balance of trade between the two groups of countries showed in the period 1975-79 an accumulated CMEA deficit of 31 billion dollars, in 1980-81 the deficit diminished to 2.7 billion dollars, and then in 1982 the CMEA countries achieved a sufficit of 1 billion dollars, in 1983 of 2.3 billion and in 1984 of 7.8 billion dollars.

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x/ Source: ECE Economic Bulletin, 1983., 1984. pp. 62.

3. East-West financial cooperation has changed radically in its trend since the beginning of the eighties, and has contracted in volume. Calculated at current exchange rates, within relations between the banks, in the average of the years 1976-1978 still 5.6 billion dollars annually, and in the average of the years 1979-1981 2.9 villion dollars of net external financial resources flew to the European CMEA countries, making imports exceeding exports and the servicing of debts possible. Owing to the tensions which have accumulated in the international monetary system, to the sharpening of the foreign exchange problems of some CMEA countries, and to the appearance of the endeavours of some western countries or financial institutions to introduce a credit embargo, the sum of new credits granted to the CMEA countries became narrowed down, and amounted in 1982 to only 0.7 billion dollars, and in the first half of 1983 even 0.2 billion dollars in total. Some growth occured in the second half of 1983 /0.8 billion dollars/, and the stock of new credits granted in 1984 also amounted to approximately 1 billion dollars. The extent of the withdrawal of western deposits that had been placed in CMEA banks was also considerable. Thus, instead external resources becoming available, in 1982 approximately 6.6 billion, in 1983 4.2 billion, and in the first half of 1984 3.0 billion dollars[x/] worth of financial resources flew out of the CMEA countries within the framework of East-West financial transfers. As may be seen, at the beginning of the eighties a decade long stage in East-West economic cooperation came to an end, in which the

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x/ Source: ECE Economic Bulletin, 1983., 1984. p.86.

CMEA countries were able to draw on substantial external resources in the form of loan capital, and the order of magnitude and dynamic of imports could become divorced from those of exports.

4. One of the basic features of the product pattern of East-West trade is that the relations do not bear the marks of the structure of trade of industrialized countries among each other but those of trade between industrially developed and less developed countries. Compared to the level of development that the CMEA countries have already reached /and by international comparison/ the share of industrial products in exports is low and essentially unchanged. Although in the small CMEA countries the share of industrial products has risen since the beginning of the seventies from 54 percent to 58 percent, in the case of the Soviet union representing the largest share of trade it has fallen from 26 percent to 12 percent. The share of primary energies in Soviet exports amounted to 43 percent in the average of the years 1971-76, to 59 percent in the average of the years 1976-80, and in 1982 already to 78 percent.

a/ One fifth of the industrial exports of the CMEA countries consists of metallurgical products, one quarter of chemicals, more than one quarter of light industry products, i.e. they are material-intensive products which are very sensitive to cyclical fluctuations as well as to competition from the new

exporters. In the industrial markets of the OECD countries the relative positions of the CMEA countries improved in the period of 1970 to 1982 in respect of fertilizers, plastics, ships, metallurgical products, textile clothing, while a trend of their being crowded out could be experienced in the OECD market for business machinery, electrical machinery, instruments, machine-tools.

b/ On the import side, in the average of the years 1971-80 the share of machinery and equipment most affecting the general economic, structural and technical progress, as well as competitiveness, still amounted to 33 percent, but in the average of 1981-83 it already dropped under 27 percent in Soviet imports and to 28 percent in the imports of the other European CMEA countries. The share of chemicals fluctuated in Soviet imports around 9 percent in the course of the past decade, but in the small CMEA countries it rose from 14 percent to 18 percent in spite of the large-scale expansion of production which occurred in the past decade. In the western imports of the small CMEA countries the share of raw materials and primary energies remained unchanged at 9 percent in the past decade, while the share of the so-called material-intensive industrial products accounted for 26 percent in the average of the seventies and for 21.0 percent in the average of the years 1980-83. The share of food products rose in the western imports of the Soviet Union from 15 percent to 20 percent, and in the small CMEA countries from 11 percent to 15 percent.

5. The country by country structure of the external economic relations of the various countries and country groups is shaped by a great number of geographic, political and institutional factors beyond the economic-technical determination. From the geographic-historic side the East-West relations are determined by the geographic situation of the European CMEA countries and by their historic embeddedness in the European division of labour. The share of Western Europe in total East-West trade was 87 percent in 1970 and 84 percent in the average of the years 1982-83. The weight of the USA and Canada in total trade rose from 6.0 percent to 8.0 percent /1984: 9.4 percent/, that of Japan from 7.3 percent to 7.5 percent.x/ As may be seen, the eurocentric nature of East-West relations has remained unchanged in the longer term, especially on the import side /on the export side the share of the overseas OECD countries accounted for 28 percent in 1982 and 24 percent in 1983/.

a/ Trade with the countries of the Common Market, which strives for the regional regulation of the economic and external economic processes, is of great importance from the aspect of the system of control and of economic policy. It has an especially great influence on the evolution of the exports of the CMEA countries that - owing partly to its expansion and partly to the effect of other processes - the share of the Common Market member countries amounted in their western imports to 45 percent in 1970, and in 1983 already to 65 percent. In the

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x/ Source: UN ECE Economic Bulletin, 1984. p. 98.

exports of the CMEA countries - and consequently in the development of East-West relations - the nature of relations with the organization and member countries of the West European regional integration has already become decisive in the eighties.

b/ In the period of détente the importance of the two leading world trade powers, the FRG and the USA, has grown forcefully in western deliveries. It was generally the large companies of the leading world trade powers that disposed of the complex skills necessary for the solution of the novel problems occurring in cooperation between capitalist and socialist companies, of a more extensive organizational background, technological transfer capacity, the potential for "sitting out" the longer time needed for transactions, implementation and return, for participation in the investment projects of the CMEA countries. Thus the share of the USA in western deliveries was 6 percent in 1970, 15 percent in 1979, 10 percent in 1980 /the year of Carter's embargo/, and the share of the FRG in the same years was 21 percent, 23 percent and 25 percent respectively.

The deterioration of the international atmosphere after 1979, and on the other hand the slowing down of the large restructuring investments by the CMEA countries - which had put a big demand on technologies and financing - limited also the growth of the role of the leading OECD countries as suppliers. In the average of the years 1981-83 the share of

the USA in western exports dropped to 9 percent, that of the FRG to 22 percent, while Japan's amounted to 12 percent. 43 percent of CMEA imports still originated from the three leading OECD countries, which - from the side of purchases - is a political sensitivity-increasing factor, since it strengthens the political considerations in the choice of parthers, and respectively concentrates the promotional inputs primarily on the CMEA countries which are more important from the political aspect.

The higher than the international average presence of the leading CMEA countries explains also the weight in East-West relations of large corporations with worlwide ramifications. On the basis of their global strategy, the transnational corporations press primarily for cooperation with the Soviet Union, since here the size of the market and the international prestige induced by the market presence counteract the accessory problems of cooperation between companies of countries belonging to different social systems.

The preponderance and strategy of the big companies also contributes to the circumstance that most CMEA countries conduct a more intensive industrial cooperation on the export side too with the leading OECD countries. So for instance, in 1981 20 percent of the total western exports of the CMEA went to the FRG, 5 percent to the USA and 4 percent to Japan. At the same time, 25 percent of the industrial exports of the

small CMEA countries went to the FRG /excluding intra-German trade/, 11 percent to the USA. Among the different CMEA countries, the industrial market share of the FRG was nearly 40 percent in the case of Hungary, more than 30 percent for Poland, 27 percent for Bulgaria, 25 percent for Romania, and the share of the USA 25 percent in the case of Romania, 14 percent for Poland and 7 percent in the case of Hungary.

c/ A similar political sensitivity and rapidly growing concentration can be experienced also on the "eastern" side of trade between the two groups of countries. In the course of the past decade the trade shifted to the benefit of the Soviet Union, which today already represents the bulk of this trade. In 1970 the share of the Soviet Union in the western exports of the CMEA was 37 percent, and in the average of the years 1982-83 it amounted to 60 percent.

6. The changes in the trends of East-West trade indicate a loosening up of the uniformity of the substance of the problems involved, it indicates differentiation. On the western side, the interests and opportunities for manoeuvering of the leading trade powers and of the small neutral countries differ increasingly. The East-West commercial-financial positions of the Soviet Union resemble less and less those of the other CMEA countries. The changes in the international terms of trade had an extremely favourable effect on Soviet trade /according to calculations by the UN Economic Commission for Europe, in

the period of 1975-83 the Soviet terms of trade improved by 40 percent in East-West relations/. Owing to its huge purchasing power and the strategic importance of its export supply the Soviet Union represents an attractive trading partner, and in the short run it is less vulnerable to various economic policy pressures.

On the other hand, the relative positions of the smaller Central European CMEA countries, which earlier represented the backbone of East-West relations, have deteriorated continuously since the mid-seventies due to the unfavourable price changes, indebtedness, and the vulnerability and low dynamic of their export supply.

7. The regression which could be observed in East-West relations at the beginning of the eighties is undoubtedly connected with the slowdown of the rate of economic growth. In the developed OECD countries the gross domestic product rose in the seventies by an average annual 3.3 percent, it stagnated between 1980 and 1983, about. In the small CMEA countries the net material product grew in the seventies by an average annual 5.9 percent, stagnated in 1980-83 /Polish events/, and in the Soviet Union too the growth rate dropped from 5 percent to 3 percent. It is difficult to explain by an growth rate centric approach or the business cycle, why the world economic boom which started in the USA at the end of 1982, cannot be felt more forcefully in

East-West relations. Today it is already widely recognized that by the mid-seventies the quarter century process of world economic growth had arrived at a breaking point. The past decade and the second half of the eighties may be considered the first stage of adjustment to the changed conditions of the new technical-scientific-industrial revolution, the outlines of which become more and more clear. Consequently, changes in the growth rate are far from being the most characteristic for changes in the world economy and the structure of economic growth. East-West cooperation must also adjust to the new world economic environment, and its development so far, and its expected evolution is difficult to analyse without examining the development patterns on an international scale.

II. The changing social-political-economic conditions of world economic development

1. Demographic projections

The demographic trends that can be expected in the second half of the eighties fall in line with the main patterns characterizing the last quarter of the century, including the reduction of the growth rate of the population, the lengthening of the average life span, the strengthening of the regional unevenness of population growth, the increasing proportion of mankind living in the less developed countries. In the period between 1980-90 the share of the world population living in

the OECD countries is to fall from 17 percent to 15 percent, and that in the Soviet Union and the East European countries from 9 percent to 8 percent.

The high rate of population growth and the limits to the population-maintaining capacity of the economy are some of the sources of the social, domestic political, and economic tensions in the developing countries. The demographic trends which can be expected in the eighties in the OECD, and to a lesser extent in the CMEA countries, affect the conditions of economic growth from several aspects:

a/ In the wake of the lengthening of the life span and of the considerable extension of social security also in the seventies, the share of the economically inactive population - and in connection with this the indirectly distributed share of national income - increases.

b/ Owing to the diminution of the birth rates, which began already in the sixties, in the second half of the eighties the increase in the number of new households becomes slowed down in some developed countries and is to stagnate in others, which makes demand - in the case of the traditional industrial products and certain servides - dependent of the rate of replacement, of the increase in value caused by qualitative improvement qualitative.

c/ Within the population of the more developed countries - different from the preceding quarter century - the share of the younger age-groups diminishes, and so does in this context their in certain cases decisive role on the consumer markets.

2. Social and domestic policy framework

It can be experienced all over the world that most societies have difficulties in grappling with the requirements of a new type induced by the epochal change in the world economy, with the historically simultaneous appearance of tensions caused by modifications in the driving forces of progress, their increasingly global nature, the limits to the social-economic absorption of technical progress, the deteriosation of the natural environment and of the mental nygienic condition of the national societies.

One of the historic trends of the third quarter of our century was characterized by the increase of state intervention in the economy, the continuous strengthening of the role of governments, and consequently the rising political sensitivity of the economy. Our decade is characterized by a reversed trend, the strengthening of the economic sensitivity of the political sphere. The increased economic sensitivity of the political sphere is connected with the circumstance that the situations of instability appear here the most rapidly in the most

transparent form. Owing to the post-war spreading of the consumer society and to consumption becoming a social value, the social consciousness reacts much more forcefully and directly to changes in the economic situation than earlier. The progress of mass communication and of manipulatory techniques respectively have also contributed to the sphere of social and economic control having to count to a greater extent and more frequently with the problems caused by changes in the socio-psychic atmosphere. The source of the socio-psychic problems is the growing pressures of structural change and technical progress, to change job, occupation, domicile and living conditions the widening range of confrontation with the enhanced requirements of the sharper competitive climate and with the increasing number of individual and company failures. In the second half of the eighties, the social capacity of toleration, and the appraisal of the social-psychic environment of the economy represents strategic tanks of enhanced importance.

Today already the rearrangement of the earlier relationship between the political and the economic sphere, the rehabilitation of the economic laws, the broadening of the elbow-room of the economy can be experienced in an increasing number of countries. In the eighties - different from the experiences of the preceding quarter century - the political sphere is guided by a higher degree of pragmatism, by the requirements of practical activity suitable for easing the

social-economic tensions. The political movements are taking shape in this context and broaden the field of action of the centre that be. In the party dimension of the power relations of domestic politics in the western world the eighties are generally characterized by the social democratic parties losing ground or becoming weaker from the second half of the seventies, and by the maintenance of the governmental positions of the parties of the right centre. Although the variants of the domestic political evolution of the smaller OECD countries countinue to be varied, in the leading countries as the USA, Britain, the FRG, and Japan, the present conservative cycle is likely to last to the end of the eighties.

In spite of the rather unequivocal shift of power relations in domestic politics, the extent of the shift does not bring about firm majority governmental situations, the elements urging consensus survive, and the difference between the action programmes and elbow-room of the domestic political forces opposing each other will not be significant in the near future either. The parties of the right-centre are compelled to acknowledge the "limits to the restrictions" of the welfare state /USA, Britain, FRG/, and the social democratic parties the needs of adjustment /Sweden, Spain, France, etc./.

The economic policy environment is generally characterized in most countries of the world by battling with the legacy of the imbalances which came about in the seventies. The

consequences of the accumulated state debts compel the maintenance of the budgetary policies of a restrictive nature, the constraints fo reduce the welfare- and other non-essential expenditure. In the domestic economies the power relations between the state and the private sector shift accordingly. Within the narrowing - to a changing extent - of the means available to the state, the continuation of the rearrangement of objectives, which began at the end of the seventies, is expected to continue. The pace and direction of the rearrangement of objectives are influenced from the side of domestic policy by the circumstance that the endeavours at consolidating the developed capitalist society and economy unfold - different from the seventies - not within the framework of reform capitalism of the social democratic type but of the programmes inspired by the neo-conservative forces of the right-centre. Within economic policy, welfare policy commitments become weaker, and priorities aiming at the improvement of performance become stronger. In development policy, parallel to the whittling down of the /today as yet decisive/ subsidies granted to the declining branches, the stimulation of progressive economic activities by direct and indirect means becomes stronger. Within the regulative mechanisms and instrumentary of economic policy new <u>porportions within the mix of budgetary and monetary policies</u> are developed, which - cleansed from the extremes of the beginning of the eighties - reflect greater realiance on the effective mechanisms of the monetary sphere.

Among the CMEA countries, the Soviet Union is characterized by endeavours of rationalization aimed at improving of the present model of economic control. The unfording of more comprehensive economic reforms aimed at increasing the sensitivity of the economy to the market or to costs may be expected in Bulgaria and in Poland. However, these assumed changes do not yet influence considerably in the medium term and the conditions of international and regional cooperation in the East European region.

3. The characteristics of the system of international relations

a/ Different from the preceding decade, the principal political movements of the system of international relations are not linked to the development of the North-South, but the East-West relations. In the medium term, the process of multi--polarization in military policy /China, Western Europe, Japan/ is strongly limited - though not eliminated - by the available economic resources. The basic medium-term driving force in the system of international relations is the relationship between the Soviet Union and the USA. Adequate resources are not available for the substantail medium-term modification of military power relations between the two world powers either. Decisive potentials for militery, domestic and economic interests and movements point towards the moderation of confrontation and of the intensity of conflicts.

After the cooling down process which began in the mid-seventies and was followed after the end of the seventies by the sharpening of tension, these are replaced by slow normalization in the development of political relations between the two world powers. On the planes of ideology and political rhetorics, as well as in the developing countries and in the Central- and South European region a possible further tensions of a lower intensity are reconcilable with selective normalization. The most likely medium-term variant of Soviet-American relations does not exclude only the outbreak of a direct militery conflict, but also the lasting and broader limitation of economic cooperation.

The cohesive forces of the big alliances are not becoming weaker in the sense of military policy. No significant shift may be expected in the international military power relations, the economic constraints do not make a considerable strengthening of the strategy of reliance on military power likely. But differences in economic interests are to differentiate further the external economic - and external economic policy - movements of the member countries of the different alliances.

A shaded difference from the earlier decade is represented by the revaluation of the Far-Eastern countries in the system of international relations, which means in the case of China the strengthening of the external economic elements in politics,

and in the case of Japan the beginning closing of the gap which has been apparent between its strong economic and lagging foreign policy role.

In contrast to the regional block approach which covered the third quarter of the century, the elements of country by country selectivity are becoming stronger, and these influence differently the elbow-room of the various countries in East-West relations. The international situation which appears likely in the eighties, again revalues the importance of the foreign policy elbow-room in the system of international relations, and of cooperation with the countries disposing of a larger foreign policy elbow-room in the objectives of developing relations.

b/ The economic policy environment of the system of international relations is influenced considerably by the circumstance that - different from the sphere of the domestic economy - the consequences of the external economic imbalance, of the loss of dynamic and income further strengthen in most countries the external economic presence of the state, the interweaving of the economic and political elements of external economic relations, the importance of economic diplomacy for growth and trade. Strengthing of protectionism in the world economy is inseparable from the shock effects, and the moderate boom since the end of the seventies has been sufficient only for the blunting of the strengthening protectionist tendencies. Owing to the export constraints of the countries representing

a decisive share in world trade, the briddling and reversal of protectionist tendencies may be expected only from a more vigorous and lasting upswing. In the world economic environment that can be expected, the few countries which are able to expand considerably their import capacities are going to put market entry endeavours of the exporters in a ranking order to a greater extent, according to the yardstick of economic diplomacy. At the same time, in the period of the fragility of world economic growth and of the division of labour, until the mitigation of the consequences of the imbalances, the various forms of bilateralism and of direct exchange are again to become stronger in the relations between governments and between companies.

From the aspect of the evolution of the international environment the circumstance is also of great importance that different from some scientific and political assumptions that had spread at the beginning of the seventies, the gaining ground in the world economy of the transnational corporations has not become exahusted /especially not in the intensive branches of technology/, and it has not become controllable by the instruments of economic policy either. In connection with the increasing budgetary contraints in the nation states and the narrowing of the domestic economic elbow-room of governmental policies, the governmental endeavours aiming at the improvement of the external economic positions are compelled to rely to a greater extent on cooperation with the transnational corporations. External economic policy and

economic diplomacy - besides international regional cooperation on a governmental level - gradually integrate the factors of cooperation with the sphere of transnational corporations. On the markets of an increasing number of olygopolized products and product groups /pharmaceuticals, cosmetics, aluminium, vehicles, electronics, etc./ joining in an international organization of companies, and in respect of the majority of the engineering products demanding after-sales service the building up of an own external market organization represent a precondition for marketing the weight of which is on the increase all the time.

In the remaining part of the eighties it is not yet justified to count with the tension-mitigating effects to be provided by the transformation and further development of the international institutional system. In the OECD countries, and possibly in the CMEA countries, endeavours aiming at the harmonization of economic policies may gather strength in the form of high-level consultations, co-ordinations, summit meetings, the number of developing and CMEA countries participating in the international economic institutions /GATT, IMF, World Bank/ may increase, but the adjustment to the world economic processes will unfold fundamentally within the framework not of international or regional but of national economic decisions.

4. The <u>transformation of the structure</u> of the world economy gathered speed in the seventies and entered a new stage. In the

post-war quarter century the share of industry continuously grew in the combined production of the OECD countries, at the expense of agriculture. This process came in essence to an end in the first half of the seventies, the share of industry peaked, and then began to decline, the process of re-structuring being the most bigorous within industry. After the traditional branches of light industries, from the beginning of the seventies vehicle manufacture, matallurgy, heavy chemical industry too entered the rank of branches which were beginning to decline, and at the same time growth remained rapid in most branches of the electrical industry and in the light chemical industry even in the years of the recession. So for instance, between 1973 and 1984, within the 19 percent growth of manufacturing output, output fell by 8.5 percent in the textile industry, by 7 percent in the clothing-, tanning- and shoe industries, by 4 percent in the timber- and furniture industries, by 19 percent in the metallurgical industry, while it grew by 22 percent in the food insutry and in the chemical industry, and by 64 percent in the electrical industry.x/ In the electronic industry output expanded at an average annual rate exceeding 10 percent also at the beginning of the 1980s.

a/ The quoted growth characteristics of the OECD countries, which influence development trends in the world economy to a decisive extent, reflect in a condensed way the world-wide

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x/ Source: UN Monthly Bulletin of Statistics, November 1984, Special Table A, p. XIX.

rearrangement of supply and demand conditions. Since the mid-seventies the reduction of the natural resource requirement of economic growth has bathered speed. The higher relative prices and problems of the security of supply have stimulated specific savings more forcefully than before. The accelerated structural changes, the stagnation and regression in the material- and energy-intensive heavy chemical, metallurgical, construction and vehicle industries, and the extremely low material- and energy requirements of the new growth-carrying branches of the eighties /e.g. microelectronics, computer engineering, fine chemical industry/ also limit the earlier role of natural resources in growth.

Beyond the fall in the requirements of growth for natural resources and materials, in the countries which are on a higher level of economic development a market saturation came about on the markets of traditional light industry and consumer goods and also of some durable products of the engineering industry. On the market of these products the dynamic of demand is modest in the longer term, and is linked primarily to the requirements of replacement. At the same time there is a very lively demand in the markets of technical novelties in the electronic and control engineering industries, and of products and servides of a higher quality, satisfying the spending of leisuretime and a higher level of enjoyment.

The changes of the past decade drew attention to the fact that modifications in the conditions of world market supply played a much larger role than the unfolding changes in the demand structure, which were undoubtedly important but unfolded more evenly. In the wake of the acceleration of industrialization in the developing countries, the geographic migration of the comparative advantages, and the lack of co-ordination in post-war world economic growth, parallel capacities on a worldwide scale and an international oversupply of a structural nature came about in the markets of most light industry-, metallurgical-, heavy chemical products, as well as transport vehicles. This oversupply caused a large-scale underemployment of capacities, sharp international competition, an unfavourable relative price dynamic and profitability, and in the countries protecting the declining branches with protectionist measures it increased the social costs of growth. Parallel to this, increasing supply constraints can be experienced in the flow of the most modern technologies.

b/ Consequenty, the growth- and cyclical disturbances of the East-West industrial division of labour manifest themselves primarily in a given product structure, owing to changes in international supply and demand. The in recent years increasing deterioration of the exporter positions of the CMEA countries is linked most directly to the circumstance that - in addition to the increased restrictions on agrarian

exports which had been caused already earlier by the West European agrarian protectionism - the overwhelming part of industrial exports also covers products and product groups the importing of which is considered "market sensitive" by the western structural and trade policies and is restricted in the function of crisis phenomena. The general economic-, industrial- and import policies of the OECD countries strive increasingly for the elimination and moderation of the structural crisis phenomena which unfold in an increasing number of industrial branches. Accordingly - besides the continuing liberalization in the second half of the seventies of the conventional trade policy /Tokyo-round of GATT/ - a sectoral protectionism of a new type - which is often independent of the atmosphere of general trade policy- becomes stronger in most OECD countries, and even on the level of the Common Market. The various barriers to market entry /customs tariffs, non-tariff barriers, measures restricting the competition from imports, bilateral voluntary export-restricting agreements, etc./ are and sub-sectors, the range of which is widening. Consequently, the fluctuations, loss of dynamism, unfavourable price trends manifest on the CMEA export side are linked primarily to the extraordinary and lasting sensitivity of the structural characteristics of the CMEA offer and the OECD demand, and not to the universal phenomena of the business cycle.

5. From the aspect of East-West cooperation not only the changes in the product structure of supply and demand in the

world economy are an unfavourable phenomenon but also the structural rearrangement which can be observed in the geographic foci economic growth. The shifting of the dynamism of world economic growth towards the Pacific region is fed by various driving forces. The shifts in economic dynamism towards the Pacific coasts and the Sough Western states in North America and towards Siberia in the Soviet Union represent a long-term historic process. In this region the movements of four leading powers - the USA, the Soviet Union, Japan and China - meet geographically, and these upgrade the importance of the region politically too, and at the same time dissolve the earlier links to the European region in the system of international relations.

Within these global movements, different from the third quarter of the century, in the past decade and especially since the beginning of the eighties the growth in Western Europe has been slower than in the average of the OECD countries. In the average of the seventies the GPD rose by 2.8 percent annually in Western Europe, by 2.9 percent in the USA, and by 4.5 percent in Japan. From the aspect of long-term evolution it has an even more unfavourable effect that in the seventies the main drive of West European economic expansion was provided by the extension of governmental services. The average annual growth of manufacturing output was 2.5 percent in Western Europe, 2.8 percent in the USA, and 6.1 percent in Japan. Within this percentage, in the carrying sector of

industrial growth, in the electrical industry - as against a 4.4 percent growth rate in Western Europe - the USA reached a growth rate of 8 percent and Japan 11 percent[x/].

Owing to the trends mentioned, to the slow pace of European adjustment to the world economic changes and to rigidities in the institutional system, in the eighties economic dynamism shifted already much more unequivocally towards the overseas OECD countries. In the first half of the eighties the growth rate of Western Europe reached only 1.4 percent as against 3.2 percent by the USA and 4 percent by Japan. In the USA and Japan economic growth relies to much larger extent than in the other OECD countries on the technology-intensive sectors operating with extremely low raw material- and energy imports, as well as on productive and financial services. The high level of the real capital costs differentiates the international economic power relations primarily to the benefit of the two leading OECD dountries, owing to the dominant international financial position of the USA and the rapid growth of Japanese capital exports and of its saving potential. The domestic economic growth of these two countries is also more resistant to the high real capital cost level, since the level of profitability of the new pulling sectors of growth is much higher than the level of the capital costs.

Consequently, the economic dynamism of the eighties, the trends of technical-structural development are shaped primarily by the processes which unfold in the North American region and in Japan respectively. These regions provide today one third

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x/ Source: Eurorepport, Prognos 82.

of the foreign trade of the OECD countries, a round 60 percent of their production, and 60-80 percent of their direct long-term capital exports as well as of their exports of modern technologies.

The process can also be formulated projected on products. In the conventional material- and energy-intensive semi-finished products, as well as in the labour-intensive light industry branhhes and in the engineering branches producing the technologically less involved traditional consumer durables, the comparative advantages continuously shift towards the developing - mainly the Far-Eastern developing - countries. At the same time phenomena of concentration occur on the market of modern technologies. The future-oriented sectors are increasingly concentrated in the USA and Japan, the technical gap between Western and Eastern Europe and them having been growing for a decade.

The shift unfolding in the foci of world economic growth, the weakening of the earlier eurocentric or atlanticentric system of world economic relations, and the effect of the new growth centre developing in the Pacific region are not reflected in the - in the longer term essentially unchanged eurocentric East-West economic relations /Europe accountring for five sixths of trade/. Thus the migration of the growth centers creates generally more difficult environmental conditions than earlier, for East-West cooperation. The shift

in the foci of world economic growth makes especially the movements of the smaller landlock Central European countries /Hungary, Czechoslovakia/ difficult, since the long distance manoeuvering ability of the small countries and economic units is limited, cooperation with the dynamic overseas countries raisies additional logistic problems.

6. From the aspect of the lasting trends of East-West relations the changes which can be observed in the different sources of economic growth and in the relative importance of their driving forces are especially significant.

a/ The overwhelming majority of the theories and economic policies developed in the seventies considered - setting out from the experience of the oil price explosion - the challenge from the side of the scarcity of natural resources the most important challenge to world economic growth and international cooperation. In the wake of the oil price explosion and the reappraisal of the aspects of the security of supply, energy exports became of decisive importance in the Soviet Union and their importance grew also in the western trade of several smaller CMEA countries.

By the beginning of the eighties it had become clear that the radical world market price ratio changes of the preceding decade represented, on the one hand, the correction of the wrong management of natural resources in the third

quarter of the century, and on the other, in the case of primary energies, the assertion of the power policy rent. Most economic phenomena indicate that the process of correction came to an end at the beginning of the eighties, and the relative positions of energy exporters have ceased increasing.

The material-intensive exports /semi-finished products/ by the CMEA countries are restricted from the physical aspect by the high under-employment of capacities in the western heavy chemical and metallurgical industries, and by the general fall in material-intensiveness.

East-West agricultural cooperation is influenced unfavourably from the export side by the oversupply in relation to the effective international demand of the eighties and the relative erosion of prices. The driving force for the changes was represented by the extension of the scope of the Common Market's agricultural policies, in the senses of geography and of the system of control. The market regulation governing also agricultural imports covered in 1962 as yet one half of the then farm production of the EEC, in 1970 already 87 percent, and in 1980 more than 90 percent. In the wake of the vigorous stimulation of production and the entry of new agricultural producers, in the case of most large-volume farm products /with the exception of tropical products and fodders of high protein content/ the level of self-sufficiency

reaches and even surpasses 100 percent. From the aspect of the farm product exporter CMEA countries this development has in itself a market-restrictive effect /improving at the same time the conditions of agricultural imports/, and beyond the expansion of the West European agricultural potential the South American countries compelled to force their exports also contribute to the oversupply that has come about on the market of temperate zone products.

b/ The sales conditions for the labour-intensive /light industry/ exports of the small CMEA countries are affected unfavourably by the circumstance that the processes influencing the growth-market evaluation, role and bargaining power of labour began at the end of the seventies and fully unfolded in the eighties. In the third quarter of the century the demand for manpower and the relative level of manpower costs still increased on a worldwide scale. From this aspect a change was brought about by the acceleration of manpower--replacing technical progress, the fall in the share of the traditional labour-intensive branches, the indirect additional manpower supply through the industrial exports of the developing countries, the gaining ground of an investment policy which gave priority of the technical standard of the place of work over the creation of employment, the weakening in the political bargaining power of the organs politically representing labour, i.e. the trade unions and the left-centre parties. In the seventies the oversupply of manpower affected primarily the

"market" of low skilled manpower. In the eighties the world-wide oversupply spread also to the market of trained and even graduate manpower. The last-mentioned process is accelerated not only by the appearance of the consequences of the tertiary education and training programmes started in earlier decades, but also by the gaining ground of micro-electronics and the job-liquidating nature of the latter. As a resultant of the different processes influencing the labour market - mainly in the West European countries - the proportion of the unemployed does not drop in merit even if the business cycle improves.

It creates a new situation from the aspect of the international division of labour that as the resultant of the lasting oversupply, the movements in the macro- and micro-sphere aimed at pressing down labour costs, and of endeavours at adjustment, in the second half of the eighties, in the international division of labour, including East-West trade, the earlier advantages of specialization based on the quantitative supply of lowly skilled or medium-trained manpower are eroding and strongly modified. Parallel to this, the comparative advantages of the companies and countries disposing of an efficient highly and specially trained and able manpower, which press down their specific wages costs also through international cooperation, are upgraded.

c/ The role of technical development in growth is influenced by contrary trends. On the one hand, the lower dynamic of world economic growth, the bigger uncertainly /e.g. in connection with the future profitability of investments substituting for oil/, and the stricter budgetary constraints influence unfavourably the inputs into research and development and especially into investments which bring a return in the longer term only or the returns of which are uncertain. At the same time, the international compulsions of restructuring and adjustment, the sharpening of market competition, the strategic revaluation of technologies, the spillover into the civilian sectors of the technical achievements of armaments of a growing volume, enhance the pace of technical development and its role in growth.

In the eighties the most important front of technical development was represented by the electronic revolution. The wide spreading of microelectronics modifies the structure of employment, the cost structure, the organizational and control froms which are considered optimal at present. In the second half of the eighties, microelectronics makes it possible in a widening range for modern technologies to be applied economically in small plants. In this connection the reduction of the concentration of production, the decentralization of economic activities, modifies the place and role of the smaller economic organizations and national economies in the industrial division of labour. The development of energetics and of

biotechnology exercises an effect on the organizational system and economic control, speeds up the velocity of the information gathering, decision-preparing, decision-making and generally the management processes. The research-development-production cycles which become shorter in the area of microelectronics, the peculiar income ratios, the high risks and rates of profit influence the business cycle and structural processes in a broad band in proportion to the sector gaining ground.

Among the international interconnections of technical development the process is of great importance by which - as a resultant of the long-term growth of the specific research and development costs of the modern and dynamic economic activities, the phenomena of strengthening olygopolization in the market of modern technologies, and the increasing intertwining of capital and technology flows - market conditions for acquiring modern technologies have become more difficult since the mid-seventies, the positions of the technology exporters having become stronger. The acquisition and efficient transplantation of modern technologies occur to an increasing extent within company systems or close interweaving between companies. In the international environment of the second half of the eighties, in the capital- and technology exporting countries, the keeping open of the capital- and technology acquisition sources by economic-political means on the one hand, and the rationalization of management with the imported capitals and technologies and their harmonization with the

external economic elbow-room, on the other, become more important. Adjustment to these environmental changes has been made more difficult, on the one hand, by the political atmosphere of East-West relations, and on the other, by particularities of the system of control in the CMEA countries.

d/ One of the most vigorous changes in the international evaluation of the various growth factors has been experienced since the end of the seventies in the sphere of financial resources. The main elements of the worldwide oversupply of capital and low /sometimes negative/ interest rates in the seventies were characterized by the sudden wealth of the OPED countries which had a reduced capacity for absorbing capital, by the weakened political bargaining strength of the owners of capital in the seventies, and by the reduced investment activity in the uncertain economic situation. The sudden leap of capital costs at the beginning of the eighties was brought about directly by processes which started out from the USA, but contributing factors were the broad spreading of balance of payments tensions, the reduction and then disappearance of capital over supply by the OPEC countries, and the recovery of investments in the wake of the consequences of the sharpening competition.

Owing to the end to the international capital oversupply which characterized the seventies, in the eighties financing represents a very hard and costly limit to growth. The average

interest rate calculated on the basis of the European currency basket was 6.2 percent in 1978, 8.5 percent in 1979, 11.1 in 1980, 13.9 percent in 1981, 11 percent in 1982, and 8.4 percent in 1983. Due to the vigorous fall in the rate of inflation, by the beginning of the eighties a level of real interest had come about the extent of which is rather rare in economic history..

The most vigorous change which occurred in the world economic conditions of the period of 1972-81, and in the world economic situation of the different countries and sectors, was linked to the revaluation of the natural resources. The decisive world economic challenge of the eighties and of the nineties, the fundamental driving force of the international redistribution of income between the countries and sectors is represented by the upgrading of financial and technological resources on a worldwide scale.

A high level of interest always differentiates between companies or countries, enhances the importance of the ability to generate income, and ensures the operational conditions only for units the profitability of which is above the average. Different from the seventies, the developments in the credit- and capital markets increase in East-West relations the costs of the maintenance of the "Loentieff paradox" which can be observed over a longer run, the maintenance of CMEA exports the product structure of which is much more capital-intensive than are

CMEA imports. This limits - and selects - the capital-intensive projects, the imports relying on external financing, and generally urges the taking into consideration of the consequences of the capital-intensity of growth and of external relations.

III.. Some concluding comments

The trends in East-West economic cooperation which occurred in the first half of the eighties, the undoubted deterioration in the intensity and quality of cooperation, the developments in the conditions of politics and economic policy, the economic confrontation which was centred earlier on food products, later on loans and then on the flow of technologies, entired numerous analysts to make pessimistic forecasts concerning the future of East-West co-operation. Opinions stressing the political sensitivity of East-West relations, and views building on this and suggesting isolation, have become especially numerous.

The over-emphasis on the political sensitivity of East-West economic cooperation can on both sides be the source of errors in economic policy which may cause grave consequences in perspective. The actual economic flows accompanying the deterioration of the political conditions, especially the Soviet-western relations lead to the perhaps most surprising political conclusion of the first third of

the eighties, i.e. the modest extent to which the sharpening of the elements of confrontation between the great powers has influenced the economic processes.

The changes which have occurred so far in the conditions of East-West economic relations and the expected medium-term outlook warn that it would be wrong to explain the modification in the favourable trend of cooperation in the seventies and the difficulties of the historic present and of the near future by cyclical or political reasons. The business cycle between 1980 and 1982 belongs today already to the province of the past. And the heaviest costs of the deterioration of the political situation are not caused by what happened but by what did not happen: the beginning quantitative growth of the seventies did not change over to a qualitative stage of closer division of labour involving industrial-technical--financial cooperation, since these closer forms of cooperation demand an atmosphere of mutual political trust. It is primarily from this aspect that the medium-term future of East-West economic relations too can be considered <u>politically sensitive</u>, since the intensification of modern forms of economic co-operation does not merely demand the toleration of relations but a positive assistance from the political sphere..

However, the new expansive stage of relations between the two groups of countries does not urge new approaches in the political sphere only, but primarily in the <u>economic</u>

sphere. The existing limits to cooperation are increasingly of a structural nature, caused by lasting changes in the system of conditions of economic growth and of East-West cooperation. Accordingly, energies for establishing new contacts may be set free first of all by fast, complex and mutual adjustment to the requirements of the changed situation. The acceleration of mutual adjustment, its harmonization as far as possible are historic tasks of key importance not only from the aspect of the dynamization and rationalization of East-West economic cooperation but also the improvement of the international atmosphere and the reversal of the beginning process of decline in Europe.

The recognition of the objective and structural nature of the unfavourable trends which have developed in East-West economic relations, the elaboration and implementation of developmental strategies adjusted to the world economic changes will have a beneficial influence on the exporting abilities and world economic positions of the CMEA countries, and thus also on the outlook of East-West cooperation. However, the success of these endeavours assumes and demands a much more constructive "economic policy receptivity" by the OECD countries than exists at present, the stimulation of the more intensive flow of goods, technologies and financial resources.

The unfolding and becoming visible of Wester Europe's

decline may give rise to and strengthen interests and movements which wish to counteract and stop the weakening of the European positions, the losing ground of Europe in the world economy, by the intensification and greater efficiency of all-European, East-West cooperation. In the second half of the decade these movements may create new driving forces in East-West relations and may improve the regional conditions for cooperation.

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THE ECONOMIC RELATIONS BETWEEN THE EEC AND THE CMEA: A SURVEY OF PROBLEMS AND PROSPECTS

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The Economic Relations Between the EEC and the CMEA: A Survey of Problems and Prospects

The Economic Relations Between the EEC and the CMEA*: A Survey of Problems and Prospects.

1. Introduction

EEC-CMEA relations began to be of some importance around 1973, when the existing bilateral trade agreements between the Member-States of the two organisations expired. Ever since, despite the fact that a number of arrangements was reached between individual nations, little or no progress was made towards an inter-bloc agreement.

The present situation is met by much bitterness in the East. Centrally Planned Economies (CPEs) believe that they are being badly discriminated by Brussels and fear that their exports are losing ground with respect to Third World Nations. Eastern allegations point out to a growing protectionism on behalf of the EEC affecting a number of vital CMEA exports to that area. Eastern nations lament the fact that the strenghtening and the enlargement of the EEC has contributed to curb the flows between the two blocs.

Western nations, in turn, claim that, by retaining central control over the amount and the composition of their imports, CMEA countries benefit from a de facto monopoly over demand which puts them at an advantage with respect to their Western counterparts. EEC producers feel that state-trading nations have unduly benefited from the lack of coordination among Western countries and call for more severe protection and ad hoc provisions against CPEs, including measures to deal with unfair competition, such as dumping practices and countertrade deals.

In the following pages an attempt will be made to consider the recent evolution of the economic relations between the EEC and the CMEA. The paper will first give a brief account of the structure and the recent evolution of intra-bloc trade patterns (Section 2). A description of the institutional contacts between the two organisations is given in Section 3, while

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* The CMEA countries discussed here are the Soviet Union and the six smaller member countries of the CMEA (often referred to as the Six): Bulgaria, Czechoslovakia, the GDR, Hungary, Poland and Rumania.

Section 4 contains an analysis of some of the main issues of inter-bloc commerce. Section 5 draws a preliminary picture of the prospects of EEC-CMEA in the near future, and provides some indication on the possible contents of a common agreement. A (tentative) assessment of the impact, if any, of Community regulations on trade with the CMEA suggests that, while leaving Soviet exports virtually untouched, EEC regulations play a bigger role in determining the size and the composition of the Community's commerce with the Six. The role of barriers in East-West trade, however, cannot be generalised, in view of its different impact on various commodity groups. Thus; the impact of EC protectionism on individual CMEA nations varies in relation to the composition of their exports to the Community.

2. Trends and Structure of EEC-CMEA Trade

The structure and the recent evolution of trade between the EEC and the CMEA follows that of East-West trade. In general, if we exclude the latest developments taking place in 1982-83, Eastern nations import more, in value, than what they manage to export to the West. Between 1972-80, the cumulative deficits of CMEA nations vis a vis the Community reached some $30 bn, indicating a structural weakness of their trade with the West. EEC surpluses came to an end in 1980, when the rapid increase of world oil prices caused Soviet exports to rise in value by some 30% with respect to the preceding year (see Tables 1, 2 and 3). Export performance of the Six was far less successful; EEC surpluses continued until 1981 and were slowly reduced only thanks to a drastic cutback of Eastern purchases. The small surpluses obtained by the Six both in 1982 ($52 mn) and in 1983 ($165 mn) were entirely due to the reduction of imports. In 1983 these had reached their lowest level in nominal terms since 1974, while the value of the Six's exports to the EEC was still below the corresponding 1979 level. In 1983 only East Germany and Bulgaria managed to slightly expand their exports to the EEC.

Like for East-West trade in general, EEC-CMEA commerce continues to be strongly asymmetric; while representing some 50% of total CMEA flows with industrialised nations, it constitutes a minor 3.5% of total EEC commerce, and 7% of intra-EEC trade - 9% if inner German trade is included - (calculations based on 1982 data). Due to its low absolute values, EEC-CMEA trade expanded rapidly during the 1970s, but shrank somewhat in the wake of the 1980s, when economic recession and payment difficulties in the East were met by falling demand in most Western nations. In 1983 trade flows between the Member-States of the two organisations reached their lowest level since 1979.

The broad composition of trade flows between the two organisations reveals a well-known resemblance with the trade pattern between a developed area (the EEC) and a developing region at an intermediate stage of development (the CMEA) (see Yannopoulos, 1984 and 1985, Hanson, 1974, Wilczynski, 1967 - a breakdown of EEC-CMEA trade by main commodity groups is given in Annex I). In 1983 more than one third of Community exports to the CMEA fell under the most sophisticated product heading of the Standard International Trade Classification (SITC) - Machinery and Transport Equipment (SITC 7) - while another third came under Miscellaneous Manufactured Goods (SITC 6+8). A further 15% was constituted by Chemicals (SITC 5). Due to the recent crisis of Eastern - especially Soviet - agriculture, a

Table 1

East European* Exports to the EEC (cif)
(millions of US dollars)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Bul.	179	245	246	214	259	274	333	583	606	537	540	454
Cze.	566	760	856	927	1003	1109	1273	1658	1900	1583	1551	1517
GDR	281	350	490	510	573	622	731	941	1129	1144	1126	1137
Hun.	513	718	762	774	864	1045	1175	1704	1765	1489	1366	1354
Pol.	888	1261	1599	1794	2009	2221	2630	3123	3469	2108	2024	2001
Rum.	643	888	1348	1130	1293	1259	1269	2404	3045	2475	2120	1469
Six – Pol.	2182	2961	3702	3555	3992	4309	4786	7290	8445	7228	6703	5931
Six	3070	4222	5301	5349	6001	6530	7416	10413	11914	9336	8727	7932
USSR	1681	2601	3870	4245	5603	6493	7574	10134	13317	13414	15314	15023
CMEA	4751	6823	9171	9594	11604	13023	14990	20547	25231	22750	24041	22955

Source: IMF, Direction of Trade Statistics, various years.

* Inner-German trade not included.

Table 2

East European* Imports from the EEC (cif)
(millions of US dollars)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Bul.	261	371	647	889	706	684	757	972	1179	1157	1096	1062
Cze.	780	1019	1321	1393	1524	1556	1707	1986	2028	1698	1505	1406
GDR	373	402	562	625	686	596	752	1174	1285	1285	769	768
Hun.	658	852	1402	1315	1397	1683	2171	1977	2083	2127	1865	1669
Pol.	1196	2241	3223	3611	3486	3205	3524	3810	4326	2852	2218	2025
Rum.	787	1049	1770	1434	1324	1437	1960	2414	2380	2056	1222	837
Six	4055	5934	8925	9267	9023	9161	10871	12333	13335	11175	8675	7767
USSR	1902	2925	4394	6716	6432	7355	7911	9582	11581	9727	9662	11713
CMEA	5957	8879	13319	15983	15365	16516	18782	21915	24916	20902	18337	19480

Source: IMF, Direction of Trade Statistics, various years.
* Inner-German trade not included.

Table 3

East European* Trade Balance with the EEC (cif)
(millions of US dollars)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Bul.	- 82	- 126	- 401	- 675	- 447	- 410	- 419	- 389	- 573	- 620	- 556	- 608
Cze.	- 214	- 259	- 465	- 466	- 521	- 447	- 434	- 328	- 182	- 115	+ 46	+ 111
GDR	- 92	- 52	- 72	- 115	- 113	+ 26	- 21	- 233	- 156	- 141	+ 357	+ 351
Hun.	- 145	- 134	- 640	- 541	- 433	- 638	- 996	- 273	- 318	- 638	- 499	- 315
Pol.	- 308	- 980	-1624	-1817	-1477	- 984	- 894	- 687	- 857	- 744	- 194	- 24
Rum.	- 144	- 161	- 422	- 304	- 31	- 178	- 691	- 10	+ 665	+ 419	+ 898	+ 632
Six	- 985	-1712	-3624	-3918	-3022	-2631	-3455	-1920	-1421	-1839	+ 52	+ 165
USSR	- 221	- 344	- 522	-2471	- 739	- 862	- 337	+ 552	+1736	+3687	+5652	+3310
CMEA	-1206	-2056	-4148	-6389	-3761	-3493	-3792	-1368	+ 315	+1848	+5704	+3475

Source: See Tables 1 and 2.

* Inner-German trade not included.

Table 4

East European Exports to the EEC: Annual Percentage Change
(percent)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
CMEA Six	37.6	25.6	.9	12.2	8.8	13.6	40.4	14.4	-21.6	- 6.5	- 9.1
USSR	43.6	34.4	4.6	20.9	12.2	15.1	37.1	22.8	- 9.8	5.7	- 4.5

Table 5

East European Imports from the EEC: Annual Percentage Change
(percent)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
CMEA Six	46.3	50.4	3.8	- 2.6	1.5	18.7	13.4	8.1	-16.2	-22.4	-10.5
USSR	49.1	50.0	20.0	- 3.9	7.5	13.7	16.7	13.7	-16.1	12.3	6.2

Source: Calculated from Tables 1 and 2.

Table 6
Structure of EEC Exports to the CMEA Nations by Main Commodity Groups
(percentage of total)

	1975	1979	1980	1981	1982	1983
Food (SITC 0+1+4)	4.0	7.2	12.6	19.4	13.9	13.0
Chemical products (SITC 5)	12.2	15.1	15.9	14.6	13.9	12.5
Manuf.(SITC 6+8)	14.5	16.0	19.1	13.7	32.2	32.4
Machinery (SITC 7)	39.1	34.8	29.9	26.3	29.3	32.3

Table 7
Structure of EEC Imports from the CMEA Nations by Main Commodity Groups
(percentage of total)

	1975	1979	1980	1981	1982	1983
Food (SITC 0+1+4)	12.9	7.1	5.7	5.3	4.7	4.5
Mineral Fuels (SITC 3)	29.7	35.8	40.6	46.6	53.3	56.0
Raw Mat.(SITC 2)	13.2	9.0	8.6	7.7	7.0	6.5
Chemical products (SITC 5)	5.1	7.4	6.1	6.2	5.1	5.0
Manuf.(SITC 6+8)	19.2	18.9	17.4	15.1	16.3	15.6
Machinery (SITC 7)	7.5	6.5	5.6	5.4	4.5	4.4

Source: Eurostat. (Inner-German trade not included).

growing share of trade was represented by EEC food exports (SITC 0+1+4).

More than 70% of EEC imports from the CMEA fall under the Mineral Fuels heading (SITC 3), 80% of which comes from the Soviet Union. Imports from the Six include food (12%) and manufactures (37%), some 70% of which are concentrated among a few relatively unsophisticated categories, such as Clothing (SITC 841), Footwear (SITC 851), Toys (SITC 894) and Manufactured Articles not Elsewhere Specified (SITC 899) (see Tables 6, 7 and 7.1, 7.2).

In the last decade or so, the structure of flows between the EEC and the CMEA has been rather stable, except for energy and food trade. EEC energy imports from Eastern Europe passed from 30% of their total imports from the CMEA to some 56% in 1983. This rapid expansion was determined both by the worldwide increase of oil prices and by the volume growth of Eastern

Table 7.1
Structure of EEC Imports from the CMEA Six by Main Commodity Groups
(percentage of total)

	1975	1979	1980	1981	1982	1983
Food (SITC 0+1+4)	19.8	13.9	12.1	12.6	12.4	11.9
Mineral Fuels (SITC 3)	18.4	19.7	21.5	21.6	20.3	21.8
Raw Mat.(SITC 2)	9.4	7.9	7.7	7.9	8.3	8.5
Chemical products (SITC 5)	6.0	5.6	6.7	8.6	8.8	8.9
Manuf.(SITC 6+8)	30.4	34.5	33.4	33.3	37.9	36.9
Machinery (SITC 7)	11.0	10.7	10.6	11.0	10.3	9.9

Table 7.2
Structure of EEC Imports from the USSR by Main Commodity Groups
(percentage of total)

	1975	1979	1980	1981	1982	1983
Food (SITC 0+1+4)	4.5	1.0	.8	.7	.6	.6
Mineral Fuels (SITC 3)	43.6	50.6	55.5	62.6	71.5	74.4
Raw Mat.(SITC 2)	17.8	10.0	9.2	7.6	6.3	5.6
Chemical products (SITC 5)	4.1	9.0	5.5	4.7	3.1	3.0
Manuf.(SITC 6+8)	5.5	4.7	4.8	2.9	4.7	4.4
Machinery (SITC 7)	3.3	2.6	1.6	1.2	1.4	1.5

Source: See Tables 6 and 7. (Inner-German trade not included).

energy sales. Even the Six managed to raise somewhat their their share of energy exports to the Community, mainly by expanding oil manufactures' sales. Due to the recent fall of these products' prices with respect to crude oil, however, this trade is now less profitable.

Food trade represents a special case in inter-bloc commerce. Only in 1975 the CMEA region as a whole was a net exporter of foodstuff to the Community. Even the Soviet Union, whose agriculture faces strong structural weaknesses, succeeded in obtaining small surpluses. Only four years later, however, the repeated harvest failures in some Eastern countries and the structural surpluses produced by the Community Common Agricultural Policy (CAP) turned the CMEA into a major importer of agricultural products from the EEC.

Finished manufactures now account for almost 40% of the value of the Six's exports to the EEC, with a slight expansion with respect to 1975 (30%) (manufactures' sales from the USSR are minimal). This quota, however, represents only some 5% of total extra-EEC imports of manufactures. OECD figures show that, while the Six managed at best to hold their market position, during 1970-82 certain Third World nations actually raised their share of total OECD nations' imports of manufactures from 3.3% to 8.5% (1). Manufactures' sales of the Six are to a large extent concentrated in a few obsolescing sectors, characterised by excess supply and unused capacity in the West. CMEA exports to the Community suffer on account of EC protectionism, economic integration and/or political considerations. Moreover, being mainly importers of machinery and manufactures, the Six are recording a long-run deterioration of their terms of trade with the EEC.

A special case is represented by chemical products, where Eastern performance - especially that of the Six - was somewhat more successful. A recent study on CMEA-EEC trade in chemical products, however, shows that, while importing higher-priced finished products from the EEC, CPEs generally export to the same area mainly low-price raw materials and intermediates (ammonia, sodium carbonate - i.e. soda ash - and inorganic chemicals) as well as organic fertilisers and explosives. (See Wharton, 1984).

The strong asymmetry of EEC-CMEA flows makes trade with the Community much more important for CMEA nations than the other way round. The structure of EEC-CMEA commerce points out to a stronger dependence on inter-bloc trade for CMEA nations than for Community ones (see Muller, 1978). CMEA nations import from the EEC machinery and transport equipment, manufactures and chemicals (mainly fertilisers), which are essential for their development and are not, in general, easily substituted. EEC nations, in turn, buy from the CMEA fuels, some raw materials, low technology manufactures and semifinished products, all items which are generally substitutable by imports from LDCs.

3. Relations Between the EEC and the CMEA

3.1 The Community Solidarity

Until 1973 trade relations between the EEC and the CMEA had been regulated by bilateral agreements between the Member-States of the two organisations. Contacts between the EC and the CMEA as such had been virtually nil.

The enlargement of the Community from six to nine members at the beginning of 1973 coincided with the end of the transitional period for trade agreements with CPEs. Between 1973-4 the bilateral agreements which had until then regulated commerce between the nations of the two organisations expired or were denounced. Under Article 113 of the Treaty of Rome, the EC would substitute Member-States in the formulation of a common trade policy vis a vis third nations. Eastern nations were required to negotiate with the Community as a whole, through the Commission.

3.2 The CMEA Initiative

The process whereby the CMEA was slowly drawn towards recognising de facto the EEC was a long and difficult one, which has been extensively described elsewhere (see eg Baumer and Jacobsen, 1977, Binns, 1978, Bornstein, 1981, Marsh, 1978, Maslen, 1983, Mrazek and Kohout, 1982, Riishoj, 1985).

Here suffice it to say that for the USSR the possibility of obtaining some type of recognition for the CMEA as a negotiating body at a par with the EEC was an expedient way of strenghtening the ties within the group, avoiding, in the future, the shocks of possible defections as in the case of Czechoslovakia. The Soviet-led integration drive culminating in the 1970s, however, contained more than that. In general, it was conducted with the ambition of providing a sort of Socialist answer to the development of the EEC. Eastern scholars started stressing the peculiarities of "Socialist cooperation" (sotrudnichestvo) which is based on plan coordination, as opposed to Western "integration" (integratsiya) which mainly relies on market forces (see Binns, 1978 and Pécsi, 1981).

While economic performance in Eastern Europe was starting to decline, Soviet leaders were clearly impressed by the political and economic acheivements of the EEC and admitted that integration was stimulating both competition and investment, leading to higher growth rates among Member-States (2). After the failure of economic reforms in virtually all

Eastern Europe (except in Hungary), the strenghtening of integration within the CMEA must have appeared as an expedient way of stepping up economic growth among Eastern nations without having to resort to more radical reforms at home.

The six smaller CMEA members - although suspicious of Moscow's integration attempts - were nevertheless aware of the fact that, albeit consolidating Soviet hegemony, a stronger CMEA could help them contrast the industrially more powerful EEC nations. The Six, even more than the USSR, were eager to negotiate a reduction of the EEC external tariffs, concessions in the application of the CAP (Common Agricultural Policy) and reductions of the quantitative restrictions on imports.

In the summer of 1973, CMEA officials passing through Brussels unofficially contacted the EEC headquarters. In 1974 the CMEA - whose statute was hurriedly amended earlier that year, in order to allow it to stipulate ~~trade~~ agreements with non-member countries and international organisations ~~on behalf of its members~~ - put forward an invitation for the then President of the Community Commission to come to Moscow to open joint talks on trade and cooperation, marking a turning point in CMEA-EEC relations.

3.3 The Community Framework

Although accepting the invitation, the Commission mounted a cautious defence, and played down the importance of Moscow's initiative. Despite all its rethoric on the importance of closer economic links with Eastern Europe, Brussels essentially wanted negotiations to keep a low profile (see Marsh, 1978).

The main points of Brussels' common commercial policy (CCP) vis a vis ~~non-market~~ state-trading nations were contained in the "general model for trade agreements", commonly known as the "memorandum", which was submitted in 1974 to CMEA members for bilateral trade agreements with the Community. Each "memorandum" was based on the following points:

(i) the Community's readiness to conclude "long-term non-preferential trade agreements ... aimed at guaranteeing the harmonious development of reciprocal trade" with individual Eastern nations;

(ii) "reciprocal application of the most-favoured-nation (MFN) clause";

(iii) the reduction of quotas (with the exclusion of those falling under the CAP);

(iv) ad hoc provisions for payments and trade financing, and

(v) "provisions for joint committees to supervise the application of the agreements".

(All quotations are taken from the Klepsch Report, Doc.425/74).

The possibility of negotiating with the CMEA as such on trade policy was rejected on the grounds that the degree of integration and the powers of CMEA could not be compared with those of the Community, given that the CMEA "has no legal powers whatsoever to impose the implementation of such an agreement on its members" (the Irmer Report, Doc.1-531/82, p.17). As an institution, in fact, the CMEA is "only empowered to issue recommendations and these only assume legal force when adopted by the member countries" (the Klepsch Report, Doc.425/74, p.22). Relations with the CMEA could consequently only be 'a complement' to relations with individual states and could not replace them in any way. Eventually, the possibility of opening joint talks with the CMEA was ventilated, but limitedly to matters concerning the exchange of economic information, statistics and environmental protection.

This somewhat derisory view of the CMEA was met by much bitterness in the East. The CMEA felt that the question of ~~her~~ the lack of its supranational powers was an internal matter of no concern to the European Community. Moreover, in the eyes of CMEA officials, Brussels' reply appeared largely a pretext, given that ~~In the past~~ the EC ~~has already~~ proved ready to signed trade agreements with other international organisations ~~which had even less supranationality than the CMEA~~ with even weaker institutional mechanisms and powers. To some extent, moreover, it could be argued that the CMEA had de facto much stronger powers over Member States than the Commission herself.

According to the EC, the Western position was motivated by a general concern over internal democracy within the CMEA. The Community was asked not to undertake any type of contractual agreement with the CMEA which could "encourage ... even stronger bonds between the smaller East European state-trading countries and the Soviet Union, whose power is already overwhelming" (the Schmidt Report, Doc.89/78 p.29). The argument, however, appears rather weak, given that it is precisely the Commission's refusal to negotiate with the CMEA which could force the latter to act, in order to obtain powers similar to those of the European Community. This would inevitably lead to the strenghtening of the Soviet position within the Eastern bloc, which is exactly what the Commission claims not to want.

A more likely motivation lying behind the EC-CMEA dispute over the latter's powers appears to relate to a general power struggle between the two organisations. As Peter Marsh put it rather bluntly, "the basic reason for the EEC's reluctance to establish relations was that such relations might assist in the creation of a countervailing power in the East capable of twarting its own economic and political strategies in that area." (Marsh 1978, p.56).

3.4 EEC-CMEA Institutional Relations

Eventually, the first official talks between the representatives of the two organisations took place in early 1975, with a three-day visit of an EC delegation to the CMEA headquarters. Nothing really emerged from the visit, except a proposal for CMEA representatives to visit Brussels for further talks (see Marsh, 1978, pp.45-66).

Needless to say, CMEA nations either rejected or never answered the "memorandum" and no agreement was ever concluded on its basis. Since, the two parties have been sticking to their original position, with the issue of CMEA supranationality on the forefront. Other controversial issues are the inclusion of the CAP as a subject of negotiations, the granting of Most Favoured Nation treatment, reciprocity and non-discrimination.

In 1976 the CMEA ~~proposed~~ put forward a draft agreement to negotiate bilateral agreements both between individual countries and groups of countries, the latter acting as a framework to the former. The Commission, feeling that its role was somewhat being played down, rejected the proposal. The suggestion of creating a joint Committee for discussing problems of trade was equally rejected. The only concession the Commission is willing to accept is that of including a preamble to its draft agreement expressing the desire of both parties to develop mutually beneficial trade relations.

In mid-1984 the CMEA summit launched another call for joint talks. About a year later, in June 1985, an official request to open joint talks on trade was put forward. The proposal was welcomed with great satisfaction by the Commission, but so far nothing suggests that Brussels is likely to endorse a major change in her strategy vis a vis Eastern Europe.

3.5 The Community Trade Policy vis a vis CMEA Nations

In the contractual void which followed the rejection of the CMEA draft, the EC developed its trade policy vis a vis CPEs essentially along two directions. On one side, it multiplied its efforts to reconcile the practice of current affairs held by Member States with CPEs under the scope of its policies. On the other, due to the lack of joint agreements, the Commission unilaterally issued regulations concerning trade of specific products with CPEs. These took the form of autonomous measures, containing commitments either on technical points (such as minimum prices), or for sectors where a defined Community policy already existed (such as the CAP, the MFA, steel).

3.6 The Response of Individual CMEA Nations

The coming into force of autonomous EC regulations forced virtually all CMEA nations except the USSR and East Germany to break ranks and enter in separate negotiations with the Community over key issues. Since 1974, various 'technical agreements' covering agricultural exports were stipulated with Bulgaria, Poland, Hungary and Rumania. Export restraint accords were reached for textiles (with Poland, Rumania and Czechoslovakia) and steel (with Czechoslovakia, Hungary, Bulgaria, Poland and Rumania). In 1977 the hardest bone of all, the Soviet Union, together with Poland and East Germany was forced into entering in talks with the Community over fishing rights in the 200-mile fishing limit created around the Community's coasts. Talks were broken abruptly after only seven months, and were never resumed.

So far, the EC has succeeded in negotiating a bilateral agreement only with Rumania. Attempts to reach a similar agreement with Hungary are still at an initial stage, as talks were started only in 1974, while an agreement with the People's Republic of China was reached in 1978.

The Rumanian agreement, which follows Romania's adhesion to the EC's 'Generalised System on Tariff Preferences' for LDCs in 1974 (3), grants her non-preferential access to EC markets for industrial exports and abolishes or suspends Western import restrictions on a number of manufactures (chemicals, fertilisers, glass, ceramics). A joint Committee is established to handle and monitor trade issues between the two parties. Rumania, in turn, promises to increase and diversify her purchases from the Community (furhter details of the EEC-Rumanian agreement are given in par. 5).

4. Major Issues in EEC-CMEA Trade

4.1 The Development of Non-Tariff Barriers to Trade

Since the late 1960s, considerable success had been acheived in liberalising world trade flows. Two rounds of multilateral negotiations conducted under GATT (General Agreement on Trade and Tariffs), concluded respectively in 1967 and in 1980 (the Kennedy round and the Tokyo round), reduced tariffs on average by one third each (4). Liberalisation in EEC-CMEA trade resulted from the granting of MFN treatment to all Eastern nations. A further measure of trade liberalisation was represented by the Community's decision to include Rumania in the GPS.

Starting from the mid-1970s, however, the "classical" aspects of EC trade policy (tariffs, MFN treatment) decreased in importance and were gradually substituted by non-tariff instruments. Non-tariff protection (the so-called "new protectionism", see Balassa, 1978) has largely taken the form of quantitative restraints on imports or on their growth rates, although sometimes other mechanisms are also used (eg "trigger" prices for steel). The proportion of managed trade in the EEC has been estimated to have risen from virtually zero in 1974 to some 17% in 1980 (see Page, 1981) (trade in agricultural products has operated under similar restrictions for a longer time).

According to a commonly-held definition, non tariff barriers to trade (NTBs) include all measures which intentionally distort the volume, composition or direction of trade. NTBs amount to price and/or quantity distorting measures. The most diffuse types of NTBs include variable levies, price controls, export subsidies, bilateral - or global - quotas, 'voluntary' export restraints, direct prohibitions, licences and administrative controls (see Olechowski and Yeats, 1982).

Non-tariff barriers owe their growing role to the (so far) lack of international regulations (traditionally, they fall out of the competence of GATT), and to the uncertainty created by a period of high world inflation and fluctuating exchange rates.

Altough it should be understood that the diffusion of non-tariff barriers to trade (NTBs) represents a general characteristic of world trade, which does not pertain uniquely to EEC-CMEA trade, an assessment of the incidence of Community NTBs on exports from CMEA nations shows that the latter suffer from a particularly adverse treatment as opposed to that of exports originating in other country-groups (see Olechowski and

Yeats, 1982 - more on this point in par.4.4). Community barriers against CMEA exports are particularly strong for textiles and agricultural products (see Yannopoulos,1984).

A brief account of the contents of Community regulations concerning imports of agriculture products, textiles and steel will be now provided.

4.1.1 The Common Agricultural Policy

According to Article 39 of the Treaty of Rome the main objectives of the CAP are those of: (a) stabilising the internal market by isolating it from world fluctuations; and (b) guaranteeing a 'fair standard of living' to its agricultural community.

By giving Member States' producers preference in each others' markets over third suppliers, the CAP has been largely aimed at raising internal self-sufficiency (see Duchene, 1985). The actual mechanisms adopted by the Commission in this respect vary from commodity to commodity and are extremely complicated.

Some 70% of EC agricultural produce falls under the variable levy system. The levy is calculated daily, in order to bring the prices of imports up to the Community's threshold (minimum) price. The latter, in turn, is calculated on the basis of the Community's guideline prices, which are fixed annually under the CAP and include various costs, such as transport, insurance, etc.. The purpose of the levy is to ensure that imports from third countries take place only after all the produce of Member Country suppliers has been sold. Agricultural imports from non-members are thus limited by an unpredictable barrier which, in practice, is determined by the highest-cost EEC producer. This makes "mere price cutting (...) not a viable means of diminishing the levy's effect, as it would if there were a fixed tariff system" (Hanson, 1974, p.48). Low-priced Eastern products, therefore, lose their advantage with respect to more expensive Western production.

This mechanism, which was first arranged for cereals in 1962, is now fairly common for most major commodities, including meat imports. Other forms of barriers envisaged by the CAP include intervention prices (set at about 7% below the guideline prices; national intervention agencies are obliged to pay these prices for commodities offered to them, whatever the market prices at the moment), subsidies, refunds and various types of import levies.

The level of protection contained in the CAP is met by much criticism on behalf of non-member exporters. Eastern

nations, in particular, complain that they are put at a disadvantage with respect to certain LDCs - or groups of LDCs - who have stipulated special arrangements with the Commission, which provide for the partial or total exemption of their agricultural exports from tariffs. At date, the EC has agreements on agricultural trade with virtually all the countries of the Mediterranean area, plus those of the so-called ACP group. This puts CMEA agricultural exports (except for Rumania) at a par with those of some of the world's largest exporters (the USA, Canada, Argentina, Australia and New Zeland).

Rumania represents an exception, inasmuch as she benefits, under the GSP, of preferential treatment for various types of products, including meat, live animals, vegetables, fruit and tobacco. Rumanian food exports to the Community, however, are rather low (see Annex I) and do not appear to have benefited from the preferential treatment received so far. Rumania's food exports followed closely the trade performance of the other smaller CMEA nations as a whole, turning from a net food exporter to a net importer in the late 1970s (5). The modest surplus obtained in 1983 was entirely due to a reduction of purchases from the Community by almost two thirds with respect to 1982.

So far, the other CMEA nations have succeeded in negotiating quotas only with respect to certain types of meat sales. In 1981 'voluntary' limitations for sheep and sheepmeat exports were reached with Hungary, Poland and Rumania (6). Bulgaria and Czechoslovakia reached similar agreements in 1982.

In the West, the European Parliament's view of the CAP is that it does not provide an effective means of tackling problems of agricultural trade with state-trading nations. The Commission is criticised on the grounds that so far it has exerted a loose budgetary and economic management of the Community exports to CPEs. The sale of subsidised 'Christmas' butter to Poland and to the USSR has been particularly criticised. The most famous of these 'incidents' took place in 1973, when 200,000 tonnes of subsidised EEC butter was sold to the USSR (see the Aigner Report, Doc. 1-846/81).

4.1.2 Industrial Volume Protection

The Community limits its imports principally by means of quotas (quantitative restrictions), which are imposed on agricultural and industrial imports alike. Since the mid-1970s, the EC prepares (and revises annually) a common list of import quotas, which is based on the minimum level of liberalisation present in Member States. Over time the quotas have been

gradually raised and the list per se has lost importance. Much more important, instead, are the EC regulations which cover areas where a common Community policy is already defined. Traditionally, EC quotas have been most relevant in the fields of glass, synthetic textile fibres, textiles and steel; more recently, new 'safeguard actions' have been developed even for electrical equipment and electronic products, metal manufactures, plastic materials and manufactured fertilisers (see Bornstein, 1981).

With respect to textiles and clothing, Eastern exports fall under the Multifibre Arrangement (MFA). Three such arrangements have now been concluded (respectively in 1973, 1977 and 1981) with a growing number of semi- or newly-industrialised countries. The coverage of the agreement has been gradually extended, while the rate of permitted import volume was reduced in 1977. Moreover, the MFA leaves considerable scope for the importing countries to set lower limits through bilateral negotiations. By now, the MFA contains several thousands of quotas for 30 different countries and 126 products (see Pelkmans, 1984, Ch.8).

Among Eastern nations, Rumania was the first to approach the Commission for negotiations. A 'technical agreement' was reached in 1976, laying down her 'voluntary' import restraints relating to the Multifibre Arrangement. Poland, Hungary and Czechoslovakia signed similar agreements later on, after separate negotiations. Each nation agreed to maintain a given minimum price for her exports in return for which she was guaranteed market access within specified limits (see the Schmidt Report, Doc.89/78). In 1982 each nation renewed her agreement, and fixed yearly growth rates for textile exports to each EC member. Bulgaria, who is not a participant in the MFA, signed a separate agreement in mid-1979 which was renewed in 1982.

As for steel, in mid-1978, the Davignon plan froze EEC steel imports at the 1976 levels and imposed so-called 'trigger prices', below the EEC's own minimum prices by some 6%. Twelve semi-industrialised and CMEA nations exporting simple steel products, among which Bulgaria, Czechoslovakia, Hungary and Poland accepted the plan and agreed to cut their steel exports to the EEC. Later on the base-year was brought to 1980. In 1985, the exporting nations agreed to bring down their steel sales to the EEC by some 10% with respect to 1980 (-12,4% with respect to 1984).

It should be realised that any type of restriction envisaging quotas (either unilaterally imposed or 'voluntary' bilateral restraint agreements) based on the historical market

share for a particular product in a given year puts newcomers, like Eastern nations, at a disadvantage compared to more established suppliers, like Taiwan, South Korea, Mexico or Brazil.

4.2 The Harmonisation of EC Member States Trade Policies

According to a widely-held Western opinion, non-tariff barriers represent an essential means to counterbalance East European unfair trade practices such as dumping, direct import restrictions, barter deals and various other forms of unfair competition. Western nations claim that, by their very nature, according to which the amount and the composition of imports are centrally determined, CMEA can deliberately discriminate against Western producers and/or specific products. This is the case, for instance, of the Soviet demand for consumer goods' imports which Western businessmen believe is being unduly contained.

Western nations complain that, by retaining State control over production and foreign trade, the CMEA nations are de facto taking advantage of the practical impossibility, given the present instruments of the common commercial policy, of establishing true reciprocity between a market economy and a state-trading nation. Reciprocity represents a major area of concern for the Commission: in essence, it amounts to the fact that Western nations cannot use the reciprocal granting of mutual concessions as a means of economic leverage in the usual sense. The Commission complains that Member States are put at a disadvantage with respect to their CMEA partners because, while granting MFN treatment to Eastern nations, the corresponding tariff reductions applied by the CMEA nations are simply a bargaining device that does not give life to an adequate increase in imports, given that CMEA domestic prices are fixed centrally and are not affected by a reduction of tariffs.

According to the Commission, in different occasions the CMEA has actually benefited both from the lack of coordination among EC Member States and from her own difficulties in establishing a common commercial policy. The CMEA is also believed to have received undue advantages from the fact that the Community's regulations are not tailored to take account of the specific nature of a Centrally Planned Economy. The Commission - whose attempts to establish a common commercial policy vis a vis the CMEA have sometimes been met by stronger opposition from its Member States than from the CMEA itself - feels that there would be considerable scope for improving the effectiveness of the common commercial policy in the fields of cooperation agreements, export credits, anti-dumping

regulations and compensation agreements (countertrade). These issues will be examined in some detail in the following paragraphs.

4.2.1 Cooperation Agreements

According to the EC definition, cooperation agreements concern "long-term, permanent technical and economic collaboration, with precise and agreed individual objectives, between economic organisations of state-trading countries and Western undertakings" (see the Schmidt Report, Doc.89/78, p. 11). In practice, however, cooperation agreements are extremely numerous and include very different types of contracts, which go from licensing (which is often payed with the resulting manufactured goods), the supply of complete plants (which again may be payed with the resulting goods), joint production or joint ventures (see the Klepsch Report, Doc. 425/74, p.17).

Cooperation was not foreseen by the Treaty of Rome. A question lengthily debated within the Commission was whether the Community's responsibility over the common commercial policy was intended to cover cooperation agreements or not. The Court of Justice supported an extensive interpretation of the Community's responsibilities. It was intended that, while "...the Community assumed responsibility for all trade agreements, government-level cooperation agreements with East European countries remain the responsibility of the Member States and the authority of the Community over those agreements is limited to where they affect trade" (Senior, 1985, p.4). A general distinction is made between scientific and economic-industrial cooperation, the latter falling under the Community's common commercial policy. In practice, however, it is difficult to draw a dividing line.

Due to the EEC Members' wish to maintain an autonomous trade policy vis a vis Eastern nations, there have been in the past some attempts to circumvent the common commercial policy by means of cooperation agreements. The European Parliament Working Document 89/78, known as the Schmidt Report, lists the following examples: the cooperation agreements between West Germany and Rumania (June 1973, Art.2), between the Netherlands and Rumania (April 1974, Art.2) and that between Italy and Rumania (May 1973) all allow for MFN treatment. In some cases the agreements contain provisions lifting quantitative restrictions on Eastern nations' exports: Art.4 of the Italo-Rumanian agreement grants import permits for products arising from cooperation projects; so does the exchange of letters annexed to the Dutch-Polish agreement of 1974; the Franco-Soviet agreement contains provisions to allow for increased sales of Soviet goods in France. Joint Commissions between

individual EC and CMEA Member States have been instituted to monitor trade and cooperation and to assist national firms engaged in business. The already quoted Franco-Soviet agreement established three levels of commissions: a so-called "Grande Commission", with representatives at the governmental level defining the main directives; a Commission on technical, economic and scientific cooperation (the so-called "Petite Commission") responsible for controlling the working groups in each sector, and a Franco-Soviet Chamber of commerce, situated in Paris, whose tasks concern the development and the aid of business relations between the two parts (see the Institut Européen d'Administration Publique, 1984, p.6).

Agreements as these are likely to concern, if not uniquely at least substantially, trade policy (see Senior, 1985). The Community's opinion is that these agreements fall within her own sphere of competence. On various occasions the Committee on External Relations has drawn attention to these problems and warned against the circumvention of the common commercial policy by cooperation agreements (see the Jahn Report, Doc.359/73, p.10, the Klepsch Report, Doc.425/74, p.16, the Schmidt Report, Doc.89/78, p.12, the De Clercq Report, Doc. 1-424/81, p.12, the Irmer Report, Doc.1-531/82, p.14). Despite the "information and consultation procedure" adopted in 1974 by the Council to monitor and coordinate all cooperation agreements, the Committee still feels that the scope for national action by individual Members is too big. The Commission is therefore called upon to amend the procedure in order to provide effective Community supervision over these agreements.

According to the Committee, however, the importance of these agreements should not be overvalued: the De Clercq Report lists 49 government-level cooperation agreements between the (then Nine) EC Members and CMEA countries in 1979, virtually all signed during 1973-75 (see Annex II). To-day, cooperation agreements form the basis of not more than 10% of EC-CMEA trade (the Irmer Report, Doc.1-531/82). According to the UN Economic Commission for Europe, however, up to 1980 cooperation agreements had contributed to some 20% of the growth of East-West trade (ECE Bulletin, 1980).

4.2.2 Export Credits

Export credit policy represents another field where a truly common policy is lacking. According to Marsh (1978), it was precisely in this field that the Community faced a major setback in her efforts to establish a central authority over Member States' policies. Although in 1975 the Court of Justice affirmed the Community's responsibilitiy on export credits, in

practice the market continued to be governed by competition, both between Member States and between the latter and other Western industrialised nations. This has led to differences in the terms of financing, distorting competition.

It was outside the Community framework, however, that an agreement on export credits was eventually reached. In 1976 the four leading EEC States (Britain, France, Germany and Italy) announced their adherence to a set of loose guidelines on export credits decided at the Puerto Rico summit, under the aegis of the OECD. A year later the smaller EEC Members decided to endorse the guidelines as well. The Commission was left with the only option of ratifying the "consensus" agreement, which was done by a Council decision on March 14, 1977. The EC now recognises that, while the "consensus" guidelines represent a positive feature of coordination, there is still scope for a common export policy at the Community level.

4.2.3 Anti-Dumping Measures

CPEs are particularly vulnerable to dumping charges. Strictly speaking, in fact, dumping involves exporting products at a price that is either below the domestic cost of production and below "current" world prices
or below the internal price (see Wilczynski, 1967). A somewhat broader definition is that provided by the GATT, according to which dumping must: a) fall under one of the above cases, and b) constitute a serious threat to domestic industries and therefore to employment.

EC dumping charges against CPEs are traditionally concentrated in two sectors:
(i) textiles, steel and other manufactures (rubber tyres, electric motors, paper and hardboard, chemicals);
(ii) maritime transports.
A list of the most recent anti-dumping complaints against CMEA Members is given in Annex III.

According to the Irmer Report, Doc. 1-531/82, EC dumping charges usually involve products which are relatively simple to manufacture, and which make use of well-established technologies in the West. Dumping charges against State-trading Nations are extremely difficult to prove, due to the pricing system of CPEs, according to which internal prices do not reflect production costs, just as the official exchange rates do not reflect the purchasing power parity of the domestic currencies. This makes it difficult, if not impossible, to determine whether Eastern products are being sold below costs and/or below the domestic price (7).

Sometimes dumping charges against CPEs involve accusation of practicing various forms of unfair competition. An interesting case is provided by maritime transports, where Eastern nations, and especially the USSR, are accused of not allowing Western undertakings to open branch offices on their territories - while benefiting from the possibility of doing so themselves in the West - of stipulating trade contracts with Western firms which impose transport by Eastern ships and of offering freight rates which are allegedly cut by some 50% below costs (Eastern rates are lower than the corresponding Western rates from 10 to 40%). Western firms feel that they are put at a disadvantage with respect to their Eastern counterparts by the fact that the latter's depreciation and insurance costs are borne by the State, and that labour costs are generally lower. These characteristics, however, pertain to the very nature of a CPE and could hardly be changed in the context of a general negotiation on dumping practices.

4.2.4 Compensation Agreements

Compensation agreements have always played an important part in East-West trade, in view of Eastern nations' in-built bias of dealing with quantities and fixed prices, coupled with the non-convertibility of their currencies. In recent years the hard currency shortage experienced in the East has led to a rapid increase of these types of transactions.

Compensation agreements include different types of contracts, all envisaging some form of payment in goods, and going from pure barter to various forms of buyback deals including fully-fledged industrial cooperation.

The impact of these deals on mutual trade is by no means clear; the Community's attitude on the issue is controversial. While warning Member States on the drawbacks and the costs involved by this type of contract (eg. that of having to market and sell in the West the goods obtained in payment; that of being obliged to accept poor quality goods), the Commission is also careful in distinguishing those cases in which "countertrade can be advantageous to both sides". This is the case of "complementary" products, which do not harm the Community's economy. An almost universally-quoted example of an advantageous (from the Community viewpoint) deal is given by the Transiberian pipeline, which was built thanks to Western technology and is being payed by Soviet gas deliveries. The opposite holds for products which compete with Community ones, which can "do serious damage to established ... Community industries, ... threaten existing markets or prevent the creation of new jobs" (see the Irmer Report, Doc. 1-531/82, pp. 18-22).

Community calls for the definition of a common code within Member States to limit countertrade agreements have so far been unsuccessful. In the meanwhile, in 1980, Rumania ruled that Western exporting companies must purchase Rumanian goods up to 100% of the value of what they sell to the country (the Economist, 1982).

4.3 The Impact of the EEC on Trade with the CMEA Nations

A widely-held view in the East is that Eastern exports to the EEC area have been damaged by the development of a customs union within the Community, and point out to a growing protectionism on behalf of the EEC.

So far, however, it is not entirely clear how intra-bloc trade has been affected by the creation of a customs union within Western Europe. Economic theory gives no clear-cut answer.

In the late 1960s and in the first half of the 1970s, a debate developed in the West concerning the net effect of the creation of a customs union within the EEC on trade with third nations. Based on Jacob Viner's pioneering contribution on trade creation and trade diversion, the debate expressed the general fear that, by eliminating tariffs within the integrating area, the Community could divert part of its trade away from cheaper (pre-integration) third nation suppliers to more costly internal ones, leading to an overall loss of welfare. In practice, however, given that the abolition of tariffs within the integrating area would also lead to a countervailing trade-creating, welfare-improving effect, no a priori conclusion could be drawn on the net effects of a customs union, the latter depending on the particular circumstances of each case (8).

Customs union theory received new impetus by the debate on the so-called "dynamic" effects on integration, which developed largely around the issue of Britains' membership to the Community. Due to the narrow correspondence between the rate of growth of manufacturing output and that of overall productivity, it was claimed that the total increase of demand caused by the removal of tariffs would bring higher growth rates within the integrating area (Kaldor, quoted by Pelkmans, 1980). This, in turn, would produce positive spillover effects even outside the region, thanks to the higher demand for imports (Yannopoulos and Shlaim, 1978). Two decades of buoyant growth rates within the Community and in EEC external trade appearently confirmed this optimistic view of a trade-creating customs union. The existence of a "dynamic" effect of

integration, however, has been seriously challenged (eg by Krauss, 1972 and by Pelkmans, 1980). In particular, the initial rise of demand which is supposed to follow the abolition of tariffs within the integrating area is far from being proved, depending, in general, on the relative competitiveness of the producers. Thus, it has been claimed that integration could even give rise to a fall of demand, at least in some of the integrating nations. Accordingly, the net effect of the creation of a customs union on external trade flows continues to be *a priori* indeterminate.

Empirical estimates of the *ex post* impact of the EEC on external trade show a general agreement on the trade-creating (ie welfare-improving) effects of the Community (9). Some trade diversion is suspected to have taken place limitedly to agriculture (see Waelbrock, 1964, Balassa, 1967 and Yannopoulos, 1985).

The results of these contributions are relevant for our study inasmuch as they relate to East-West trade. In this respect the composition of CMEA exports to the EEC is very important, given that the results change rather dramatically when different products are considered. Trade diversion appears to have taken place with respect to food, raw materials, as well as for certain semi-finished manufactures and non-durable consumer goods. In turn, there was considerable trade creation for fuels, machinery and transport equipment. Given that in 1975 some 45% of EEC imports from the CMEA were concentrated among food, raw materials and manufactures, one is accordingly led to conclude that "the composition of CMEA exports to the EEC was not thus favourable in the sense that it did not concentrate particularly in sectors that profited from the external trade creating effects of the EEC" (Yannopoulos, 1985, p.4).

In practice, however, albeit suffering from their heavy reliance on these goods for exports, empirical estimates show that most CMEA nations actually benefited from the creation of the EEC. This was the case of Bulgaria, the GDR, Hungary and Rumania (Sellekaerts, quoted by Yannopoulos, 1985). Hungary and Poland managed to expand their market shares at the expense of other supplying areas especially in the fields of live animals' sales and meat exports (the so-called "competitive effect" - see Balassa, 1967). The Soviet Union, whose petroleum sales were discriminated against by the Commission's (pre-1974) energy policies, manged to expand her sales of wood and lumber.

During most of the 1960s CMEA trade with the EEC grew at about the same rate of total Community trade - although more

slowly than intra-EEC commerce. Despite the CAP, CMEA agricultural exports to the Community grew rapidly (see Hanson, 1974). Notwithstanding the enlargement of the Community from six to nine members in 1973, East-West trade continued to expand during most of the 1970s. The high growth rates of East-West commerce (albeit its low absolute values), indicate that, far from reducing trade opportunities, the development of a customs union within the EEC actually coincided with a period of rapid intra-bloc trade expansion. Possibly, the development of a customs union in Western Europe could have actually acted - temporarily, if at all - as a stimulant to East-West trade.

4.4 The Impact of Non Tariff Barriers to Trade on EEC-CMEA Trade: A Tentative Assessment

The rapid expansion of EC-CMEA commerce came to a halt in the mid-1970s, when economic recession swept through Western Europe. Inter-bloc trade flows, which had grown by a yearly average of some 34% in 1973-5, shrank to 9% during 1976-83. In particular, the aggregate import/export ratio of the CMEA nations, which had totalled a record-level of 1.7 in 1975, fell to 1.1 in 1979 and reached 0.85 in 1983. The EEC nations, hard pressed by high unemployment and unused capacity at home, faced a mounting pressure for protectionist policies.

An assessment of the incidence of Community trade barriers on exports from CPEs is provided by Olechowski and Yeats, 1982, who show that EEC regulations lead to a particularly adverse treatment of CMEA exports as opposed to those originating respectively in developed and developing nations. Over 60% of socialist countries' exports to the EEC area are subject to NTBs, while only 30 to 20% of developed and developing nations' exports are affected by the same measures. More than 27% of CMEA nations' exports to the EEC are subject to quotas (against 8-9% for the other two groups). The percentage jumps to 40% for exports originating in Hungary, Poland and Bulgaria, the three countries most affected in the CMEA. In general, Community barriers are applied most frequently to agricultural goods and to labour-intensive products like shoes, textiles and clothing. Some 78% of CMEA foodstuff and textile exports to the Community are covered by NTBs, followed by machinery (73%), vegetables (67%), live animals (64%) and footwear (58%).

Olechowski and Yeats do not assess the impact of trade barriers on EEC-CMEA flows - nor, indeed, do they mention why Community barriers are applied so strongly to CMEA exports. Their contribution, however, suggests that the impact of NTBs on intra-bloc trade is likely to be significant.

This view is challenged by Yannopoulos (1984), who claims that "the rise of ...'new protectionism' in the European Communities does not appear to have created unsurmountable barriers to the export growth of the CMEA countries" (p.126). Yannopoulos bases his arguments on an analysis of EEC-CMEA trade performance as opposed to extra-Community flows. During most of the 1972-83 period, EEC imports from the CMEA, - which were allegedly being damaged by Western protectionism - actually grew faster than extra-EEC imports. This happened in five years out of eleven, while in other four years growth rates were grossly equal. Further evidence of the ability of Eastern nations to overcome trade barriers is provided by comparing the performance of CMEA total exports and EFTA total exports to the Community during the 1972-82 period. The effect of EFTA nations' preferential access to the EEC market was isolated by standardising the trade performance for market growth and for changes in relative competitiveness. The results are shown in Table 8 below, indicating that, "despite the lack of preferences, CMEA exporters have actually recorded a better trade performance than what was expected on the basis of their relative competitiveness vis-a-vis EFTA exporters and on the basis of the demand growth in the EEC" (Yannopoulos, 1984, p.28).

Table 8

Relative export performance of EFTA and CMEA in the EEC
(annual rate of change, 1973-82)

Exporting Area	EEC	Rest of World
EFTA	15.8	14.5
CMEA	18.2	12.8

Source: Yannopoulos, 1984.

However, a closer examination of EEC-CMEA trade by a broad breakdown into main commodity categories yields somewhat different results. Yannopolulos acknowledges the fact that, limitedly to the fields of textiles and clothing and of agricultural products, EEC barriers did have an adverse impact on CMEA exports. A comparison of CMEA nations' textile sales to the EEC with those of Southern European countries shows that CMEA exports were considerably hurt by the preferential treatment granted by the EEC to Southern Europe. Moreover, there is general agreement that food sales to EEC nations are severely restricted by the application of the CAP in the West (Yannopolulos, 1984 and Page, 1981).

According to Yannopoulos, however, the role of these sectors should not be overemphasised. Thus, he still indicates the main determinant of CMEA nations' exports to the Community not as the level of Western demand, but rather the level of CMEA nations economic activity. The recent slowdown of CMEA exports to the West is thus explained not so much by Western trade barriers but by Eastern nations' capacity constraints, shortages and bottlenecks.

In our view, however, aggregate figures like those analysed by Yannopoulos are misleading, insofar as they do not account for the different performance of the six smaller CMEA nations' exports as opposed to those of the USSR. From the mid-1970s on the trade performance of the Six vis a vis the

Community started deteriorating. Exports, which had grown at the nominal average rate of some 30% in 1973-4, fell to 2% during 1975-80. The reduction was particularly acute in the 1980s, when a nominal yearly fall of some -15% was recorded (-22% only in 1981). During 1974-83 the market share of the Six fell from 4% to 2.7% of the Community's total imports.

These results hold even if we exclude the Polish case, where export performance was evidently constrained by the domestic supply. Exports from the "Five" (that is, from the Six minus Poland) fell from a yearly average rate or 30% during 1973-4 to 7.8% in 1975-83 (to -4.3 in 1980-83). Yet, there is much less evidence of serious supply constraints limiting the exports from the "Five" as in the case of Poland.

The Soviet Union, on the contrary, succeeded in raising her exports to the Community by a nominal yearly average of some 16% in 1976-83, and by 11% during 1980-83. During most of these years Soviet exports benefited from substantial improvements in the terms of trade vis a vis Western nations. Albeit a slight reduction in her exports to the Community in 1983 (-2%), the Soviet Union still contributes to some 5% of the EEC's total imports (up from 3.5% in 1972). Since the late 1970s, any reduction in the Soviet shipments to the West appears to be motivated by supply factors rather than by a fall in demand. We put forward the hypothesis that, instead, in the case of the Six, Western protectionism had a much stronger impact in contributing to explain the poor export performance vis a vis the Community - although domestic supply factors were important in some cases.

EEC protectionism hardly affected the Soviet Union, whose exports to the Community are concentrated on fuels and raw materials. The exports of the Six, instead, being concentrated in a few sectors, including foodstuff (meat, live animals, fruit and vegetables, sunflower seeds) and low-technology manufactures (iron and steel semimanufactures; clothing and wood manufactures) which compete with large sectors in the EEC, came up against Western protectionism in the second half of the 1970s. EEC protectionism was particularly strong for agricultural exports and for certain manufactures, like textile yarns and fabrics, clothing, iron and steel products.

The different impact of western protectionism on CMEA exports would contribute to explain the relatively low interest shown by the Soviet Union for negotiations with the Community. The recent case of fisheries shows that when Soviet leaders feel that their interests are potentially endangered by EC regulations, they are quite willing to look for a compromise.

Among the other Six CMEA nations, only East Germany and, to a lesser extent, Bulgaria, have shown little interest in negotiations with the Community. In the case of East Germany, her (so far) minimal interest in trade negotiations with the EEC may be explained by her unique position within the CMEA. Under a separate Protocol of the Treaty of Rome, in fact, East Germany has free access to the market of the Federal Republic. This has allowed her to benefit from a de facto membership to the Community, and to actually gain under the CAP. Bulgaria,

instead, is often said to stand to gain little from an agreement with the Community, given her low involvement in trade with the West. Recent experience, however, has proved that EEC restrictions on steel and textile imports do represent an area of concern for Bulgarian leaders.

5. Conclusions and Perspectives

Mutual commerce between the EEC and the CMEA Member States is limited by the absence of a long-lasting, comprehensive agreement regulating trade between the two organisations. In the East, this damages the smaller nations much more than it does the Soviet Union. Apart from her recent capitulation on fisheries, the Soviet Union has been able to play down the role of the Community, virtually ignoring it. The Six, instead, with the exception of East Germany, are not in a position to do so themselves. With about one third of their exports to the Community estimated to be agricultural products in 1975, coming up against the protection demanded by EEC farmers, and up to one half of their manufactures concentrated among a small number of sensitive products competing with old industries in the Community, the Six's readiness to break ranks and enter into separate negotiations with the Community can be easily explained. Exports to the Community are all the more vital now, due to the high debt burdens of Eastern nations.

The Six, who to a large extent have similar trade structures, share the same interest in joint negotiations with the Community. Possible areas of common negotiations include, among others, tariffs and quantitative restrictions on manufactures and agricultural products. Despite the strong asymmetry of trade, taken together, the CMEA nations represent an important market for the Community. The relative size of Eastern purchases from the EEC area becomes considerable when certain key sectors (eg, agriculture) are considered, suggesting that the CMEA could obtain significant concessions from Brussels.

So far, however, Eastern nations have been very bad at exploiting their market power vis a vis the Community. Not only have they always resorted to bilateral bargaining, but they have never really pursued any form of coordination within the bloc, like the specialisation of production, the mutual guarantee of creditworthiness, the retransfer of technology and so on. This has lead the CMEA nations to bear the brunt of Western protectionism, and has inter alia, caused them to lose growing shares of the Community market to a number of newly industrialised countries.

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An opinion commonly held in the West underlines the fact that the EEC nations stand to gain much less from a framework agreement with the CMEA than the latter, thus explaining why the Community has always shown little interest in joint negotiations. This view, however, does not appear to be justified either by past experience, nor by the underlying data.

Before the recession hit Western economies, EEC nations eagerly resorted to bilateral agreements with CMEA members, running counter the Community's rules, in order to boost their exports to that region. Western nations ruthlessly competed against one another to secure business with the CMEA also in the field of credit rates and terms. Before 1976, when the leading EEC nations accepted the "consensus" guidelines on export credits, the CMEA countries had considerably benefited from the lack of coordination among Western nations, and had often succeeded in playing off one nation against the other.

More recently, when the CMEA nations curtailed their imports from the West, this determined the loss of an important market for the EEC, which was at that time hard hit by domestic recession. In the longer run, however, the EEC cannot afford to forego her role as the main partner of the CMEA in the West. After the crisis of the early 1980s, in fact, recovery appears to be well under way in most of the CMEA region. While facing their traditional shortcomings in the fields of domestic high quality machinery, technological innovation and consumer goods, Eastern nations are likely to pick up demand in these sectors, even if at a lower pace than that undertaken in the early 1970s. This would create a number of opportunities for Western firms.

By refusing to grant any form of recognition to the CMEA, the EEC risks of losing part of her share of the potentially large Eastern markets. Third nations, in fact, have been recently showing a growing interest in business with the CMEA nations. In particular Japan, for many years the second largest Western supplier of the USSR after Germany, is now directing her attention to the markets of the Six, and especially to that of Hungary. At least in a number of cases, even the USA appears to be willing to abandon some of her political prejudices against the Soviet Union, and to get down to some sound business. In the near future, without a collectively bargained trade agreement, the EEC nations could find themselves obliged to compete with third nations in order to maintain their share of CMEA markets.

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As a possible blueprint of a trade agreement between a Western organism and a CPE, we now enclose a few details concerning respectively the EEC/Rumanian agreement and the special protocols signed by Poland, Rumania and Hungary with GATT.

A) At the end of 1980 a joint Commission was established between the EEC and Rumania, to monitor the evolution of trade, promote mutual commerce, improve the exchange of reciprocal information on trade matters, solve eventual divergences and formulate recommendations to both parts. The Commission meets every year, alternatively in Brussels or in Bucharest.

A trade agreement was reached for industrial products, excluding coal, steel and textiles, whose trade was regulated by pre-existing arrangements. Both parts convened on the necessity of promoting and intensifying the mutual exchange of industrial products under the GATT rules. The EC undertook to liberalise its industrial imports from Rumania. In this respect,it suspended or eliminated its quotas relative to certain chemical products, wood manufactures, paper, footwear, glass, steel products, telecommunication and electrical equipment, lights. Rumania, in turn, agreed to increase and diversify her imports from the Community at a rate not inferior to her purchases in GATT.

B) Among Eastern nations, only Poland, Rumania and Hungary, are contracting parties of GATT, having joined respectively in 1967, 1971 and 1973. Bulgaria has an observer status since 1967, while Czechoslovachia, although a founder of GATT, has never been an active member. Due to the structure of their foreign trade management, the admittance of CPEs to GATT was a matter of much debate in the West. Eastern nations were admitted under acceptance of special protocols that tried to ensure some degree of reciprocity. The solution adopted generally envisaged Eastern Nations agreeing to raise their imports in return for GATT privileges.

Poland agreed to raise the value of her imports from GATT Members by 7% a year. Rumania undertook to raise her purchases at least as fast as the rate of growth of exports, as fixed by the Five Year Plans. On the contrary, the protocol signed by Hungary contains no such commitment, as the Hungarian negotiators managed to convince GATT that under Hungary's New Economic Mechanism, changes in her customs tariffs did affect the volume of imports.

Notes

(1) OECD Observer no.128, May 1984. The Third World Nations concerned are: Brazil, Hong Kong, Yugoslavia, Mexico, Singapore, South Korea, Taiwan.

(2) Western economists, however, suggest that there was no one-to-one relation between membership to the EEC and growth rates of individual Member-States. They stress the impact of underlying economic factors other than integration on economic growth. See Cohen, 1983.

(3) The GPS was introduced in 1971 by the EC to promote development in the poorest countries. It provides for the exemption from customs duties, without reciprocity, of exports from LDCs. It contains various arrangements for agricultural, textile and industrial products. In 1980 the scheme was enlarged and extended until 1990; at present, it allows for over £.5 bn worth of goods to enter the EEC duty-free. A critique of the practical utility of the scheme for underdeveloped nations is given by Cooper, 1972.

(4) Although, reductions being highest for industrial products (-38%), industrialised nations were said to have benefited more than LDCs.

(5) This suggests that tariff liberalisation (such as that contained in the GPS scheme) is not - or is not any more - a major determinant of East-West trade. More on this point in par. 4.4.

(6) Poland agreed to keep her sales to the Community within a yearly amount of 5,800 tonnes of live animals and 200 tonnes of fresh meat. The quotas for Hungary were, respectively, of 10,050 and 1,150 tonnes; those for Rumania of 475 and 75 tonnes. All three agreements ran up until March 1984 and were renewable.

(7) According to an example cited by Holzman (1974, pp.33-9), before the rouble devaluation of 1961, the USSR and most Eastern nations exported practically everything at a nominal loss.

(8) Namely, on the relative cost curves of the integrating countries' producers. See Krauss, 1972 and Pelkmans, 1980.

(9) In general, these studies are based on a comparison between sets of actual ex post trade flows and hypothetical ones, constructed under the assumption that the structure of trade would have remained unchanged in the absence of integration.

(10) A critique of the "dynamic" effects of integration is given by Krauss (1972) and by Pelkmans (1980).

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EEC Exports and Imports to and from the CMEA* - By main commodity groups.

Annex I

FOOD - DRINK AND TOBACCO (SITC 0+1+4)

Mous. Ecu.

	1975		1977		1978		1979		1980		1981		1982		1983	
	Exp.	Imp.	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp.	Imp	Exp.	Imp	Exp	Imp.
BULGARIA	21	71	20	79	28	89	42	92	30	71	58	89	59	102	78	94
CZECHOSL.	48	59	69	55	56	73	66	87	104	82	120	103	146	130	103	134
GDR	40	92	38	53	81	87	79	54	123	48	252	91	119	41	183	19
HUNGARY	47	234	82	303	64	325	70	334	59	345	101	402	95	433	113	450
POLAND	108	237	109	367	213	354	281	371	519	371	746	294	484	317	357	374
RUMANIA	20	169	56	142	40	118	85	126	140	102	383	105	114	111	32	87
SIX	284	862	374	999	482	1.046	623	1.064	975	1.019	1.660	1.084	1.015	1.133	863	1.157
USSR	155	159	250	117	167	93	412	86	1.086	87	1.694	95	1.386	98	1.781	106
TOTAL	439	1.021	624	1.116	649	1.139	1.035	1.150	2061	1106	3.354	1.179	2.401	1.231	2.644	1.263
MINERAL FUELS (SITC 3)																
BULGARIA	7	2	6	11	3	25	4	85	6	101	9	190	19	210	29	165
CZECHOSL.	10	61	11	80	14	84	17	122	10	228	17	221	15	212	15	248
GDR	0	12	2	225	3	25	12	22	12	114	3	217	2	190	3	268
HUNGARY	3	5	5	28	10	22	19	63	22	55	53	62	20	50	13	83
POLAND	22	560	28	509	20	524	24	599	26	578	21	342	23	560	20	641
RUMANIA	42	160	20	182	35	221	123	620	129	742	161	832	128	650	87	711
SIX	84	800	72	1035	85	901	199	1.511	205	1.818	264	1864	207	1.872	166	2.117
USSR	12	1.558	16	2.957	15	3.041	24	4.255	46	6.018	58	8.478	113	2.182	88	13.643
TOTAL	96	2.358	88	3.992	100	3.942	223	5.766	251	7.836	322	10.342	320	14.054	254	15.760

* Inner-German trade not included.

AGRICULTURAL RAW MATERIALS (SITC 2)

	1975		1977		1978		1979		1980		1981		1982		1983	
	Exp.	Imp.	Exp.	Imp	Exp.	Imp.	Exp.	Imp.	Exp.	Imp	Exp	Imp	Exp	Imp	Exp.	Imp.
BULGARIA	10	6	9	13	11	11	19	13	15	11	22	13	45	24	43	30
CZECHOSL.	32	76	43	120	39	125	19	131	52	153	69	152	94	219	81	238
GDR	15	25	22	30	20	24	24	28	27	29	32	34	41	48	49	56
HUNGARY	27	48	41	64	49	58	46	64	50	62	60	72	77	136	80	142
POLAND	39	94	40	149	42	148	43	175	43	190	43	152	51	288	53	303
RUMAHIA	13	59	13	38	14	44	20	54	27	51	24	54	50	52	53	55
SIX	136	308	168	414	175	357	129	465	214	496	250	477	358	767	359	822
USSR	23	450	14	826	39	698	49	727	82	880	107	890	142	1.070	170	1.020
TOTAL	159	758	182	1.240	214	1.055	178	1.192	296	1.356	357	1.367	500	1.837	529	1.842

CHEMICAL PRODUCTS (SITC 5)

BULGARIA	64	9	83	11	85	14	109	17	130	31	158	46	178	51	201	44
CZECHOSL.	191	57	220	74	198	66	237	93	267	123	278	168	276	203	288	206
GDR	94	73	102	81	96	81	124	105	128	130	150	184	83	221	94	245
HUNGARY	203	36	260	62	304	68	272	93	328	135	387	155	394	157	411	174
POLAND	270	51	370	76	373	72	405	74	414	93	301	92	391	75	413	93
RUMANIA	115	37	143	53	168	41	234	47	242	57	215	99	152	106	162	96
SIX	937	263	1.178	357	1.224	342	1.381	429	1.509	569	1.489	744	1.473	813	1.568	859
USSR	411	145	719	485	689	560	792	761	1.088	599	1.027	641	918	536	962	559
TOTAL	1.348	408	1897	842	1.913	902	2.173	1.190	2.597	1.168	2.516	1.385	2.391	1.349	2.530	1.418

FINISHED MANUFACTURES (SITC 6+8)

	1975		1977		1978		1979		1980		1981		1982		1983	
	Exp	Imp	Exp	Imp	Exp	Imp	Exp.	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp
BULGARIA	90	31	107	43	91	45	98	63	126	70	165	66	282	154	294	148
CZECHOSL.	174	244	225	353	200	365	195	400	212	452	228	482	284	770	377	813
GDR	84	125	79	192	111	209	124	222	131	254	138	281	200	547	171	468
HUNGARY	248	208	253	326	394	343	384	407	435	453	527	461	654	568	656	600
ROLAND	384	213	443	327	518	334	470	403	417	452	73	580	401	718	518	707
RUMANIA	147	261	190	385	225	435	247	516	293	537	260	541	360	737	317	755
SIX	1.127	1.082	1.297	1.526	1.539	1731	1.518	2.011	1.614	2.218	1.391	2.411	2.181	3.494	2.334	3.589
USSR	468	150	776	283	611	367	776	343	1.508	450	972	356	3.349	808	4.219	815
TOTAL	1.595	1.232	2.073	1.809	2.150	2.098	2.294	2.354	3.122	2.668	2.363	2.767	5.530	4.302	6.553	4.404

MACHINERY AND VEHICLES (SITC 7)

BULGARIA	299	17	210	222	190	23	170	28	226	34	361	73	399	47	402	32
CZECHOSL.	359	130	471	162	490	155	442	180	444	175	424	182	460	188	450	202
GDR	130	70	107	108	114	124	253	125	188	150	339	189	222	233	243	240
HUNGARY	246	53	425	90	535	101	473	129	444	143	574	157	596	161	544	177
POLAND	1.046	156	1.020	275	936	366	765	290	918	319	611	259	468	219	474	213
RUMANIA	397	55	476	79	624	74	642	72	449	75	324	94	160	102	140	98
SIX	2.277	481	2.709	736	2.889	843	2.745	824	2.669	896	2.633	954	2.304	949	2.253	962
USSR	2.028	118	2.519	158	2.391	173	2.256	218	2.214	177	1.907	239	2.730	243	4.306	281
TOTAL	4.305	599	5.228	894	5.280	1.016	5.001	1.042	4.883	1.073	4.540	1.193	5.034	1.192	6.559	1.243

TOTAL

	1975		1977		1978		1979		1980		1981		1982		1983	
	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp	Exp	Imp
BULGARIA	618	479	541	260	538	287	599	405	728	609	963	555	1.023	609	1.095	529
CZECHOSL.	968	777	1.243	1.068	1.211	1.092	1.277	1.283	1.313	1.449	1.385	1.564	1.399	1.751	1.451	1.873
GDR	429	433	474	704	535	658	746	716	806	853	1.048	1.158	710	1.293	792	1.415
HUNGARY	908	654	1.335	999	1.545	1.007	1.478	1.255	1.550	1.359	1.959	1.461	1.962	1.534	1.957	1.662
POLAND	2.495	1.497	2.546	2.117	2.507	2.248	2.479	2.434	2.776	2.666	2.307	2.062	2.051	2.256	2.074	2.415
RUMANIA	977	816	1.192	1.003	1.420	1.066	1.477	1.579	1.641	1.713	1.699	1.829	1.060	1.770	885	1.819
SIX	6.390	4.356	7.331	6.169	7.756	6.358	8.056	7.772	8.814	8.449	9.361	8.629	8.206	9.212	8.255	9.713
USSR	4.631	3.572	5.849	6.180	5.630	6.465	6.310	8.415	7.518	10.838	7.886	13.541	8.985	17.046	12.022	18.343
TOTAL	11.021	7.928	13.180	12.349	13.386	12.823	14.366	16.087	16.332	19.287	17.247	22.170	17.298	26.354	20.377	28.145

ANNEX I

LIST OF LONG-TERM COOPERATION AGREEMENTS BETWEEN THE EEC MEMBER STATES AND THE COMECON COUNTRIES (as at 31.12.1979)

1. Belgium/Luxembourg Economic Union

Bulgaria	26.3.1975
GDR	31.8.1974
Hungary	20.2.1975 initialled, signed 6.10.1975
Poland	22.11.1973 and Five-year Agreement from 10.4.1975
Romania	27.5.1976
Czechoslovakia	10.10.1967 duration unspecified, supplemented by agreement of 10.9.1975
USSR	19.11.1974
Vietnam	11.10.1977
China	26.11.1979

2. Federal Republic of Germany

Bulgaria	14.5.1975
Hungary	11.11.1974
Poland	1.11.1974 and Agreement of 11.6.1976
Romania	29.6.1973
Czechoslovakia	22.1.1975
USSR	19.5.1973
	30.10.1974 (supplementary agreement)
China	24.10.1979

3. Denmark

Bulgaria	22.4.1975
GDR	21.2.1974
Hungary	14.2.1976
Poland	20.11.1974
Romania	29.8.1967 and 1.12.1976
Czechoslovakia	9.11.1970
USSR	28.8.1975
Vietnam	1.6.1977
China	14.9.1979

4. France

Bulgaria	13.11.1974 and Five-Year Agreement from 19.3.1975
GDR	19.7.1973
	11.7.1975 (supplementary agreement)
Hungary	9.11.1974

Poland	5.10.1972 and Five-Year Agreement from 1975
Romania	28.7.1975
Czechoslovakia	23.2.1970
	Nov. 1977 (supplementary agreement)
USSR	27.10.1971
	9.11.1974
	6.12.1974 (supplementary agreement) 10 years
	April 1979 (supplementary agreement, not yet signed)
Vietnam	27.4.1977
China	4.12.1978

5. United Kingdom

Bulgaria	19.5.1974
GDR	18.12.1973
Hungary	21.3.1972 duration unspecified
Poland	20.3.1973
	16.12.1976 for five years
Romania	15.6.1972 for five years
Czechoslovakia	8.9.1972 for five years
USSR	6.5.1974
China	4.3.1979

6. Italy

Bulgaria	27.5.1974 and Five-Year Agreement from 23.6.1975
GDR	18.4.1973
Hungary	25.5.1974
Poland	17.1.1974 (long-term programme)
	28.10.1975 agreement for 1980-1984
Romania	22.5.1973
Czechoslovakia	30.4.1970 duration unspecified
USSR	25.7.1974
	October 1979 (not yet signed)
China	23.4.1979

7. Netherlands

Bulgaria	11.12.1974
GDR	12.6.1974
Hungary	18.7.1975
Poland	2.7.1974
Romania	14.5.1975
Czechoslovakia	19.11.1975
USSR	15.7.1975
China	11.10.1979 (draft)

8. Ireland

Poland	13.6.1977 for ten years
USSR	16.12.1976

ANNEX III

LIST OF RECENT ANTI-DUMPING COMPLAINTS AGAINST EASTERN EUROPEAN COUNTRIES

A. ANTI-DUMPING PROCEDURE

Official Journal No. and date

Product	Exporting country	Officially opened	Imposition of rights		Closure after 'arrangement' or similar solution	Closure in view of 'other developments'	Closure after official rejection of complaint
			provisional	definitive			
Galvanised sheeting (hot dipped)	Bulgaria	C 19 24.1.78					
	Poland	C 19 24.1.78	L 19 (1/2) 24.1.78				
	GDR	C 19 24.1.78	L 50 22.2.78	L 131 (2) 19.5.78			
	Czechoslovakia	C 19 24.1.78			C 110 11.5.78		
Heavy and medium plate	Bulgaria	C 19 24.1.78	L 19 24.1.78	L 108(6) 22.4.78			
	Hungary	C 19 24.1.78			C 184 2.8.78		
	Poland	C 19 24.1.78	L 39 (4/6) 9.2.78	L 195 20.7.78			
	GDR	C 19 24.1.78	L 23 28.1.78	L 108(6) 22.4.78			
	Romania	C 19 24.1.78	L 23 28.1.78	L 108 (5/6) 22.4.78			
	Czechoslovakia	C 19 24.1.78	L 19 (3/6) 24.1.78	L 195 20.7.78			

(1) Extension OJ No. L 108, 22.4.1978, p. 29, (2) Amendment OJ No. L 183, 5.7.1978, p. 1, (3) Extension OJ No. L 106, 0.4.1978, p. 19. Suspension OJ No. L 116, 28.4.1978, p. 20, (4) Extension OJ No. L 120, 4.5.1978, p. 25; OJ No. 6.1978, p. 45 (5) Suspension OJ No. L 155, 9.6.1978, p. 19, (6) Amendment OJ No. L 183, 5.7.1978, p. 1

(1) Extension OJ No. L 108, 22.4.1978, p. 29, (2) Amendment OJ No. L 183, 5.7.1978, p. 1
20.4.1978, p. 19; suspension OJ No. L 116, 28.4.1978, p. 20, (4) Extension OJ No. L 120, 4.5.1978, p. 25; OJ No.
L 145, 1.6.1978, p. 45, (5) Suspension OJ No. L 155, 9.6.1978, p. 19, (6) Amendment OJ No. L 183, 5.7.1978, p. 1

Official Journal No. and date

Product	Exporting country	Officially opened	Imposition of rights		Closure after 'arrangement' or similar solution	Closure in view of 'other developments'	Closure after official rejection of complaint
			provisional	definitive			
Thin sheet	Czechoslovakia	C 19 24.1.78	L 19 (1/2) 24.1.78				
Coils	Bulgaria	C 19 24.1.78	L 37 7.2.78	L 120 (2) 4.5.78			
	Hungary	C 19 24.1.78			C 184 2.8.78		
	Poland	C 19 24.1.78			C 184 2.8.78		
	Czechoslovakia	C 19 24.1.78	L 17 (1/2) 21.1.78				
	USSR	C 19 24.1.78					
Wire rods	Hungary	C 19 24.1.78			C 184 2.8.78		
	Poland	C 19 24.1.78			C 184 2.8.78		
	Czechoslovakia	C 19 24.1.78	L 19 (1/2) 24.1.78				
Angles, shapes and sections	Hungary	C 33 9.2.78			C 184 2.8.78		
	Czechoslovakia	C 33 9.2.78			C 110 11.5.78		
Kraft liner	USSR	C 105 3.5.78			C 174 21.7.78		

(1) Extension OJ No. L 106, 20.4.1978; suspension OJ No. L 116, 28.4.1978
(2) Amendment OJ No. L 183, 5.7.1978

Official Journal No. and date

Product	Exporting country	Officially opened	Imposition of rights		Closure after 'arrangement' or similar solution	Closure in view of 'other developments'	Closure after official rejection of complaint
			provisional	definitive			
Poly-buta-diene-styrene	GDR Poland) Romania)	C 196 17.8.78				C 210 10.8.79	
Electric bulbs	Hungary) Czechoslovakia) Poland) GDR)	C 211 5.9.78			L 97 15.4.80		
Sodium Carbonate	Bulgaria) GDR) Poland) Romania)	C 277 21.11.78			C 303 4.12.79		
	USSR	C 277 21.11.78	L 297 24.11.79	L 48 22.2.80			
Hardboard	Czechoslovakia) Poland) Romania) USSR)	C 286 30.11.78			L 145 11.6.80		
Herbicides	Romania	C 311 29.12.78					
Gas pipes	Romania	C 21 24.1.79			C 109 2.5.79		
Electric motors	Bulgaria) Czechoslovakia) GDR) Romania) Hungary) Poland)	C 103 25.4.79			L 53 27.2.80		
	USSR	C 103 25.4.79	L 53 27.2.80		L 153 21.6.80		

Official Journal No. and date

Product	Exporting country	Officially opened	Imposition of rights		Closure after 'arrangement' or similar solution	Closure in view of 'other developments'	Closure after official rejection of complaint
			provisional	definitive			
Tyres	GDR) Romania) Czechoslovakia)	C 107 28.4.79			L 113 1.5.80		
Lithium hydroxide	USSR	C 126 19.5.79	L 274 31.10.79	L 23 30.1.80			
Angles, shapes and sections (iron/steel)	Romania	C 146 12.6.79			L 56 29.2.80		
Saccharin	China	C 207 17.8.79					
Mechanical alarm clocks	China) GDR) Czechoslovakia) USSR)	C 212 24.8.79	L 158 25.6.80		L 158 25.6.80		
Ball bearings	Poland) Romania) USSR)	C 235 18.9.79	L 158 25.6.80		L 158 25.6.80		
Mechanical watches	USSR	C 181 19.7.80					

(3)

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Methodology and policy issues in the projection of world economic changes (a Hungarian experience)

Italian-Hungarian Conference
Rome, November 1985.

Istituto Affari Internazionali - Rome
Institute for World Economics - Budapest

In the course of the past decade a number of factors have increased the demand and reduced the faith in different countries and in the international organizations in longer-term world economic projections. The most important of these factors was the growth of insecurity at the given development stage. Decision-makers, policy-making bodies, institutions and individuals became less certain about the soundness of their decisions and their anticipated consequences. Even though they led to many unexpected developments, the trends that exerted an influence for about 20-25 years after the Second World War and the factors that operated earlier in the development of the world economy on the whole were more comprehensible and transparent than those of the present. It was possible to predict their influence and even to influence in time the ways in which they operated at least by certain countries.

However, the unfolding of the new stage in world economic development put an end to the predictability of changes of the kind to which the main protagonists in world economic relations had been accustomed in the past. Moreover, the factors that determine the new stage in world economic development are increasingly complex and conflicting. Under such circumstances, it

has become necessary especially for the smaller states to attempt to understand and define for themselves how the environment that falls largely outside the scope of their action will influence their situation in the coming years and decades. It is, of course, clear that the states on our earth are of different sizes, having differing economic and political strength and therefore influence world economic processes in different ways. There are countries that are able to influence the world economic environment to a greater extent, but the majority are not capable of this. In the contradictory context of world economic relations, under the special conditions of the interaction of the economy and politics, even those powers which are capable of influencing one or another area of the world economy through their economic positions, can less and less count on guiding development in the direction they desire or intend through their actions. The changes that occur are often unanticipated, sometimes precisely in those areas where they had counted most confidently on their strength.

In Hungary we started to work on longer term world economic projections in the mid 1970-s. On the basis of four comprehensive world economic future studies and

several dozen studies of specific areas, we have acquired sufficient experience to evaluate the methods used in our work to elaborate methodological concepts that can serve as a basis for forecasts to be prepared in the coming years.

The first world economic forecast was drawn up even before the creation of the Institute for World Economy of the Hungarian Academy of Sciences. In a study entitled "Towards the Third Millennium" the author attempted in 1968-71 to outline the anticipated trends and problems in the course of the 30 years up to the end of the millennium. This work, which was updated for the new edition in 1976 in the light of new developments, was largely based on certain results of research projects launched in the United Nations Organization in the sixties and in which the author participated in 1966-1968. At the initiative of Prof. József Bognár, the Afro-Asian Research Centre of the Hungarian Academy of Sciences began to draw up world economic forecasts in 1972-73. Various details of the results obtained in this work have been published. The first comprehensive world economic projections were completed in 1976, mainly with the participation of new, young researchers. On the basis of this work we elaborated a number of background studies in 1977 for the preparation of the Resolution adopted by the Central Committee of the Hungarian Socialist Workers' Party on 20th October, 1977. In 1978-79, we drew up a "regional projection" for the Sixth Five-year Plan covering the economic development of the main partner countries and then in 1981 a world economic forecasting study was made for the period up to the year 2000 for long-term planning. In conjunction and parallel with this work, a number of studies of specific details dealing with particular sectors of the world economy were made in the Institute. One of these was the study made for UNITAR, covering the perspectives for cooperation between the socialist and developing countries, carried out under the direction of István Dobozi, who was also in charge of the forecast of commodity production and consumption

and the project examining the long-term possibilities and conditions for economic cooperation between the developing countries and the Hungarian People's Republic, drawn up for the National Planning Office. Another forecast study on international industrial development was made under the direction of Béla Kádár, to serve as a basis for the industrial policy concept. Around 60 experts from the Institute for World Economy of the Hungarian Academy of Sciences, the World Economics Faculty of the Karl Marx University of Economics, different research institutes, ministries and universities took part in the international research work. Longer-term forecasts of world trade were also made in other Hungarian institutes, such as the Institute of Economics of the Hungarian Academy of Sciences, under the direction of András Nagy.

The content of the projections: the changes in the world economy.

One of the fundamental questions, which influenced both the contents and method of our work, was the scope and requirements of the users. It is obvious that in the Hungarian economy which depends to a great extent on the world economy and is unable to influence the world economic environment, it is highly important for decision-makers to understand the main directions of changes. This has been particularly important since the seventies when not only were earlier trends broken, but major new factors emerged, making the prospects for development far more uncertain in all the links of the world economy, including the CMEA countries. The gap

between the plan targets reflecting intentions and the actual development processes widened in these countries. This made the result of the coordination of plans far more uncertain than in the past and also made it necessary to have a better knowledge of real processes and to forecast them. Under the new conditions, it became particularly important for the formulation of Hungarian economic policy decisions and plan targets to have an outline of probable world economic trends. Research work was required not simply to respond to the concrete demands. It also had to define the most important questions for decision-making individuals and institutions under Hungarian conditions, indicating at what phase of the decision-making these problems arise, that is, when the top economic guiding organs require medium and long-term world economic forecasts. The reply to these questions was obtained on the basis of experiences and throgh the series of discussions with government agencies. Among the users, the leading party and state organizations were decisive above all. The other important sphere of users was the sectoral ministries and in part the enterprises.

Right from the outset we also regarded it as an important task to provide appropriate information for the

general public. From the viewpoint of decision-makers the requirements of the users called for such an analysis that take the political and economic environment of the Hungarian People's Republic into full consideration. We had to elaborate the issues and trends in such a way that can not only be translated into the "language" of economic policy makers and planners, but also respond directly to the problems arising in the course of their work. These were, among others, the following issues:

- Social and political changes in the most important partner countries which are of importance from the angle of economic development and international economic cooperation.

- The anticipated economic development of the main partner countries and study of the main factors influencing this:

  a) probable trends in economic growth and changes in the system of state economic policy objectives and means influencing it;

  b) the demographic changes which influence demand relations and the manpower situation;

c) changes in market demand and the structure of production and their expected influence on the exports and imports of the country concerned;

d) changes in the economy of countries that are competitive and complementary from the viewpoint of our international cooperation and, in this connection, changes in the direction of external partners.

- Comprehensive studies dealing with special questions, including:

a) analysis of the raw materials and energy situation and the conditions of procurement;

b) main directions of technical development, changes int the areas of emphasis and sectoral influences;

c) the situation of agriculture, food supply and the market;

d) changes in the situation of international money markets and the evolution of debtor-creditor relationships and relations;

e) the main directions of world trade and price changes and in particular, problems of the regions which are important for the Hungarian economy;

f) main trends and interrelationships in the development of the system of international economic institutions /including also the CMEA/.

Naturally, we attempted to draw concrete conclusions from the above analytical and forecasting work, which were expressed in recommendations made for economic policy.

The basic hypothesis of the world economic forecast drawn up in the Institute for World Economy of the Hungarian Academy of Sciences was the system of conditions based on the continued unfolding of the new stage in world economic development. The fact that the change of era was taken as the point of departure in itself meant recognition and acceptance of a break in earlier development.

However, to be able to interpret the new development stage in economic terms, the major forces influencing the new stage had to be determined. Differing views were expressed in our debates on the interpretation of

the concept of the new economic era. In the course of various debates some historians even doubted the existence of a new era or change of era. In their view, the French Revolution and the October Revolution brought a "change of era". Other historians and economists interpreted eras as long cycles. In their opinion, the stage of world economic development now coming to a close begin in the 1600s, with the period of colonization, while the collapse of the world economic relations based on colonial exploitation largely began with the disintegration of the empires. In their view, this was reflected in the evolution of prices too. They spoke of a new price revolution, marking the end of the era of cheap raw materials and fuels.

We interpreted the world economic development stage differently. In our view, there are changes of stages within the major, long historical and economic history eras. A new development stage began to emerge in the world economy after the Second World War and lasted up to the end of the sixties and the early seventies. Thus in this interpretation the new stage in world economic development is unfolding within a long historic era. However, it is probable that the change of certain elements in the present longer eras coincides

with the change in the shorter development stage. /E.g., the beginning of the breakdown in the colonial-type division of labour following the end of the political disintegration of the colonial system./

According to our investigations, these shorter stages are determined by a number of important factors or "regulating forces". These are the following:

1/ The international political and economic power relations of the given period.

The most important factors for the unfolding of the new stage of development are the simultaneous existence of 160 states in our world /about 120 of them new countries/, the establishment of Soviet-US military equilibrium and its influence on international relations, the contrasts between the bipolarity of the world from the viewpoint of military power and the emergence of multipolarity in economic power relations and the strengthening role of regional power centres in international politics.

2/ The characteristics of scientific and technical development.

The rapid advance of microelectronics and the unfolding of the "biological revolution" began in the

late sixties and early seventies. A new stage began in the use of materials and in the production and use of energy. New materials and combinations of materials came to the fore. The dangers of weapons of mass destruction, the deterioration of the natural environment and the emergence of major new global problems indicate the new conditions. The unfolding of new development directions and the emergence of new conditions in the relationship between man and nature began in this area.

3/ The conditions of economic growth.

The conditions for economic growth changed more or less simultaneously in the world's three main groups of countries: the advanced capitalist, the developing and the socialist countries. There is a major transformation in the role of the different sectors and the factors determining the growth of demand have also changed in the different countries. On the input side, there are also important shifts. The costs of energy inputs increased but at the same time, new technology also became more costly. The conditions of the labour markets became more rigid in western Europe. The relationship between economic policy and economic growth was also modified. In the advanced industrialized capitalist countries the

effectiveness of economic policy based on Keynesian philosophy declined and new trends took shape. In the European socialist countries the tasks of intensive development came to the fore and the reserves for extensive development were exhausted. The developing countries were faced with the complex tasks of economic decolonization.

4/ The nature and conditions of international cooperation.

Changes began in the system of international economic cooperation. The strengthening of interactions and relationships of mutual dependency between the states and the beginning of efforts to eliminate the colonial-type division of labour created new conditions in international cooperation. The emergence of new internal economic problems and the new conditions made the organizational frameworks established in the earlier stage increasingly outdated. The need for the establishment of new institutions and forms of cooperation became the order of the day.

The factors determining the new stage are unfolding unevenly. The relative situation of the different groups of countries and, within this, the situation

of the individual countries differes in many respects. Conflicts between the continued existence of the old frameworks and the requirements of the new conditions lead to serious tensions and crises.

The difficulties and uncertainty of adjustment in the individual countries make the less favourable development alternatives more probable for the time being. Naturally, the problems of change and adjustment are arising not only in those countries which are not capable of "influencing the world economic situation", but also in those which are able to mould the system of international relations through their importance and economic power. These countries as yet still give very little consideration to the new international consequences of their decisions. The substantial change in the environment of our country which is obliged to adjust led us to strenghten the "normative" nature of our world economic forecasts and also to the clearer definition of the course of action that appears necessary.

The role of the needs of the users.

Closely linked to the questions of content, a number of

important methodological questions came to the fore practically from the outset. These methodological questions were partly related to the fact that world economic forecasts are not produced in a political vacuum and are not prepared for unknown users. Planners, foreign trade organs, industrial enterprises, etc. use the forecasts for their own purposes. Naturally, there are many methodological issues from the point of view of the users which may determine the extent to which the projections could be utilized. Without attempting to list them all, these conditions include the following:

1/ One of the most important is finding a "common language". Those who prepare world economic projections must take into account the problems, conditions, trends, processes, etc. that arise in practice in the same way, with the same emphasis and the same degree of concreteness, but they cannot distance themselves from them either.

World economic projections must define the relationships that are the most essential from the viewpoint of practice. Naturally, these do not necessarily

have to coincide with the value judgments of the practical sphere, as regards either order of importance or priorities. Practice often gives priority to quite different factors in all or many respects in evaluating the changes from those indicated by world economic forecasts, since it sees and judges the importance of the problems on a different "time horizon". This means that world economic forecasters must clearly see the full range of factors influencing the given economic practice but at the same time, they must deal only with the general problems that are abstract from the viewpoint of practice. The "common language" thus also means that the problems and direction of the changes must be defined convincingly and acceptable for practice too, backed by suitable arguments, that is, in a way that can be defended. At the same time, they must also throw light on different real, alternative possibilities in the direction of development, always also indicating the most probable versions.

2/ The other important condition of usability is concreteness in formulating the conclusions. By their nature, the conclusions of world economic projections cannot generally be so concrete that they serve

as a basis for decisions on questions of details /although, in cases, this possibility cannot be excluded either/. For this reason, conclusions which help in making decisions at the strategic level of international economic policy can be regarded as realistic.

Those who formulate the projections must also assist in transplanting the results of analysis made in the sphere of scientific research into the sphere of practical decisions. They must therefore develop the mechanisms - jointly with practice - that ensure this in the most efficient way.

The practical users of world economic projections - the central planning organs and other leading state institutions which make decisions in different questions of international economic policy and the enterprises - do not require information of the same depth in the forecasts. Naturally, although it is also important for the enterprises to have at their disposal projections predicting the evolution of the general world economic environment, the most important information basis for them is the forecasts relating primarily to trends in the situation of cer-

tain products, product groups and the situation on the given market for their products.

However, the enterprise sphere is not the most important client for world economic projections. Such documents however, may assist them in anticipating long-term changes in the global economic environment. This may be very useful for those firms which are international in their sourcing, output and sales.

In the case of world economic projection, the concept of practical usefulness can naturally be extremely broad. This includes also the fact that the projections may influence the thinking of those working in economic practice in a given way and direction; it may give them an understanding of the appearance of certain new problems or may give them a clear picture of development trends expected to emerge over the given period.

3/ In what phase of the decision-making process is the use of the projections most important. Obviously, at the formulation of economic policy concepts and directives it is extremely important to understand

the general world economic development trends and to know the main problems and possibilities that will arise from the anticipated changes. The economic policy decision-makers must therefore be familiar in this stage with the most important questions of world economic significance.

However the requirements - the usability of world economic projections depends to a large degree on the extent to which they are met - arise much more concretely in the phase of preparation of plans, whether long-term plans covering a period of 10-15 years or shorter-term plans.

An analysis of the main economic sectors and branches of production at world economic level which are of particular importance for the country concerned is required in the planning phase. Thus, for example, it is important in the Hungarian economy to forecast anticipated trends in the agricultural sector, in food production, the food industry, the engineering and chemical industries and to outline the changes in the structure of composition that will affect future demand for the given agricultural, food industry or other product groups.

The fact that a given world economic forecast contains answers to the questions of planners and decision makers naturally does not mean that they will also use these suggestions. There are many subjective and objective conditions for their use. The objective conditions include the possibilities and limitations within which practical economic policy can move.

It happens not infrequently that those who formulate economic policy and prepare the plans, anticipate changes and understand the direction of the changes taking place in the world economic environment, but are nevertheless unable to guide economic action in the desired direction immediately or in all respects because the system ofconditions and the means at their disposal are not sufficient or suitable for this. The fundamental question arising in such cases is how far they are capable of reaching optimal compromises between the necessary and possible action.

The subjective problems and subjective conditions represent far more complex problems in connection with the use of world economic forecasts. It is obvious that even with the most reliable calculations

and the most convincing arguments, doubts can arise in the users of world economic projection regarding their reliability. The experiences with the different longer and medium term projections indicate a rather high degree of errors in many countries and international organizations especially in such cases when the given field covered by the projections was influenced by government policies to a great extent. There is however an other problem. Knowledge and experiences accumulated in the preparation of plans and earlier decisions may be in contradiction with what is outlined in the projections. In such cases it is obvious that a great deal depends on the subjective attitude, soundness and ability of those taking part in the decision-making process; on whether they are capable of confronting their own views and opinions with other views of a different nature and direction and then modifying them accordingly.

4/ Partly in connection with those above, a number of questions were also formulated concerning the alternatives. Particularly in the debates on our first projections, it was proposed that all the alternatives that appear realistic should be formulated and a position adopted on the probability of their

occurrence. Too many alternatives naturally reduce the value of the projections and the responsibility of the forecasters. They do not increase its scientific soundness. The task of projections is not simply to predict development, but partly also to encourage action in the interest of preventing the occurrence of certain foreseeable, unfavourable trends, crises, etc. There is naturally a need for the formulation of realistic alternatives, particularly if the probability of their occurrence is similar.

5/ The scientific soundness and reliability of the projections in our practice emerged partly as a methodological problem. Is there suitable statistical or other information available on the different areas of the world economy; are there researchers with the necessary training and sufficient experience, etc.? Can decisions be based on the materials prepared? It is unquestionable that without a high level of development in economic research, projections could not have been made. Experiences and information are needed in order to begin such work. The scope of world economic research carried out in Hungary also had to be expanded in the sense that,

in addition to the earlier research directed mainly at the "laws" and "theoretical implications" of development a new approach which was oriented towards practical problems had to be established and the personnel and objective conditions for this created. An organized link had to be established between research and practical work. Among other things, the creation and operation of the Scientific Council for World Economy served this purpose which included leading policy makers and researchers. This link was in the interest of both sides. The strengthening of international scientific relations was also of decisive importance in creating a Hungarian scientific basis for world economic forecasts in that it created the possibility for on-the-spot research in similar institutes and also provided the opportunity for a direct insight into the research work of the countries and international organizations concerned. The UN forecasting work which was carried out in part on a global scale and in part within the framework of the regional economic commissions, was particularly constructive for us. In the U.N. Center for Planning, Projections and Policies in the sixties this work was limited mainly to less sophisticated models and extrapolations. However, in the

seventies it was based on a complex matrix taking into account the development of the individual states, groups of states and world economic regions, and also on opinions of experts. The evaluation of world economic projections using the Link method proved valuable, as well as the work carried out in Hungary by András Nagy and his team on projecting international trade using international linkages.

6/ An important question raised in connection with the methods to be used for projections was whether they should be content with country analyses or special studies of particular aspects which are not closed even in themselves because they throw light only on the given area and on the whole are not necessarily consistent compared to each other. The scientific value of this method is doubtful. In cases such studies of details are also needed, but they are only of scientific value if they are integrated into a suitable world economic background. At the same time they also contribute to forming the background. Their use too can only be conceived in this way in the preparation of decisions.

As can be seen from the structure of the projections

mentioned in the preceeding parts, we finally strove in part to examine development by tracing the main interactions and in part to prepare forecasts also for certain important sub-areas. In the course of combining the detailed studies we strove to reduce the outstanding discrepancies and contradictions between them through further analysis of the possible causes and factors. This was not always possible. Especially in the case of studies made with the contribution of specialists working in different scientific fields, the opinions on the importance of the factors and the evaluation of the main direction of changes at times widely differed. The confrontation of these views did not always prove successful either. In such cases, suitable selection was finally the task of the head of the research project. /This will be discussed in greater detail later./

Lessons and traps of "historical analogies" and past patterns.

The practitioners of all sciences, including the social sciences, must be oriented towards the future. The

purpose of scientific conclusions is to point the direction for future action in given areas. The importance of historical analogies emerged as one of the essential questions of scientific results that can be used in world economic projections. From the viewpoint of specialists, all past processes, events and interrelations /including, for example, the technical coefficients characteristic of past periods/, can be regarded as historical. To what extent and how can and should the past patterns be taken into account? Our work so far and international experiences led to the following conclusions:

1/ The most "dangerous" method giving rise to the most errors was the simple extrapolation of the present trends regardless of past processes. Extrapolation of past trends that failed to take the different qualitative and policy changes into account also caused many mistakes and led to major errors, particularly on longer-term.

Despite all this, extrapolation of past trends as a method of controling certain projected trends was very useful.

2/ Critical analysis of longer cycles was particularly imortant, on the one hand, for understanding both recurring relations and those arising under new conditions and circumstances, and on the other hand also contributed to throwing light on the nature of the interactions between social and economic processes. However thinking in long cycles was not usable in projecting future trends. The changes in conditions in the world economy and within the different countries over periods of 20-50 years are too great. There are, of course, certain basic interrelationships and similar social and economic tensions may arise under the new conditions too. Although it is not possible therefore to speak of cyclical repetitions, the historical analogies may be very instructive.

3/ We also developed a more or less similar attitude on concepts concerning the determining role of "long-term trends". According to those concepts, although they may also change, the long-term trends in the development of the world economy and in its different parts are essentially pre-conditioned in historical perspectives and the characteristic growth limits are lasting ones. Deviations from these /more

rapid or slower development/ are only temporary. /Such views were formed, for example, in connection with the sixties, which took shape under the influence of a sum of exceptionally favourable conditions and with the "normalization" of these conditions, development since the seventies has returned to the trends./

The figures for economic growth over longer historical periods are overall averages which show not only cyclical fluctuations, but also "flatening" the longer fluctuations caused by favourable and unfavourable conditions. In this sense these trends cannot be regarded as historically determined, for the favourable and unfavourable factors they incorporate are now or appear in new structural interrelationships. Quantitative indicators may be important for historians or economic historians for comparison of the economic development of different periods. However, they cannot be used for medium-term world economic forecasts and even from the angle of long-term projections they are at the most suitable for comparative and control calculations.

4/ The analysis of historical experiences proved to

provide direction indicators in connection with the questions indicated below and cautioned us over excessive simplification in connection with the possibilities of changes in world economic forecasts.

a) the interactions between the economy and politics, the world economy and international politics, and the impacts of political conflicts on the world economy caused us many "surprises". (Policies of governments proved to be the least predictable factors.)

b) The effect of changes in social conditions on the evolution of economic development often could not be forecasted. An examination of the changes in social values in the case of 10-15-year forecasts therefore arose as a particularly important task.

c) The effect mechanisms of international interests and power relations on economic development, on the applicability of economic policy objectives and instruments and on international cooperation are extremely complex and often led to serious unforeseen conflicts.

d) The conditions, extent and limitations of the attainability of political and economic goals can never be seen as a whole in a given period and often not in the areas where they would be expected.

e) The degree to which important factors are determined in the area of interactions between scientific and technical progress, development of the economy and society /e.g. the innovative capability of different countries, the international spread of technological advances, limits on the ability of the economy and society to absorb new technology, etc./ is relatively high and the probability of rapid changes /improvement/ is quite low.

f) The possibility of unexpected turns must always be anticipated.

g) The concrete conditions for the emergence of crisis situations are often similar. Countries rarely draw the lessons concerning the possibilities of mitigating or avoiding them.

h) It is very important to throw light on the

characteristics of the changes in development stages, to study the relationship between lasting and temporary factors and to make an appropriate evalutation of the emergence of new determining forces and the ways and circumstances whereby the factors of the previous stage are forced into the background.

In the light of historical experiences, a great deal of doubt was expressed over the reality and practical value of projection work. In this respect, we reached the conclusion that while the quality of forecasts can be improved with the use of a scientific approach and more through analysis (which ment, above all, scientific evaluation of the different factors) errors cannot be avoided, only their rate can be reduced.

The utilization of world economic projections made in various foreign institutions and the lessons learnt from them.

A large number of longer-term world economic projections were made in the seventies. Among these, the following were of particularly outstanding importance:

- "The Future of the World Economy" covering the last stage of the 20th century made in the United Nations Organization.

- The "Interfuture" made within the framework of the OECD.

- The reports made for the Club of Rome on the factors influencing world economic growth and the emergence of a new conflict situation with the growing economic and social problems, summed up in the report entitled "Mankind at a turning-point".

In addition to these, the FAO, UNIDO, the Standord Research Institute, other private companies and research institutions also prepared an published comprehensive medium and long-term world economic projections.

It was not possible for us in the course of our work to make a critical evaluation of all the better-known projections. However, in studying the different projections we tried to compare their results with our own research and, in addition, where their evaluation appeared more realistic than the projections we had drawn up, or where we did not have sufficient information, we

referred to them. In the case of industrial projections for example, we took into consideration and in part made use of the work of UNIDO. The maximum and minimum limits in certain fields /e.g. demographic changes/ established by the U.N. proved to be especially helpful also for us. The confrontation of extremes in other areas helped to establish "averages" that appeared more realistic for us.

The method of confronting essential positions in the different projections also helped in our work. We used this method to determine the questions and trends on which most forecasts agreed or adopted a similar position. We reached a number of important conclusions in the course of comparing the different works. One was that long-term projection based largely on the "sound judgement" of experts to a large extent reflected the problems of the present and the immediate future in important questions /e.g. raw materials and energy situation, food supply, demand and supply relations/. They were not capable of distancing themselves from the present to the required extent. We concluded from this too that experts must be suitably encouraged to take anticipated influences from other areas into account too in defining new trends.

Secondly, the interactions proved to be very strong among the different projections. Most of them were based on the UN demographic estimates. Practically all the studies adopted the greatly simplified interpretation of mutual dependence in the relationship between the developing and the developed western countries from the Interfuture document, etc. This led us to strengthen our independent analytical work in order to avoid the common errors and the possibility of a one-sided attitude.

Thirdly, the weakest point in all the projects was the treatment of the relationships between social, political and economic development. This sphere was either entirely ignored or economic alternatives were defined under different political influences and projected, leaving the choice of alternative up to the reader. The UN forecast, for example, as regards world economic problems, reached the conclusion that their solution depends not on technical but on social and political conditions. However, it did not give an answer as to how the conditions will evolve, etc. We were unable to find a suitable solution either to the integration of

political and economic processes and their projection in interaction. However, we strove to trace the political trends having the greatest influence on economic development in such a way that decision-makers could draw conclusions from them in a form that they can interpret.

Fourtly, analysis of the findings of the different world economic projections also led to the conclusion that we should avoid elaborating and using an econometric model developed by us. In our experience, many experts were judged on the basis of the models used for calculations. They consider that the more complicated the models had been, the more valuable the projections were. It is unquestionable that the quantitative relations of economic development are very important for determining the reality of anticipated trends and determining the possible world economic positions of the individual countries. However, these can be determined with the aid of relatively simple calculations too, and the more complicated models have not proved capable either of throwing light on the new structural relations particularly among such factors as world politics, technical development and economic growth. Even models projecting the development of the more important

countries were not capable of taking into account longer-term structural changes and because of the aggregatenature of the different coefficients, their economic interpretability arises as a serious problem, either globally or in different regions. There are also other problems. In some projections, testing the calculating methods used with the aid of retrospective simulation /e.g. with the aid of the model elaborated on the basis of 1975, development was projected back to 1955/ resulted in substantial distortions. And in the reverse order, forecasts based on structural interrelationships and growth figures for 1955-60 when projected forward gave forecasts that differed substantially from what actually happened. Our investigations confirmed the importance and practical value of studies by experts compared to or in addition to the econometric models. However, it also became obvious that a more thorough and deeper examination must be made of experiences with models for countries, regions and sectors and the possibilities of linking them internationally must also be considered. Broader international cooperation is required for this. The activity of IASA so far has given little concrete assistance for such projects.

Nor were we able to make use of the so-called world

models prepared for the reports drawn up for the Club of Rome since their main purpose was to analyse the effect of global problems which will influence the most general conditions of world economic development in the coming decades.

Fifthly, the reports prepared for the Club of Rome principally concentrated our attention on those conflicts which could develope if world problems remain unsolved and could cause very serious disorders. These documents made it clear for us that, even if their recommendations and conclusions cannot be applied directly /which, moreover, was not their intention/, it is not possible to make a substantive long-term world economic forecast without a knowledge of the effect mechanisms set off by world problems or if these are left out of account. These investigations thus primarily helped to form the horizons of our thinking.

The value of expert studies.

Specialists even working in the same fields often study the world from various, generally differing angles and in different time range. The geologist, for example, with his knowledge of the earth's raw materials and

energy reserves, is in an easier position when it comes to defining trends in use over a period of 20 years than the expert in political sciences who has to analyse trends to reveal possible social and political conflicts over the same period. Fundamentally though, neither the geologist nor the political scientist are forecasters. Very few specialists have been trained from the outset for "forecasting" and, although as we noted, specialists in all disciplines should strive to research "with an orientation towards the future", the interpretation placed on this is different within the various disciplines. The projection studies which are made by specialists in the different fields must be integrated into the projection. This reguires not only a thorough knowledge of a given profession, but also an understanding of the interrelationships with other, important related areas. /E.g. if an atomic physicist prepares a forecast on the use of nuclear energy, he must also be familiar with the technical, social, economic and organizational conditions./ However, top experts in a particular area are not always familiar with the interrelationships to the extent required for forecasts and often weigh them differently, placing the emphasis on other questions. There are differences in this area not only between the "economic" or the "tech-

nical" approach. There are also big differences, for example within the economic approach too. Moreover, the "fashionable" ideas of the given period influence both areas. "Technological" optimism in a given period /for example, in the sixties/ influenced economists just as technical specialists.

In addition to all this, it is well known from our experiences that the predictability of development in the different areas varies widely. International demographic changes, for example, can be projected over relatively longer periods, while political changes can be projected with acceptable or interpretable concreteness only over a shorter period. For this reason, the same demands regarding concreteness cannot be made of the specialists in the case of a forecast for a given period, e.g. 10-15 years.

What does the preciseness of specialists' forecasts mean as a requirement under such conditions? It is well known that the precise assessment of a given situation /or situations/ is difficult in the world economy. Even in a particular narrower field it is a very complex task to identify the interrelationships and trends and to draw the appropriate conclusions from this, e.g.

for economic policy /or business policy/. It happened very often in the sixties and seventies that economic leaders in major countries misjudged their country's situation at the given time, with the result that they drew mistaken conlusions for their decisions on the basis of the given interest relations. /In other words, on the basis of a mistaken evaluation they made wrong decisions that were contrary to their interests/.

The projections must outline trends characteristic of the given period and field and in doing so, they must naturally take into account the conditions for their assertion, factors acting in the opposite direction and possible variants. However, this must not lead to "empty", commonplace forecasts which indicate only the main directions. "General declarations" cannot serve as a substitute for concreteness as a measure for evaluating the applicability of the forecast. The fact that the programmes, in the final analysis, serve to encourage action in order to avoid the emergence of the crisis situation they outline does not alter this. For it is concreteness that gives the forecast credibility and makes it acceptable in the decision-making sphere as an encouragement to action. However, since the preciseness of the forecast can only be measured after a certain

period of time has elapsed, it must meet certain criteria during the period of preparation and use for it to be regarded as authentic. These are as follows:

1/ It must contain scientific information that demonstrates its authenticity in the given situation.

2/ It must be logically consistent; it may not contain logical contradictions /this - as already mentioned- does not exclude the possibility of it outlining inconsistent trends/.

3/ Its assumptions must be credible and demonstrated.

4/ Scientifically sound methods must be used for its preparation.

Those above cannot all be present simultaneously and to the same extent in the different special fields. This makes it difficult to synthesize the studies of particular areasand substantially increases the importance of the work of synthesizing. It is in the course of synthesis that the studies by specialists having different levels of qualifications, differing command of information and varying methods of approach, are

evaluated. Both our favourable and unfavourable expe-riences show that in this phase it is advisable to finalize the forecast study with a series of debates amont highly qualified experts.

Forecasting technological changes

Similarly to other experiences one of the weakest points in our world economic forecasts proved to be the so-called "technological forecasts", that is, the attempts to outline the anticipated birth, application and spread of scientific advances, as well as their consequences and influence on the world economy and es-pecially the main partners of Hungary. This was con-nected not only with the dilemma of interpreting and forecasting technological turning points /e.g. when, where and how will the process of automation occur, or the changeover to robot technology and what consequen-ces will it have?/. Different important /unanswered/ questions were raised in connection with the influence of the political, social and such unforeseen economic problems as the spread of the use of microelectronics.

It was in this area too that the different internation-al projections made the most errors and without much

local experiences we were unduely influenced by their views. The errors were manyfold. In the sixties for example, forecasts drawn up on the basis of the so-called "technological optimism" were based on a treatment of existing or emerging technological achievements in isolation from the context of social and economic conditions, confronting them with the anticipated problems. From this, they reached the conclusion, for example, that there will not be food or energy supply problems in the world. In the seventies and eighties there was a general concern that the difficulties in the world economy will slow down the progress in the field of innovation and their introduction. The new stage of the arms race based on new military technologies was anticipated but its speed was not expected.

The problem of technological development came to the fore in connection with practically all topics. The development of birth control techniques or health advances influencing infant and child mortality is a very important question, for example, for demographic forecasts. Forecasts for the energy sector evaluated the appearance and spread of new energy sources, as well as technology making possible better utilization of today's energy sources or rationalizing energy consump-

tion. It was important when making food forecasts to determine the probable developments in agro and zoo-technology and in biology. New technology came to the fore in world trade forecasts too, for example, in judging structural changes and the situation of the individual countries.

From the viewpoint of application, we divided the technical and scientific forecasts into two main groups: one was intended to assist macro-level decisions and the other, enterprise decisions.

At the macro-level, technical and scientific forecasts were primarily important from the angle of their functional influence: what could be expected with the aid of the anticipated new technology and what changes will the main new trends bring and where? While it was well known that the major new inventions and new products and production methods based on them could generally be used in a complex manner, over a broad range of fields, the projections did not anticipate the whole impact of the new inventions /and technology/.

The main purpose of the scientific-technical forecasts for the enterprises, was more detailed and it was con-

centrating on the new possibilities and on those trends which will very rapidly make existing products and technologies obsolete. We tried to anticipate not a single innovation but whole groups of innovations, placing the given technology in a "system". It is also obvious that it is not sufficient to predict the possible date of the birth of a new discovery: an indication must also be given of where and how rapidly it can be expected to spread.

As for the beginnings of commercial applications of new technologies we utilized the international sources, forecasts which have been based on opinions of experts. In this sources, on a given topic several dozen experts were questioned about the expected time of occurrence and their opinions were either averaged in some way or the weight of the arguments and information backing these views was also taken into consideration. We were of course aware that this forecasting technique has led to very serious mistakes in practically all areas. It was particularly difficult to forecast the appearance of inventions where an organized programme is needed to conduct the research /e.g. state financing/, the adoption of which is uncertain. The same method was also generally used in forecasting the place where the dis-

covery will appear. We tried to prepare an international comparative "map" of the level of development of the given and related scientific fields. It was not easy to prepare such a map since it was not sufficient to have information on the number of researchers and the inputs. Their level of qualifications, the equipment available to them and their research experience, incentives, etc. had to be determined which proved to be an impossible task for us, even in such countries as the Soviet Union, the USA and Japan. In the forecasts we made in the past we strove to draw on the appropriate analyses of these three countries.

The connection of the demand factors and trends with the technology projections was an other difficult task in the project. We had to establish not only where was a demand more intensive, but in the broader sense, what demand conditions exist or will be created for the international spread of the different more important new product groups and processes. The marketing conditions as well as the "strength" of the financial /investment/ conditions, the extent to which the influence of social inertia, the political and economic resistance and consumer conservatism are to be found had to be studied as well.

In our forecasts we carried out individual demand studies from the viewpoint of sales of new products and processes exported or potentially available in Hungary to developing countries and other socialist countries and also conducted a study of the scientific and technical implications of raw materials and energy forecasts for an analysis of the conditions of demand for new substitute materials or procedures.

A number of problems have arisen in our scientific and technical forecasts.

In the first place, we were unable to obtain all the information required. Even the countries best equipped in this area have been unable to create a suitable data base. Although important data banks were organized in the period between 1960 and 1980, they proved to be of limited value because most of the relevant information was treated as classified.

Secondly, as it was already indicated, unforeseeable and unpredictable interactions emerged between research and the application of various innovations and new discoveries, which were leading to entirely new relation-

ships.

Thirdly, unprecedented and unforeseeable demand emerged in connection with such new inventions as microelectronics.

In the coming years, the need to raise the level of technical development of the Hungarian economy and to accelerate technical progress will make it particularly important for us to analyse the trends and consequences of technical development in the world economy more intensively. We have to strengthen the scientific soundness of world economic forecasts in order to contribute to a better formulation of the long-term objectives of economic policy and more specifically of technical development policy.

(4)

DR. JENŐ HÁMORI:

HUNGARIAN-ITALIAN ECONOMIC RELATIONS IN THE EARLY-1980s

Italian-Hungarian Round Table
Rome, 12-14 November, 1985

Economic relations between Hungary and Italy have long historic traditions. Obviously, to a great extent for geographic reasons, trade with the northern states of the peninsula was always more intensive. In 1217, for example, Endre /Andrew/ IInd, King of Hungary, even signed a trade agreement with the leaders of the Republic of Venice in which all matters concerning customs were regulated and a list of goods exempt from tariffs was drawn. Later it was also recorded that quite a few merchants from both Venice and other cities in Northern Italy settled down in Hungary and, after obtaining full citizenship in the country, they became highly regarded members of the local communities in Esztergom and, later, in Buda, the successive capitals of Hungary of the time. Economic relations between Florence and the Hungarian Kingdom had their heydays around the 14th century and in 1378 a what we would call nowadays a "mixed company" was established for the exploration and more efficient utilization and commercialization of Hungarian copper mines. The trade and cultural, diplomatic and even family relations of King Mathias with Italy are too well known and later centuries can only reinforce the importance of economic ties /especially in the field of foreign trade/ between the two countries. This paper exa-

mines the last chapter in the thick volume of bilateral contacts, that is the most recent developments in trade and other economic activities since the beginning of the 1980s. Although we are aware of the fact that Italian-Hungarian bilateral economic relations are deeply and fully embedded into general, long-term East-West relations, we do not enter into a detailed discussion of the latter, apart from a brief reference to impacts of Italy's presence in the European Communities to the patterns of trade between Hungary and Italy.

Development trends of trade between the two countries since the Second World War indicate that in the early-1980s, especially since 1982, bilateral economic relations have been undergoing their second stagnation, if not crisis, period. The first setback came in 1973-74, after the rather spectacular and dynamic progress of the 1960s, when the measures taken by the then European Economic Community pushed out a substantial amount of Hungarian agricultural products, first of all beef, from the Italian market. At that time agricultural goods /both raw products and processed food/ represented about 70 per cent of Hungarian exports to Italy.

The years between 1974 and 1981-82 showed, admittedly on both sides, great efforts to restore the balance and to overcome the structural weaknesses of trade between the two countries. Alternative export products and sectors were sought to replace the rapidly falling /or, indeed, drastically restricted/ share of agricultural exports and by the late-1970s, early-1980s /1981-1982/ the increasing share of metallurgical and chemical products /materials and semi-processed goods/ could gain important market positions in Italy, considering overall Hungarian export capacities and the size of Italian-Hungarian trade. Still, as is well known, especially these sectors were /or, better to say, are/ hit by the international economic recession and, later, economic crisis, and bilateral trade levels haven't yet recovered from this shock. A striking difference between the slowdown of trade in the mid-1970s and the early-1980s is that during the second one not only Hungarian exports to Italy were hampered /owing to the measures to protect crisis industries like steel, shipbuilding, then later heavy chemicals and others/ but Italian exports to Hungary as well /the latter is due, to a great extent, to certain inevitable import restrictions introduced in Hungary in 1982-83 but also to the less-than-satisfactory competitiveness of a number of Italian big and medium-

sized companies in the field of investment goods and equipment in the smaller East European countries including Hungary. A possible explanation for the declining competitive position of these enterprises seems to be that their interests, political as well as economic, lay, especially during the years of easily obtainable "petro-dollars", not in trading with the smaller nations of the region but elswhere. One mustn't forget that these were the years of the rapidly developing energy and pipeline deals with the Soviet Union and other bigger countries for Italian giant firms, state-administered and private alike. As a result, the decline in bilateral trade since 1981-82 was due both to endogenous, that is, Italian-Hungarian, trade factors and to exogenous ones which were outside the scope of enterprises and government agencies respectively involved /crisis sectors, overall import restrictions, unfavourable international economic and trade developments, etc/.

Development in Trade: Relative Shares, Dynamism, Balance, Structural Changes

There is a distinct asymmetry between the relative share of Italy in Hungarian and that of Hungary in Italian overall foreign trade: while in 1984 Italy represent-

ed almost 3 per cent in Hungary's foreign trade /in value terms/, the figure for Hungary in Italian trade amounted only to 0,2 to 0,3 per cent for exports and imports, respectively /not surprisingly Hungarian export shares are much higher than import shares, 3,3 per cent and 2,4 per cent, respectively, for 1984/.

Both in imports and exports, the relative importance of trade with Italy has shown, since the early-1970s, a downward trend. In 1970, for example, Hungary still exported more than 5,5 per cent of its goods to Italy but by the early-1980s Italy's share fell below 3,5 per cent /the figure for 1980 was 4,5 per cent yet/. In imports Italy's share in 1970 was still close to 4 per cent and since 1981 it has been below 3 per cent every year and slowly but steadily falling.

Italy's declining share is even more apparent if one takes Hungary's total trade with the developed Western economies. In exports the respective figures for 1970 and 1984 are 20,7 per cent and around 11 per cent, while in imports they amounted to 13,4 per cent and close to 7 per cent, respectively. These later figures again indicate something more than "just" certain bilateral, in most cases temporary, problems in the field of direct foreign

trade, or also temporary import restrictions or other domestic economic problems like crisis industrial sectors: at the same time they refer to the relative decline of the role and the importance of Italy in East-West economic relations or at least as far as Hungary's participation and pattern of specialization /both by sectors and by countries/ in East-West relations and co-operation is concerned. This is especially conspicuous if one also takes into consideration, on the one hand, the traditionally strong and intensive trade relations between the two countries and, on the other hand, the fact that despite her decreasing share Italy is still the only surplus "producing" country for Hungary in the latter's trade with the European Communities.

It deserves to be mentioned here that, as a reflection of her falling share in Hungarian foreign trade, Italy fell back in the last 5 or 6 years in the ranking by country from 6th and 7th places, in Hungarian exports and imports respectively, to 8th and 11th places by the end of 1984. As for the country ranking in Hungary's Western trade, Italy has been 3rd in Hungarian exports /behind the Federal Republic and Austria/ for the last 8 to 10 years, while in Hungarian imports she has been overtaken in recent years by the United States thus being now on the

4th place /FRG 1st and Austria 2nd in imports, too/.

Direct Trade between Italy and Hungary /1980-1984/
/million US dollars/

Year	Hung. Exports	Hung. Imports	Balance	Exp./Imp.
1980	387,8	275,7	+112,1	140,7
1981	285,8	264,7	+ 21,1	108,0
1982	308,8	234,0	+ 74,8	132,0
1983	292,3	190,7	+101,6	153,3
1984	285,2	190,8	+ 94,4	149,5
1985 Jan.-June[x]	102,7	99,8	+ 2,9	102,9

Source: Central Statistical Office, Hungary

x - preliminary figures, calculated on forint basis

The share of indirect trade usually amounts to 2 to 3 per cent /equivalent of 4 to 6 million US dollars/ in both exports and imports. In most cases it includes the exports of textile and chemical basic materials, grey crude steel and tyres from, and synthetic fibres, poly-ethylene granulates, truck tyres and medical /hospital/

equipment to Hungary in the form of re-exports.

Since 1980 Hungarian exports to Italy have decreased by more than 36 per cent, while the decline in imports was close to 44 per cent. The downward trend of Hungarian exports has been continuous and even more conspicuous in the last three years. The import figures for 1984 and the first six months of 1985, however, demonstrate an apparent halt, if not a modest turnaround, thus coming very close to restore the disequilibrium for Italy in and perhaps after the mid-1980s.

As a result of the changing trend of export and import growth rates in recent years, the value of Hungarian surplus was diminished by more than 7 per cent in 1983-1984, then, at a landslide pace, by more than 90 per cent between January and June, 1985. One must call the attention here to the distorting effect of dollar-based calculations on trade between the two countries, because for example, reliable Italian statistics showed a modest increase for both overall trade and Hungarian surplus figures for 1984 which can only partly be explained by the different bases of parity used and a more obvious explanation is the unprecedentedly "high flying" of the US dollar in that year.

Hungarian Export Patterns
/1980-1984, percentage shares/

Product category	1980	1981	1982	1983	1984
Energy sources	0,9	0,2	0,7	2,6	2,5
Materials, semi-finished goods	39,6	35,2	35,4	37,7	38,2
Machinery, equipment	3,4	2,5	1,7	1,3	1,3
Consumer ind.goods	9,4	9,4	7,0	6,7	6,3
Agricultural and food products	46,7	52,7	55,2	51,7	51,7
Total	100,0	100,0	100,0	100,0	100,0

Hungarian Import Patterns
/1980-1984, percentage shares/

Product category	1980	1981	1982	1983	1984
Energy sources	0,3	0,3	0,2	0,3	3,9
Materials, semi-finished goods	69,3	69,8	69,1	66,1	70,1
Machinery, equipment	14,8	12,7	13,9	16,2	8,9
Consumer ind.goods	8,2	10,7	11,5	12,3	14,4
Agricultural and food products	7,4	6,5	5,3	5,1	2,7
Total	100,0	100,0	100,0	100,0	100,0

/The source for both previous tables is the Ministry for Foreign Trade in Hungary/.

The main product patterns of Hungarian exports to Italy hardly changed in the early-1980s at all. Also, the comparison with export patterns prevalent in the mid-1970s brings one almost to the same conclusion. Agricultural and food products continue to represent around the half of total Hungarian exports, while the share of materials and semi-finished goods range between 35 and 40 per cent. These two gross categories of products, admittedly not the carriers of either high physical value-added or high intellectual or technological sophistication, together add up to nine-tenths, or very close to that figure, in Hungarian exports. This permanent trend is only reinforced by the slowly but steadily declining share of industrial consumer articles during the last five years. Despite the rather strict Italian contingent policies and practices, Hungary succeeded, in 1983 and 1984, to increase her metallurgical /first of all, iron and steel/ exports to Italy: the figure for 1984 was, for example, more than 17 per cent. On the other hand, both chemicals and products of light industry suffered from falling market shares and deliveries /more than 10 per cent and 4 per cent, respectively/. The extremely high enterprise concentration of Hungarian exports also

deserves attention: the five biggest exporters traditionally sell about 75 per cent of all Hungarian export products in Italy.

Beneath the rather inert structure of the main export product categories, however, certain changes have been taking place during the last five years. An unfavourable new trend of Hungarian exports has been the decline of both sales and percentage shares of a number of formerly "strong" and even "fastly growing" export products but, at the same time, exports of cattle, pork, animal fats, certain chemical and textile materials and semi-finished products and a limited number of rolled steel products have gained better market shares in recent years. Neither the expansion of Italian industry after 1983, nor the organizational changes made by the Hungarian export enterprises and export authorities has shown its impact in possibly increasing exports of Hungarian machinery to Italy: the share of machinery and equipment in total Hungarian exports was at a historically low point in 1983 and in 1984 and its share is probably also the lowest among the other "bigger" Western partners of Hungary.

Hungarian import structures have also changed unfavourably during the early-1980s. The share of machinery and equipment which was not very considerable in earlier years

either has fallen almost by 50 per cent and, on the other hand, the relative share of material imports and those of semi-finished goods has become even higher. The im-- ports of agricultural and food products has been steadily declining since the mid-1970s but the trend of decline be- came especially steep after 1983. Within the group of mat- erials and semi-finished goods especially chemical imports and those of light industrial products showed a higher-than- average increase. The growing imports of basic chemical pro- ducts and other basic materials for iron and steel-making is partly due to the credit agreement for 150 million US dollars for Hungary to import from Italian companies which has been in operation for almost two years now. Finally, the"surprising" jump of imports of energy sources from Italy is explained by a big single purchase of coke /hard coal/ in 1984.

It can rightly be stated that the recovery of the Ita- lian economy since the later periods of 1983 have not yet resulted in an adequate, or similar, expansion of Hungarian exports to this country. The structure of Hungarian delive-- ries to the Italian markets is dominated by products in which either the domestic recovery or the growing foreign /both EC and Third World/ competition posed, in most cases, unsurmountable obstacles to penetrate the market or at least

to regain earlier /early or mid-1970s!/ market positions.

Italy's membership in the European Communities and the continued EC-restrictions and discrimination in a wide range of sectors pose considerable obstacles to Hungarian exports, too. Although the so-called autonomous contingents influence directly only about 3 per cent of Hungarian exports to Italy but, on the one hand, this relatively low level of barriers is already the "result" of earlier successful contingent and discrimination practices /being already pushed out of the market, Hungarian enterprises don't export certain goods to Italy at all, thus they don't appear in the actual list of contingent-prone goods/, and, on the other hand, without these contingents Hungarian exports in these product categories could well be several times higher /especially in steel, agricultural goods and processed foods/.

The negative trends in Hungarian imports from Italy in recent years are partly due, undoubtedly, to the lack of interest on the part of a number of Italian enterprises and sectors in exporting to Hungary, but, probably to a much greater extent, to the somewhat belated and reluctant recognition by the Hungarian possible importers of the favourable purchasing possibilities in Italy and, as it has been mentioned before, temporarily but in its effects rather lastingly, to the necessary and inevitable import restrict-

ions imposed three years ago, and suspended later, by the Hungarian government upon domestic producers and users of import goods.

More Advanced Forms of Bilateral Economic Co-operation

The so-called co-operation agreements, widely regarded as possible catalysts of more intensive East-West economic relations in the future /for that matter, even the very near future as well/, have traditionally played a rather limited role in the economic contacts between Italy and Hungary. Both the number of such agreements has been modest compared to, for example, those of Hungary with either the Federal Republic or Austria, or even with other West European countries like the United Kingdom or the Netherlands or the Scandinavian countries, all the latter being clearly and traditionally behind Italy in Hungary's Western trade ranking by country, and also their share in total Hungarian-Italian trade is very small by all relevant comparisons.

As far as the share of co-operation agreements in total bilateral trade is concerned, it has never gone beyond 4 per cent and since the early-1980s it has been below even 3 per cent every year. By comparison: in the case

of both the Federal Republic and Austria it has been around 8 to 10 per cent and, for example, in UK-Hungarian relations it has reached even 12 to 13 per cent of total bilateral trade /more than 16 per cent of Hungarian exports to the United Kingdom/.

As for the number of co-operation agreements, by the end of 1984 only 22 "living" co-operation agreements were registered and a further ten projects were under negotiation between Italian and Hungarian firms. The figure for "living" co-operation agreements with, for example, the United Kingdom are well above sixty and those with the Federal Republic of Germany are over three hundred. The actual /mid-1985/ number of working co-operation agreements is around forty which reflects a certain recovery in this field, although their total share in bilateral trade is still around 3 per cent. In mid-1985 another approximately 4o further co-operation agreements were under negotiation.

Not only the total number of such agreements is low but also their sectoral structure is unfavourable, most probably for both sides: more than the half of these agreements was in the fields of contract work in Hungary, simple purchase of technology and/or know-how without a substantial amount of actual product deliveries, so-called scien-

tific frame agreements /although, for example, in pharmaceuticals this form of co-operation - some kind of joint research - seems very advantageous and may lead to even closer collaboration in the future between the pharmaceutical companies and their satellite research units of both countries/. Only around 40 per cent of the co-operation agreements was in the field of actual production or envisaged third market co-operation.

The possible and obvious reason, or at least probably the strongest one, for both the limited number and the unfavourable structure of co-operation agreements lies in the traditional patterns of bilateral trade. As it was mentioned earlier, the share of agricultural trade and the exchange of basic materials and semi-finished goods is rather high, far exceeding the respective patterns of trade with any of the bigger West European countries and also with the European Communities as a whole. On the other hand, trade in machinery or equipment is almost "alarmingly" low. As a result, there are not many "natural" possibilities for a more advanced division of labour arising from underlying trade patterns and development trends between the two countries. Especially manufacturing trade is lagging behind shares and trends of trade with other Western countries. Hungarian machinery exports to Italy usually don't reach 10

per cent /combined with exports of finished consumer manufactures/ and the comparable share of imports from Italy does not have a self-sustaining effect on further industrial co-operation, either.

Third market co-operation between Italian and Hungarian enterprises has not been particularly intensive in the early-1980s, although some initiatives did take place in earlier years. The main form of third market co-operation was almost exclusively sub-contracting, mainly to build power stations and transport systems of high voltage electricity in a number of Middle Eastern countries and in India. The deliveries of Hungarian firms to big projects built by Italian enterprises in Western Europe were limited in value, though not exceptional in the mid and late-1970s. Unfortunately these contracts had expired by the early-1980s and the Hungarian companies were unable to sign new ones, partly due to their slow reaction to market changes and partly to earlier problems arising from late or improper qualities of deliveries. The lack of willingness of the big Italian companies also played a role in the absence of presant contracts in these fields.

At present there are four Hungarian mixed companies in Italy, three of them with Hungarian majority of ownership, while the fourth one /Technoital/ has been owned

100 per cent by the Hungarian company /or, better to say, companies, because recently a further contingent of Hungarian firms joined the original founder, Technoimpex/ for about two years now. The intention of the Hungarian companies involved with Technoital is admittedly to develop it into a real "base" company of promoting Hungarian manufacturing exports and also of allowing it to enter in all advanced forms of co-operation on the Italian, or using it as a stepping stone, on third markets. A new feature of bilateral co-operation is that the first mixed Italian-Hungarian company has recently been established in Hungary /Falcon Travel Pannonia/ with 59 per cent majority of shares owned by the Italian partner. Although this joint company will be active first of all in the promotion of tourism, nevertheless its mere establishment and existence seems to prove that more intensive co-operation in the field of joint companies, in bringing in more investment by Italian companies into Hungary is not only desirable but also a likely possibility in the future as well. It is further underlined by the fact that Banca Commerciale Italiana is the Western partner of the Budapest-based CIB /Central European International Bank/ which may give additional incentives /both political and financial/ to not only direct trade but other channels of bilateral economic co-operation as well.

Apart from the promotion of traditional trade which could be greatly stimulated merely by the elimination of an exceptionally high number of "usual" and administrative barriers especially by the Italian Government, though a similarly favourable impact would be experienced by the higher levels of flexibility and "room for manoeuvring" offered to Hungarian enterprises by the Hungarian Government in the very near future, especially promising co-operation could be established between enterprises of the two countries in the fields of energy rationalization, utilization of industrial waste and by-products, agricultural machinery, telecommunication systems and projects, pharmaceuticals, etc. Also, new forms of co-operation could be and should be tested and introduced, besides the ones mentioned above /industrial co-operation, joint third market activities, joint research and resulting production, mixed companies, etc/ like leasing, closer collaboration between small and medium-sized industrial enterprises and between even agricultural co-operatives.

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THE ADAPTATION OF AGRICULTURAL PRODUCTION TO INTERNATIONAL DIVISION OF LABOUR

(comments)

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1. Introduction

At first glance, it would seem that agricultural commodities are the most adapted to international work division, in that no other production is so essentially bound to natural factors - soil, climate, rainfall, etc. And, in fact, there are typically tropical products - bananas, dates, cocoa, sugar cane - typically Mediterranean products - olives and grapes - typically temperate products - wheat and other cereals - etc. This dependence on natural factors explains the possibility of productive specialization in different areas.

Then again, populations' diets are also closely linked to local production. This was particularly true in the past. Nutrition in Nordic countries is based on a large consumption of potatoes while Mediterranean countries rely more on olive oil and fruit and African countries on tropical products.

Naturally, certain laws of isodynamics must be respected. Energy-producing substances -lipids and carbohydrates - can be interchanged in variable quantities, as long as daily calorie requirements are met and minimum amounts of proteins ensured.

International trade is a natural outgrowth of specific production in an area, both rendering it feasible and enhancing it.

One factor which favours development of international trade is technological progress in preservation and transportation, allowing for transfer of products in space and time. This was impossible or very limited in the past, ruling out large-scale intercontinental trade of, for example, dairy products, fruits or vegetables.

The quest for specialization therefore, involves all production resources determining the productive possibilities of a country. In this context, productive specialization depends on a country's economic options, in consideration of its short, medium and long-range objectives and the availability, varying in time, of resources and other production factors. Thus, at a certain point in economic development, all countries must decide on what kind of role agriculture is to play, the amount of work and capital to be invested in the sector and the relative level of welfare to be achieved by rural populations.

2. Restraints on productive specialization

The following elements run counter to intensive specialization of agricultural products:

2.1 domestic political strategy - It is unwise to depend too heavily on imports for certain staple products - wheat, rice, sugar, milk and beef. In order to ensure growth stability, citizens must be guaranteed a sure and continuous supply of staple food commodities, even if this means higher costs, in the short term than through importation. This is one of the reasons why certain vitally important agricultural products are protected, within limits, from international competition. Experience during the last century has shown that while in the beginning that protection is limited to only a few products, it gradually extends to the entire farming sector with various support mechanisms for prices and incomes;

2.2 economic and social considerations - Agriculture is not only a productive sector, it is also an instrument with which to shape and model the land and the landscape. Giving up farming in an area where productive specialization is focussed on industry or services could lead to erosion and desertification of the land, as well as social and civil regression in the area.

2.3 economic policy - In all countries, economic development is linked to growth of the secondary and tertiary sectors. As a result, development can never be centered on agriculture alone and product diversification is needed.

In this perspective, intensive production specialization must leave room for development of the secondary and tertiary sectors of the economy.

In fact, the foreign trade model based on exchange of manufactured goods coming from advanced countries and agriculutral products coming from emerging countries risks perpetuating a no longer tolerable level of underdevelopment. When, due to the anomalies of non-competitive markets, the fruits of technological progress are confined to industrial sectors and countries rather than being translated into generally lower prices, farming countries miss out on a large part of the advantages of international trade. It's no coincidence that industrialization in agricultural countries begins when a drop in farm exports forces them to domestically produce manufactured goods that they can no longer acquire abroad.

2.4 Even in the field of agricultural commodities, excessive specialization creates fragility and risks which become evident in moments of crisis and market slowdown. The resulting drop in prices and, therefore, profits, has a devastating effect on vast areas and often on the entire economy of a country. According to Maizels(1), fluctuations from one

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(1) A,Maizels, The International Regulation of Primary Commodity Prices, in "Lo sviluppo dei popoli è il nuovo nome della pace", edited by G.Galizzi, Franco Angeli, Milan 1984.

year to the next in international coffee, wheat and rice prices are in the order of 20 to 30%, while for sugar and cocoa, they are over 30%. For many other agricultural commodities (corn, bananas, wool, rubber, tea, soya), prices vary between 10 and 20%. This causes considerable instability in export returns for those countries whose foreign sales are based on a limited number of products and explains the necessity for greater diversification in those countries.

3. Analysis by areas

Analysis of relations between international trade and productive specialization cannot be limited to a simple division between developed and developing countries, which lumps together areas which are quite heterogeneous and puts oil-producing, newly industrialized and slightly industrialized countries into the same pot.

The division adopted here is that of the FAO[2], on the basis of which countries are divided into eleven major areas:

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[2] See Appendix 1 for a list of countries included in each area.

Abbreviation used in test	
N.A.	North American developed, market economy countries
W.E.	Western European developed, market economy countries
OCE.	Developed, market economy countries of Oceania
O.D.	Other developed, market economy countries
AFRI	Emerging African countries
L.A.	Emerging Latin American countries
N.E.	Emerging Near Eastern countries
F.E.	Emerging Far Eastern countries
O.UD.	Other emerging countries
ASIA	Asian countries with centrally planned economies
EUR	Eastern Europe and USSR

Obviously these groupings are open to criticism, but they have been adopted here for lack of better. There are, for example, considerable differences, both geographic and institutional among the three countries, Israel, Japan and South Africa, grouped together in the O.D. region (Other Developed Countries). Furthermore, trends in a praticularly important country can affect the trends of an entire region. In 1982, for example, a sharp drop in imports by Mexico and Brazil affected the overall trends of all of Latin America, despite individual tendencies to the contrary. The same thing occurred in the F.E. (Far East) region when a drop in imports by India, Indonesia and Korea was masked by an

increase by Malaysia and Singapore.

Taking the three-year period 1974/76 as a basis, Table 1 shows the evolution of agricultural production, food production and international trade in food and agricultural commodities in the 1981/83 period.

On a world basis, international trade in farm products is increasing at a faster rate than agricultural production. But developed and emerging countries behave differently? There is not much difference in the growth rate of overall food production (exeept for two anomalous regions: EUR and O.D.) but there are considerable differences between the rate of increase of imports and exports for each area. While developed countries are becoming ever greater net exporters of food commodities, developing countries are witnessing a widening gap between imports and exports, the size of which is proportional to the poverty of the region. Africa, Latin America and the Near East are regions in which there has been a reduction in the per-capita food supply in recent years due to a sharp demographic upswing.

4. Productive specialization and trade specialization

For the thirty-nine commodities examined, Table 2 gives the degree of participation in world trade, calculated as follows:

A. as a percentage of the overall export value with respect

to the total value of farm product exports in the 1981/83 period;

B. as a percentage of the total quantity of each product exported with respect to the total quantity produced in the periods 1969/71, 1974/76 and 1981/83.

The agricultural commodities examined account for approximately 60% of the total value of international trade in food and agricultural commodities and therefore, their analysis should be significant enough to warrant certain deductions. The percentage of production involved in international trade, on the other hand, is different with respect to world production. In this respect, products can be divided according to the production percentages involved in international trade in the 1981/83[1] period:

- over 70%	wool (s), cocoa (v), coffee(d), natural rubber(d)
- from 40 to 70%	tea(d), palm oil(d)
- from 30 to 40%	sugar(s), soya(i), hops(i)
- from 20 to 30%	tobacco(i), wheat(i)
- from 10 to 20%	wine(v), butter(i), corn(i)

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[1] the symbols i = increasing, d = decreasing, s = stable, v = variable, refer to the event that percentages recorded in the 1969/71 period are respectively, lower, higher, within a range of variability of ±5% of 1981/83 percentages or do not indicate a definite trend.

	mutton and lamb(v), cheese(i) barley(i), other cereals(i) oranges(d), olive oil(v)
from 5 to 10%	beef(i), poultry(i), bananas(v), dry legumes(d), onions(v)
less than 5%	eggs(v), peanuts(d), pork(i) rice(v), tomatoes(v), potatoes (i), oats(i), rye(i).

For each of the products considered, Table 3 indicates the average annual variation in world production, in overall export and in the average export price between the 1969/71 and 1974/76 three-year periods and the 1974/76 and 1981/83 three-year periods. It also gives overall export elasticity in terms of world production. Between the 1969/71 and 1974/76 periods, a drop in production was recorded for certain products (cocoa, mutton and lamb, peanuts, dry legumes, oats and wool) accompanied by a reduction in international trade volume. In the following period, production growth was recorded by almost all (34) of the 39 commodities listed[1], albeit at different rates.

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[1] A continued drop in production was recorded only for dry legumes, oats and rye.

Generally speaking, the growth rate of the volume of international trade of farm commodities was greater than the growth rate of production. This indicates that the need for commercial integration among the various productive areas of the world increased during the period in question. Exceptions during the 1974/76 - 1981/83 period were coffee, tea, cocoa, natural rubber, wool, tobacco, pears and lemons, for which export growth was less than the production growth rate[1]. Since the rate of price increases, with respect to other agricultural products, does not seem to point to a merket slump, a plausible explanation could be that an improvement in standard of living is accompanied by an increase in domestic demand to the detriment of the quantity exported. Another explanation which could integrate the first is the growing importance of farm product-processing industries which can cause considerable shifts in supply of raw materials both in terms of quantity and places of origin.

For each of the thirty-nine agricultural commodities considered, Table 4 gives the degree of productive and commercial specialization. The former is indicated by the per-

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(1) For the 1969/71 - 1974/76 period, instead, products whose export growth was less than production growth were rice, sugar, tea, natural rubber, pears, onions, tomatoes, oranges, lemons and olive oil.

centage of world production of the region which, in the three year period considered, recorded the greatest production volume. Commerical specialization is indicated by the percentage oftotal net exports of the region with the highest volume of net exports. Reference has been made to net exports and imports in order to avoid taking into consideration inter-regional trade which would have altered the significance attributed to the term commerical specialization, that is, taken to be at a regional level.

Fig.1 and 2 are diagrams of productive and commercial specialization indices for each product in the 1969/71 three-year period and make it possible to classify commodities according to their level of specialization (high, medium of low), depending on whether the percentage is greater than 70%, between 40 and 70% or less than 40%.

It appears evident that it is easier to achieve commercial specialization than productive specialization. This explains the intense international trade of

- wheat from North America to Japan, Eastern Europe and Russia and up until 1969/71 to Western Europe which, after 1981/83 because of EEC agricultural policy, became an exporter;

- soya from North America to Western Europe;

- bananas from Latin America to North America and Western Europe;

- sugar from Latin America to North America, Japan, Eastern Europe and the USSR (here, too, Western Europe passed from importer to net exporter);

-coffee from Latin America to North America and Europe;

- cocoa from Africa to North America and Western and Eastern Europe;

- tea from the Far East to Western Europe and North America;

-wine from Western Europe to North America and the USSR (the drop in exports from Algeria to France of strong wine for blending as a consequence of Community agricultural policy, explains the reduction in exports from Africa which occurred between the two three-year periods in question);

- beef from Oceania and Latin America to North America and Eastern Europe and the USSR (Western Europe turned from an importer to a net exporter);

- poultry and eggs from North America and Western Europe to other countries;

-wool, mutton and lamb from Oceania to North America and Western Europe.

The degree of commercial specialization always seems to be greater than that of productive specialization. For twelve products in the 1969/71 period and eleven in the 1981/83 period, over 70% of net exports came from one region, whereas only the production of natural rubber, cocoa, coffee, wine and soya can be said to be concentrated in one region.

Table 4 also offers other important information:

1) productive specialization is bound to decrease with time without affecting the rate of expansionof international trade: adopting modern production techniques with different work/capital ratios, the tendency is to extend some agricultural productions beyond thier traditional environments. This is especially true for those productions which are less closely tied to the land such as dairy products and the raising of hogs and poultry. Of course, growing diversification at the level of these large regions does not, in any way contradict growing specialization at a farm or territorial level.

2) as far as commercial production is concerned, rather profound changes are taking place: some regions which dominated international trade for specific commodities have, between the first and last three-year period, been surpassed by other regions. This is, for example, the ca se of the Far East which has taken over rice production from North America, of centrally planned Asia which has taken over from Africa for peanuts, Oceania from Latin America for beef, Western Europe from Oceania for butter and cheese, Western Europe from Eastern Europe for eggs.

Final remarks

Analyses show that problems of international work

specialization in agriculture must be dealt with dynamically.[1] Account, must, for example, be taken of:

- changes in diet brought about by increased income or shifts in consumer habits and behaviour, causing fluctuations, both negative and positive, in demand. An ever increasing portion of food costs is constituted by services incorporated in the primary commodity. Demand for food commodities considered "mature" can be increased by introduction of innovations aimed at product diversification;

- the fact that in developed countries, the growth of agricultural production is limited by almost zero demographic growth and by very little elasticity, with respect to income, of individual demand for food products. Introduction of technical and biological advances aimed at increasing agricultural supply is faster and easier in developed countries. The rate at which certain technological innovations are implemented by farms is proportional to the economic and productive level of the country's agriculture. When approaching saturation point, advanced countries are forced to choose between producing

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[1] Without a doubt, even in international trade of farm products, monetary matters of the various countries play an important role, such as the growing strength of the American dollar in recent years and the increasing debt of some developing countries with respect to the international and/or Western banking system. Nevertheless, it is felt that those matters have not drastically affected the fundamental problems that have emerged from this general analysis.

surpluses to be dumped on international markets at whatever price or drastically reducing farm prices. The latter is the more difficult course to follow in the post-industrial phase of economic development characterized, as it is, by increasing problems of unemployment in both the industrial sector, due to ever greater automation, and in the services, where employment is becoming more selective. Therefore, one might expect developed countries to maintain, albeit with minor correctives and adaptations, their policy of support of farm incomes and protectionism with regard to foreign food and agricultural productions, thus crystalizing their farm strutures.

This obviously contrasts with efforts made by developing countries to reduce imports and increase their degree of self-sufficiency, especially as a result of growing difficulties in financing their food and agricultural debt.

Lastly, it should not be forgotten that international trade in the majority of agricultural commodities is dominated by large multinational corporations that invest enormous sums in research and promotion. Conquering a foreign market today takes patient and methodic work and success depends on investing, renewing and finding ways around politieal and institutional barriers to commodity exchange, without ever sitting back or relying on past achievements.

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Allegati

papers

O. FERRO

A P P E N D I C E I

Classification of countries by Regions

Developed Market Economies

N.A. Region - North America: Canada, United States.

W.E. Region - Western Europe: Andorra , Austria, Belgium-Luxembourg, Denmark, Faeroe Islands, Finland, France, Federal Republic of Germany (incl. West Berlin), Gibraltar, Greece, Holy See, Iceland, Ireland, Italy, Liechtenstein, Malta, Monaco, Netherlands, Norway, Portugal (incl. Azores and Madeira), San Marino, Spain, Sweden, Switzerland, United Kingdom (incl. Channel Islands and Isle of Man), Yugoslavia.

OCE. Region - Oceania: Australia, New Zealand.

O.DP. Region - Other developed market economies: Israel, Japan (incl. Bonin and Ryukyu Is.), South Africa.

Developing Market Economies

AFRI Region - Africa: Algeria, Angola, Benin, Botswana, British Indian Ocean Territory, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Djibouti, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Marocco, Mozambique, Namibia, Niger, Nigeria, Reunion, Rwanda, Saint Helena, São Tomé and Principe, Senegal, Seychelles, Sierra Leone, Somalia, Spanish North Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Upper Volta, Western Sahara, Zaire, Zambia, Zimbabwe.

L.A.Region - Latin America: Antigua, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Cayman Islands, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominical Republic, Ecuador (incl. Galapagos Islands), El Salvador, Falkland Islands (Malvinas), French Guiana, Grenada, Guadeloupe, Guatemala, Guyana, Haiti, Honduras, Jamaica, Martinique, Mexico, Montserrat, Netherlands Antilles, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Saint Kitts-Nevis-Anguilla, Saint Lucia , Saint Vincent, Suriname, Trinidad and Tobago, Turks and Caicos Islands, Uruguay, Venezuela, Virgin Islands-(UK), Virgin Islands (US).

N.E.Region - Near East: Africa: Egypt, Libya, Sudan. Asia: Afghanistan, Bahrain, Cyprus, Gaza Strip (Palestine), Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Kingdome of Saudi Arabia, Syria, Turkey United Arab Emirates, Yemen Arab Republic, Democratic Yemen.

F.E. Region - Far East: Bangladesh, Bhutan, Brunei, Burma, East Timor, Hong Kong, India, Indonesia, Republic of Korea, Lao, Macau, Malaysia, Maldives, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Thailand.

O.UD. Region - Other developing market economies: America: Bermuda, Greenland, Saint Pierre and Miquelon. Oceania: American Samoa, Canton and Enderbury, Islands, Christmas Island (Aust.), Cocos (keeling) Islands, Cook Islands, Fiji, French Polynesia, Guam, Johnston Island, Kiribati, Midway Islands, Nauru, New Caledonia, Niue Norfolk Island, Pacific Island (Trust Territ.), Papua New Guinea, Pitcairn Island, Samoa, Solomon Island, Tokelau, Tonga, Tuvalu, Vanuatu, Wake Island, Wallis and Futuna Islands.

Centrally Planned Economies

ASIA Region - Asia: China, Democratic Kampuchea, Democratic People's Republic of Korea, Mongolia, Viet Nam.

EUR Region - Eastern Europe and USSR: Albania, Bulgaria, Czchoslovakia, German Democratic Republic (incl. East Berlin), Hungary, Poland, Romania, USSR.

Tab. 1 - Indice della produzione e del commercio internazionale (1974/76 = 100) nel triennio 1981/83.

	Prodotti agricoli		Prodotti alimentari		Produzione alimentare		Produzione agricola totale
	export	import	export	import	totale	procapite	
World	137	135	141	140	116,4	103,2	116,0
N. A.	152	103	156	99	117,1	109,0	116,2
W. E.	152	115	153	113	112,6	109,7	112,5
OCE.	124	106	128	119	113,3	105,1	111,9
O. DP.	114	117	113	123	99,4	90,9	98,7
AFRI	89	202	86	214	114,1	92,7	113,4
L. A.	132	177	133	183	124,8	105,3	123,1
N. E.	118	220	163	229	118,4	97,2	115,8
F. E.	142	147	162	148	127,4	109,7	126,4
O. UD.	131	127	132	128	118,9	100,5	120,1
ASIA	100	195	89	202	132,8	120,1	134,4
EUR	99	145	95	163	105,4	99,8	105,1

Tabella 2 - Principali prodotti agricoli e loro grado di partecipazione al commercio internazionale.

N° d'ordine	Prodotti	A	B		
		% valore esport.tot.sul valore esportazioni totali di prodotti agricoli nel triennio 1981/1983	% quantità totale esportata sulla quantità totale prodotta		
			1969/71	1974/76	1981/83
1	frumento	8,59	16,63	17,95	22,38
2	zucchero	5,63	29,42	28,39	30,71
3	mais	4,76	9,96	16,23	17,54
4	caffé	4,22	78,20	82,05	71,03
5	soia	4,07 (1)	25,46	30,66	31,36
6	carne bovina	3,71	5,06	5,60	9,84
7	cotone	3,22 (2)	33,53	31,53	29,25
8	latte	2,25	n.d.	n.d.	n.d.
9	riso (3)	2,08	4,06	3,70	4,08
10	tabacco	2,03	21,87	23,37	22,50
11	vino	1,94	12,06	13,29	15,16
12	formaggio	1,86	9,63	10,79	13,17
13	lana	1,68	n.d.	71,40	71,33
14	carne suina	1,63	1,72	2,48	3,30
15	burro	1,59	14,00	14,77	18,14
16	gomma naturale	1,41	97,05	88,11	84,79
17	orzo	1,39	6,86	8,09	11,67
18	pollame	0,97	2,97	3,88	6,20
19	cacao	0,96	74,15	78,52	77,07
20	cereali minori (sorgo e miglio)	0,85	6,70	12,43	14,16
21	té	0,82	55,98	53,04	48,27
22	arance, mandarini e clementine	0,81	13,60	12,81	11,09
23	olio di palma	0,78	51,68	62,04	60,99
24	carne ovina e caprina	0,72	9,84	9,72	11,22
25	mele	0,65	n.d.	9,35	9,55
26	legumi secchi	0,65	4,03	4,21	7,13
27	banane	0,64	9,09	9,13	7,84
28	pomodori	0,48	4,32	3,39	3,56
29	arachidi	0,43 (4)	5,69	5,07	3,88
30	patata	0,41	1,17	1,39	1,75
31	uova	0,40	1,96	2,40	2,83
32	olio d'oliva	0,23	18,40	14,51	17,21
33	limoni	0,19	19,98	18,57	17,57
34	cipolle	0,17	7,48	7,00	8,09
35	pesche	0,16	n.d.	n.d.	7,91
36	pere	0,15	7,76	7,49	7,23
37	luppolo	0,12	30,03	33,51	37,64
38	avena	0,08	2,50	2,88	2,72
39	noce di cocco	0,07	n.d.	0,38	0,40
40	datteri	0,07	18,33	15,00	8,50
41	segale	0,06	2,48	2,62	2,94

(1) di cui il 3,25% per esportazione di semi di soia e lo 0,82% per esportazioni di olio di semi di soia.
(2) di cui 3,10 come fibra, 0,12 come semi e olio di semi. La quantità esportata è stata ridotta in termini di semi di cotone per confrontarla con la produzione.
(3) per il riso la quantità esportata è stata ricalcolata in termini di risone, in cui è espressa la quantità prodotta.
(4) di cui lo 0,29% per esportazioni di semi di arachidi e lo 0,14% per esportazione di olio di semi di arachidi.

Tab. 3 - Evoluzione della produzione mondiale e delle esportazioni dei principali prodotti agricoli tra il 1969/71 e il 1981/83.

N° d'ordine	Prodotti	tasso medio annuo di variazione						Elasticità (Exp./Produz.)	
		delle produzioni	delle esportazioni	del prezzo all'export	delle produzioni	delle esportazioni	del prezzo all'export	1969/71	1974/76
		1969/71 - 1974/76			1974/76 - 1981/83			1974/76	1981/83
1	frumento *	3,09	4,68	20,65	3,25	6,55	0,87	1,51	2,01
2	zucchero *	2,28	1,58	28,49	2,91	4,11	0,05	0,69	1,42
3	mais *	2,58	13,11	16,65	3,19	4,34	1,34	5,08	1,36
4	caffé *	0,2	1,16	13,80	3,56	1,44	5,77	5,80	0,40
5	soia *	5,32	9,31	16,60	5,90	6,24	1,84	1,75	1,06
6	carne bovina *	1,82	3,91	10,97	0,45	8,87	2,16	2,15	19,71
7	cotone	1,37	0,12	13,32	2,55	1,45	3,66	0,09	0,57
8	latte	1,54	21,09 (1)	n.d.	1,59	11,77(1)	n.d.	n.d.	n.d.
9	riso	2,19	0,29	18,85	3,03	4,53	1,00	0,13	1,49
10	tabacco *	3,51	4,90	9,03	2,08	1,54	6,50	1,39	0,74
11	vino *	2,16	4,17	13,13	0,66	2,56	6,78	1,93	3,88
12	formaggio *	4,45	5,60	14,41	3,39	6,38	4,26	1,25	1,88
13	lana	-0,93	11,22 (1)	n.d.	1,37	1,28	4,57	n.d.	0,93
14	carne suina *	1,18	8,90	12,97	3,64	7,94	3,31	7,54	2,18
15	burro *	1,90	2,99	13,99	1,84	4,87	7,22	1,57	2,65
16	gomma naturale *	3,70	1,72	11,51	0,78	0,23	5,36	0,46	0,29
17	orzo *	2,13	5,55	19,43	0,63	6,03	2,13	2,62	9,57
18	pollame *	1,86	7,49	11,17	6,02	13,36	0,92	4,03	2,22
19	cacao *	-0,17	0,98	14,67	1,24	0,97	2,35	-5,76	0,78
20	cereali minori * (sorgo e miglio)	-0,20	12,92	16,71	1,28	3,18	2,01	-64,60	2,48
21	té	3,51	2,39	5,38	3,33	1,94	6,82	0,68	0,39
22	arance, mandarini e clementine	4,90	3,64	8,27	2,32	2,48	0,95	0,74	1,07
23	olio di palma	10,46	14,17	17,25	9,07	3,87	5,90	1,36	0,43
24	carne ovina e caprina	-1,43	-1,65	15,87	2,32	4,44	6,69	(1,15)	1,91
25	mele *	4,46	4,84	11,58	3,01	3,33	6,16	1,09	1,11
26	legumi secchi *	-2,17	-1,28	19,00	-0,30	8,12	2,89	(0,59)	-27,07
27	banane	1,49	1,58	6,81	2,72	0,50	7,84	1,06	0,18
28	pomodori	5,74	0,72	11,32	2,61	3,33	5,45	0,12	1,27
29	arachidi	-0,57	-2,83	18,74	1,57	-2,25	6,61	(4,96)	-1,43
30	patata *	-0,47	3,16	19,58	0,21	1,31	0,56	-6,72	6,24
31	uova *	1,54	5,69	10,93	3,25	5,70	2,76	3,69	1,75
32	olio d'oliva *	1,93	-2,77	19,03	0,61	3,09	0,28	-1,43	5,06
33	limoni	4,85	3,32	9,76	2,50	2,69	5,39	0,68	0,68
34	cipolle *	3,60	2,25	16,29	2,00	5,09	1,98	0,62	1,73
35	pesche	-3,50	n.d.	n.d.	0,76	n.d.	n.d.	n.d.	n.d.
36	pere	2,32	1,59	13,09	1,35	0,37	7,87	0,68	0,27
37	luppolo *	1,92	3,99	7,52	0,94	3,90	10,71	2,07	4,15
38	avena	-2,88	-0,08	17,96	-1,27	-2,07	3,16	(0,03)	(1,62)
39	noce di cocco	2,94	n.d.	n.d.	1,23	1,93	6,16	n.d.	0,69
40	datteri	1,78	-2,22	13,93	2,00	-5,95	16,00	-1,25	-2,98
41	segale *	0,24	1,40	17,32	-0,59	1,07	1,95	5,83	-1,81

(1) i dati sono disponibili solo in termini di valore.

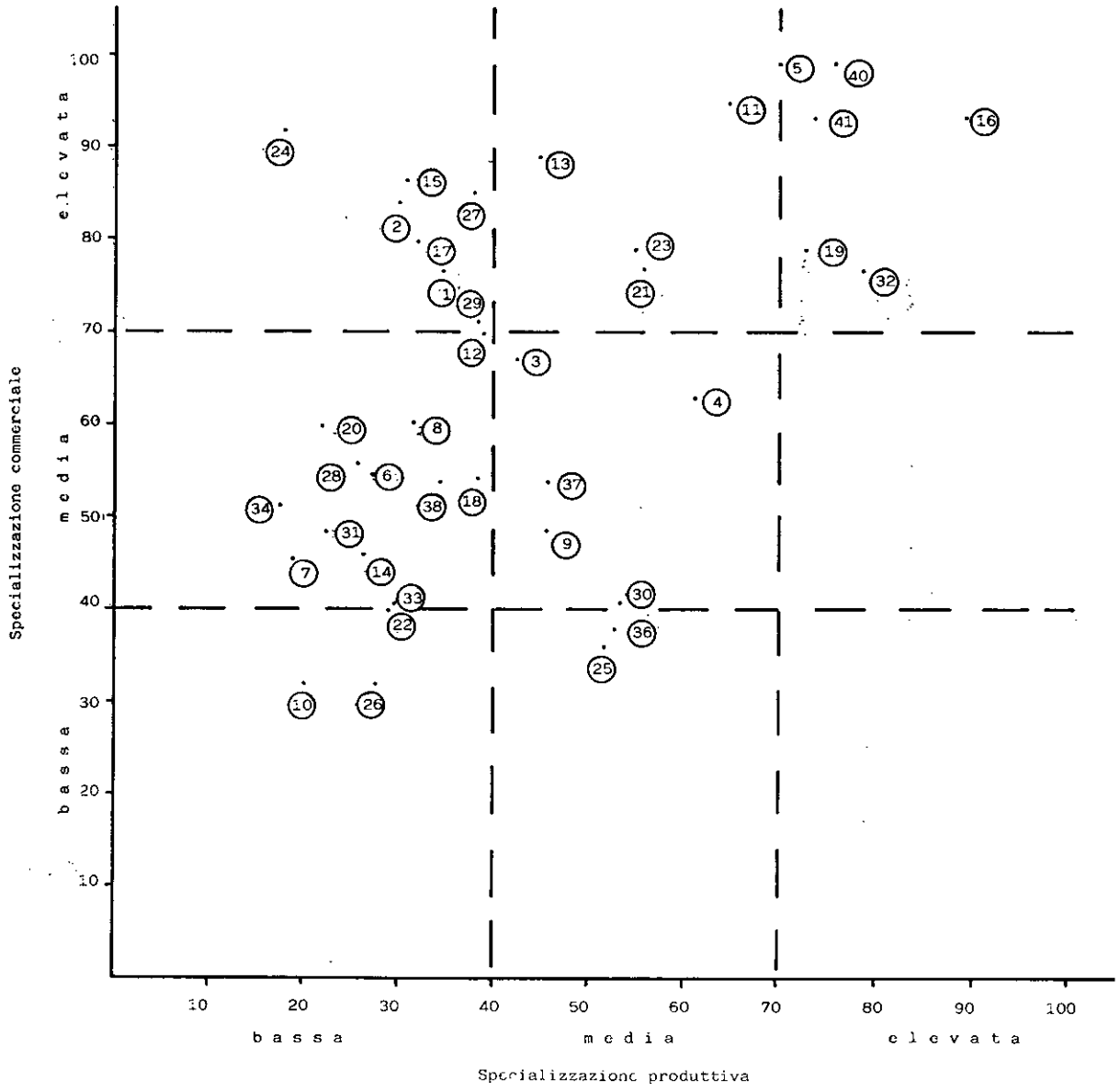
NB. Con asterisco sono indicati i prodotti in cui, come media dell'intero periodo in esame, il ritmo di crescita del volume delle esportazioni ha superato quello delle produzioni.
I valori di elasticità indicati tra parentesi sono quelli in cui si registrano variazioni negative per entrambi le variabili. Per quanto riguarda i valori negativi di elasticità, questi possono indicare sia il caso di esportazione crescente e produzioni in calo, sia il caso opposto.

Tab. 4 - Grado di specializzazione produttiva e commerciale

N° d'ordine	Prodotti	Specializzazione produttiva			Specializzazione commerciale		
		1969-71	1974-76	1981-83	1969-71	1974-76	1981-83
1	frumento	34,7 EUR	28,6 EUR	23,2 EUR	76,6 NA	82,7 NA	75,1 NA
2	zucchero	30,0 LA	31,1 LA	28,9 LA	84,0 LA	73,7 LA	61,7 LA
3	mais	42,6 NA	43,7 NA	43,8 NA	66,9 NA	91,8 NA	97,5 NA
4	caffé	61,4 LA	61,2 LA	65,5 LA	62,8 LA	59,0 LA	63,0 LA
5	soia	70,1 NA	63,8 NA	61,8 NA	98,7 NA	81,8 NA	94,0 NA
6	carne bovina	27,2 NA	28,5 NA	25,5 NA	54,5 LA	68,2 OCE	53,7 OCE
7	cotone	19,0 EUR	22,0 EUR	21,2 EUR	45,2 NE	32,1 NA	43,6 NA
8	latte	31,5 EUR	32,3 EUR	32,6 WE	60,1 WE	67,8 WE	72,7 WE
9	riso	45,7 FE	44,0 FE	45,6 FE	48,4 NA	53,6 NA	40,9 FE
10	tabacco	20,0 NA	19,3 ASIA	29,0 ASIA	31,8 NA	36,4 LA	37,8 LA
11	vino	64,9 WE	64,4 WE	62,4 WE	94,7 AFRI	57,4 AFRI	89,4 WE
12	formaggio	39,1 WE	39,1 WE	39,2 WE	69,7 OCE	53,8 WE	71,8 WE
13	lana	45,0 OCE	40,5 OCE	40,0 OCE	88,8 OCE	84,3 WE	86,6 WE
14	carne suina	26,5 ASIA	26,9 WE	26,8 ASIA	45,9 ASIA	55,9 EUR	38,9 ASIA
15	burro	30,7 WE	31,7 EUR	31,8 WE	86,4 OCE	93,7 OCE	53,5 WE
16	gomma naturale	89,6 FE	90,2 FE	88,6 FE	93,1 OUD	94,3 OUD	95,8 OUD
17	orzo	32,0 EUR	43,5 EUR	37,4 EUR	79,7 NA	69,6 NA	64,7 NA
18	pollame	38,6 NA	29.7 NA	27,3 NA	54,1 NA	41,4 NA	42,0 WE
19	cacao	73,0 AFRI	64,6 AFRI	57,4 AFRI	78,7 AFRI	76,3 AFRI	75,8 AFRI
20	cereali minori (sorgo e miglio)	21,9 FE	22,7 FE	23,1 FE	59,8 NA	67,1 NA	71,0 NA
21	tè	55,9 FE	52,9 FE	47,2 FE	76,8 FE	70,7 FE	60,7 FE
22	arance, mandarini e clementine	29,0 NA	30,1 LA	38,7 LA	39,7 ODV	47,2 ODV	37,6 ODV
23	olio di palma	55,2 AFRI	50,4 FE	68,2 FE	78,9 FE	88,3 FE	95,6 FE
24	carne ovina e caprina	17,8 OCE	17,4 EUR	16,4 OCE	91,8 OCE	92,8 OCE	93,8 OCE
25	mele	51,8 WE	35,0 WE	31,8 EUR	35,9 OCE	31,6 ODV	26,3 LA
26	legumi secchi	27,9 FE	30,3 FE	30,9 FE	31,8 NA	39,5 NA	67,5 NA
27	banane	37,9 LA	37,8 LA	35,9 FE	85,1 LA	79,7 LA	82,1 LA
28	pomodori	25,7 WE	21,8 WE	20,9 WE	55,7 LA	63,2 LA	65,8 LA
29	arachidi	38,3 FE	39,5 FE	42,2 FE	71,1 AFRI	29,7 AFRI	35,1 ASIA
30	patata	53,5 EUR	52,6 EUR	46,7 EUR	40,6 NE	56,6 NA	59,2 WE
31	uova	22,3 WE	22,1 WE	20,4 EUR	48,5 EUR	49,6 EUR	51,4 WE
32	olio d'oliva	78,8 WE	72,6 WE	79,0 WE	76,6 AFRI	99,7 AFRI	59,1 AFRI
33	limoni	29,6 WE	28,2 WE	25,9 WE	40,4 NA	47,8 NA	36,5 NE
34	cipolle	17,5 WE	17,9 FE	19,4 FE	51,3 NE	29,9 NE	44,8 FE
35	pesche	37,2 WE	36,8 WE	42,3 WE	n.d.	n.d.	46,0 WE
36	pere	53,1 WE	44,0 WE	38,0 WE	37,7 ASIA	38,3 ASIA	33,9 ODV
37	luppolo	46,0 WE	47,8 WE	46,4 WE	53,7 EUR	61,2 WE	55,4 WE
38	avena	34,4 EUR	41,3 EUR	42,5 EUR	53,8 OCE	64,6 NA	54,3 OCE
39	noce di cocco	78,7 FE	82,2 FE	82,2 FE	n.d.	97,6 FE	96,9 FE
40	datteri	75,7 NE	75,4 NE	76,8 NE	98,9 NE	99,5 NE	92,6 NE
41	segale	73,9 EUR	74,4 EUR	76,7 EUR	93,1 NA	81,1 NA	91,7 NA

NB. Il numero indica la percentuale, sul totale mondiale di produzione e di esportazione netta, della Regione che detiene la maggiore. Tale Regione è indicata a fianco di detta percentuale.

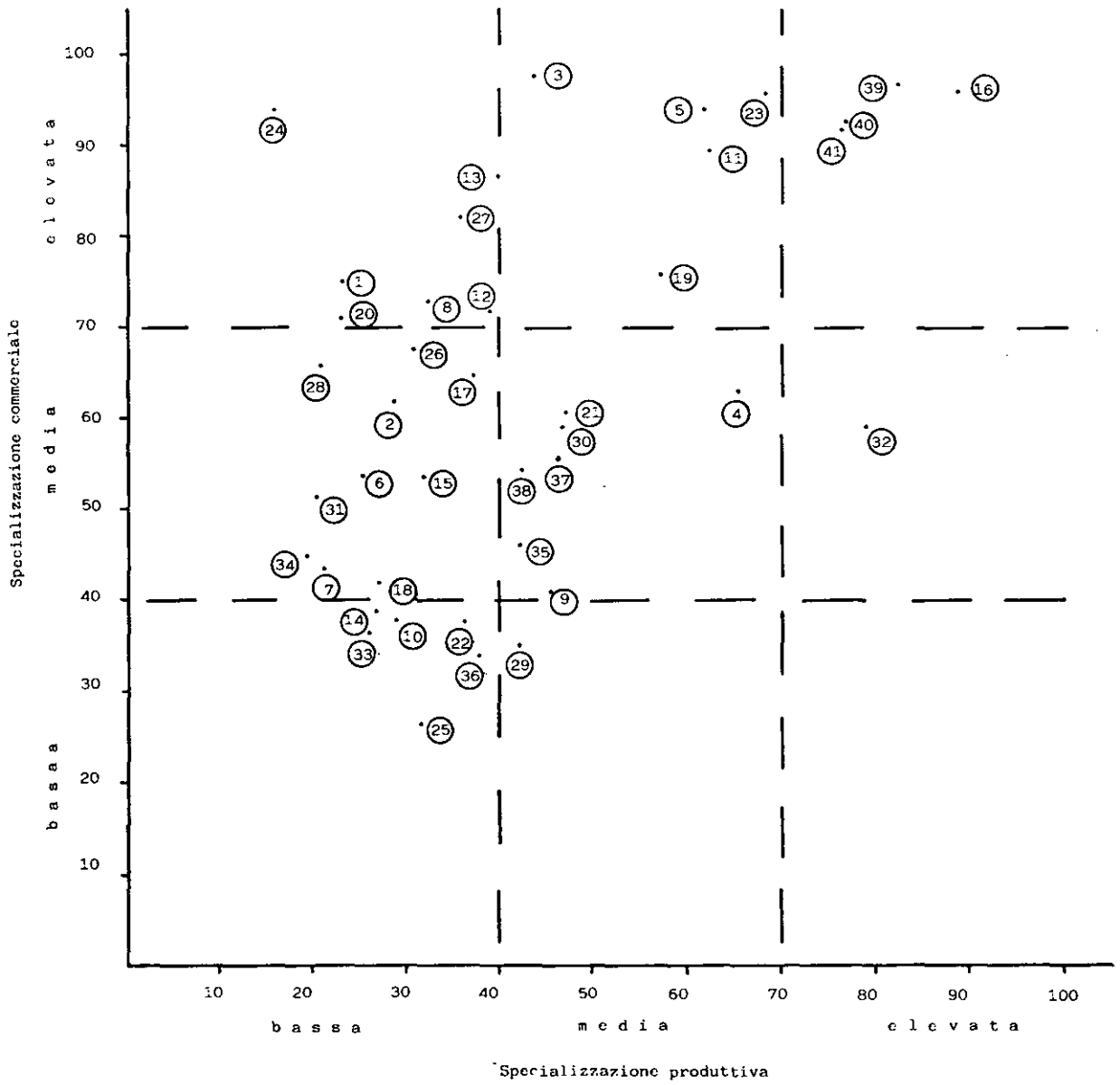
Figura 1 - Ripartizione dei prodotti agricoli secondo il grado di specializzazione produttiva e commerciale (triennio 1969-71)



Legenda:

1 frumento
2 zucchero
3 mais
4 caffé
5 soia
6 carne bovina
7 cotone
8 latte
9 riso
10 tabacco
11 vino
12 formaggio
13 lana
14 carne suina
15 burro
16 gomma naturale
17 orzo
18 pollame
19 cacao
20 cereali minori (sorgo e miglio)
21 té
22 arance, mandarini e clementine
23 olio di palma
24 carne ovina e caprina
25 mele
26 legumi secchi
27 banane
28 pomodori
29 arachidi
30 patata
31 uova
32 olio d'oliva
33 limoni
34 cipolle
35 pesche
36 pere
37 luppolo
38 avena
39 noce di cocco
40 datteri
41 segale

Figura 2 - Ripartizione dei prodotti agricoli secondo il grado di specializzazione produttiva e commerciale (1981-83).



Legenda:

1 frumento
2 zucchero
3 mais
4 caffé
5 soia
6 carne bovina
7 cotone
8 latte
9 riso
10 tabacco
11 vino
12 formaggio
13 lana
14 carne suina
15 burro
16 gomma naturale
17 orzo
18 pollame
19 cacao
20 cereali minori (sorgo e miglio)
21 té
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24 carne ovina e caprina
25 mele
26 legumi secchi
27 banane
28 pomodori
29 arachidi
30 patata
31 uova
32 olio d'oliva
33 limoni
34 cipolle
35 pesche
36 pere
37 luppolo
38 avena
39 noce di cocco
40 datteri
41 segale

OTTONE FERRO

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L'ADATTAMENTO DELLA PRODUZIONE AGRICOLA ALLA DIVISIONE INTERNAZIONALE DEL LAVORO (alcune considerazioni).

1. Premessa

I prodotti agricoli sembrerebbero, a prima vista, i più adatti a realizzare la divisione internazionale del lavoro. Questo in quanto nessuna altra produzione come quella agricola dipende in modo essenziale dai fattori naturali - terreno, clima, piovosità, ecc. Tant'è vero che si parla di prodotti tipicamente tropicali, banane, datteri, cacao, canna da zucchero; di colture tipicamente mediterranee, olivo e vite; di produzioni tipiche dei climi temperati, grano e altri cereali. La dipendenza da fattori naturali spiega quindi la possibilità di specializzazione produttiva delle diverse aree.

Del resto anche il sistema alimentare di una popolazione è in stretta dipendenza con le produzioni locali e questo soprattutto in passato. Così nelle popolazioni nordiche la dieta si fonda su un forte consumo di patate, in quelle mediterranee su un notevole consumo di olio di oliva e di frutta, in quelle africane di prodotti tropicali.

Questo ovviamente nel rispetto della legge della isodinamia, per cui le sostanze energetiche - protidi, lipidi, glucidi - possono sostituirsi tra loro in quantità variabile, purchè sia assicurato il fabbisogno calorico quotidiano e l'assunzione di un quantitativo minimo di proteine.

Il commercio internazionale si inserisce nella vocazione naturale di

ciascun ambiente alle diverse produzioni, rendendola attuabile ed anzi esaltandola.

Un fattore che viene a favorire lo sviluppo degli scambi internazionali riguarda il progresso tecnologico, nel campo della conservazione e dei trasporti, che permette oggi una trasferibilità nello spazio e nel tempo per prodotti che prima la possedevano in misura assai limitata o nulla ed erano quindi esclusi dai grandi traffici intercontinentali.E' il caso ad esempio dei prodotti lattiero-caseari, della frutta e degli ortaggi.

La ricerca della specializzazione investe quindi la totalità delle risorse produttive che definiscono la frontiera delle possibilità di produzione di un paese. In questo contesto la specializzazione produttiva rientra nel campo di scelte dell'economia di un paese in considerazione agli obiettivi di breve, di medio e di lungo periodo che la collettività si pone e della disponibilità, variabile nel tempo, di risorse naturali e degli altri fattori produttivi di cui è dotata. Si impone quindi per tutti i paesi, ad una certa

fase dello sviluppo economico, anche una scelta che riguarda il ruolo che si vuole assegnare alla propria agricoltura e quindi l'entità di lavoro e di capitale che si vuole lasciare al settore e il livello di benessere relativo che si vuole assicurare alla popolazione rurale.

2. Vincoli alla specializzazione produttiva

Per i prodotti agricoli ad una specializzazione produttiva troppo spinta si oppongono i seguenti elementi:

2.1. un fattore di strategia politica interna. Per le produzioni di alimenti base - frumento, riso, zucchero, latte e carne bovina - non è opportuna una dipendenza dall'estero che superi determinati livelli - variabili da prodotto a prodotto e da paese a paese. Per assicurare la stabilità dello sviluppo è necessario garantire agli abitanti la sicurezza e la continuità dell'approvvigionamento dei prodotti essenziali per la loro alimentazione anche se ciò può implicare nel breve termine costi maggiori rispetto agli acquisti all'estero. Questa è una delle ragioni per le quali determinate produzioni agricole di vitale importanza vengono, entro certi limiti, protette dalla concorrenza estera. L'esperienza di questo ultimo secolo ha dimostrato che tale protezione, limitata all'inizio a pochi prodotti, è destinata ad estendersi all'intero settore agricolo attraverso i diversi interventi di sostegno dei prezzi e dei redditi;

2.2. un fattore che sorge da considerazioni di benessere economico-sociale. L'agricoltura non è soltanto un settore produttivo, ma è anche uno strumento che plasma e modella il territorio e il paesaggio. L'abbandono dell'agricoltura in un territorio ove la specializzazione produttiva potrebbe essere tutta accentrata nell'industria o nel terziario provocherebbe al limite fenomeni di erosione del terreno e di desertificazione ed il regresso civile di intere aree.

2.3. un fattore di politica economica. In tutti i paesi lo sviluppo economico è legato allo sviluppo dei settori secondario e terziario. Ne risulta che nessun paese potrebbe svilupparsi facendo perno sul solo settore agricolo e che si rende necessaria una diversificazione delle produzioni all'interno del paese. In quest'ottica una specializzazione produttiva troppo spinta deve, almeno entro certi limiti, lasciare il passo ad una secondarizzazione e ad una terziarizzazione dell'economia.
Infatti un commercio estero basato su scambi di manufatti provenienti dai paesi avanzati,con prodotti agricoli dei paesi emergenti rischia di perpetuare un livello di sottosviluppo non più sostenibile. Quando i frutti del progresso tecnologico, anzichè tradursi in una caduta dei prezzi, vengono - per le anomalie dei mercati ~~xxxxxx~~ non concorren-

ziali - trattenuti all'interno dei settori e dei paesi industriali, i paesi agricoli perdono gran parte dei vantaggi del commercio internazionale. Non è privo di significato il fatto che l'inizio dell'industrializzazione nei paesi agricoli si ebbe quando la caduta delle loro esportazioni agricole li costrinse a produrre all'interno i manufatti che non potevano più permettersi di acquistare all'estero.

2.4. Anche nell'ambito dei prodotti agricoli una specializzazione troppo spinta porta con sé elementi di fragilità e di rischio che si manifestano nei periodi di crisi e di difficoltà del mercato. La caduta dei prezzi e dei ricavi che inevitabilmente ne consegue determina un danno che si ripercuote su vaste zone e spesso sull'economia dell'intero paese. Secondo Maizels (1) il grado di fluttuazione (da un anno all'altro) dei prezzi internazionali del caffé, del frumento, del riso é dell'ordine del 20-30%, mentre per lo zucchero e il cacao supera il 30%. Per molti altri prodotti agricoli (mais, banane, lana, gomma, tè , soia) la variabilità dei prezzi è dell'ordine del 10-20%. Ne deriva una instabilità dei ricavi da esportazione per quei paesi le cui vendite all'estero sono basate su un numero limitato di prodotti. Questo spiega perchè in tali paesi si faccia strada la necessità di una maggiore diversificazione produttiva.

(1) A. Maizels, The International Regulation of Primary Commodity Prices, in "Lo sviluppo dei popoli è il nuovo nome della pace", a cura di G. Galizzi, Ed. Franco Angeli, Milano 1984.

3. Una analisi disaggregata per grandi aree.

Un'analisi sui rapporti tra commercio internazionale e specializzazione produttiva non può limitarsi alla semplice suddivisione tra paesi sviluppati e paesi emergenti che abbraccia aree troppo diverse e accomuna paesi produttori di petrolio, paesi di nuova industrializzazione e paesi poco industrializzati.

Si è preferito adottare la suddivisione per 11 grandi aree seguita dalla FAO (1), in base alla quale i diversi paesi sono così raggruppati:

Sigla usata nel testo	
N.A.	- Paesi sviluppati ad economia di mercato del Nord America
W.E.	- Paesi sviluppati ad economia di mercato dell'Europa Occidentale
OCE.	- Paesi sviluppati ad economia di mercato dell'Oceania
O.D.	- Altri paesi sviluppati ad economia di mercato
AFRI	- Paesi emergenti dell'Africa
L.A.	- Paesi emergenti dell'America Latina
N.E.	- Paesi emergenti del Vicino Oriente
F.E.	- Paesi emergenti del Lontano Oriente
O.UD.	- Altri paesi emergenti
ASIA	- Paesi ad economia centralmente pianificata dell'Asia
EUR	- Europa Orientale e URSS

(1) Vedi nell'Appendice 1 l'elenco dei paesi per ciascuna area.

Ovviamente si tratta di una aggregazione che presta il fianco a critiche, ma che comunque si è preferito adottare in mancanza di meglio. Notevoli diversità - geografiche e istituzionali - esistono ad esempio tra i tre Paesi - Israele, Giappone e Sudafrica - raggruppati nella Regione O.D. (Other Developed Countries). Così pure l'andamento di qualche paese di notevole peso può influire in maniera anomala sull'andamento dell'intera regione: nel 1982 ad esempio un forte declino delle importazioni da parte del Messico e del Brasile si è ripercosso sull'andamento complessivo dell'America Latina, nonostante andamenti diversi da parte di altri paesi. La medesima cosa si è avuta per la Regione F.E. (FarEast) in cui il declino delle importazioni da parte dell'India, dell'Indonesia e della Corea è stato mascherato dall'aumento da parte della Malesia e Singapore.

Facendo base il triennio 1974/76 la tab. 1 indica come sono evolute, nel triennio 1981/83, la produzione agricola, la produzione alimentare e il commercio internazionale dei prodotti agricoli e dei prodotti alimentari.

Il commercio internazionale dei prodotti agricoli aumenta con ritmo superiore a quello della produzione agricola. Questo nel complesso mondiale. Va peraltro notato il diverso comportamento tra paesi sviluppati e paesi emergenti. Non differisce molto il ritmo di crescita della produzione alimentare complessiva (se si eccettuano i casi anomali di due regioni, quella costituita

da Europa Orientale e URSS e quella costituita dall'area O.D. (Giappone, Israele e Sudafrica). Si hanno invece diversità notevoli tra il ritmo di aumento delle importazioni e quello delle esportazioni per ciascuna area, per cui, mentre i paesi sviluppati diventano sempre più esportatori netti di prodotti alimentari, nei paesi in via di sviluppo si allarga la forbice tra l'import e l'export in forma tanto più accentuata quanto più povera è la regione (Africa, America Latina, Vicino Oriente). Sono le regioni in cui la disponibilità alimentare pro-capite si è abbassata in questi ultimi anni a seguito del forte incremento demografico.

4. Specializzazione produttiva e specializzazione commerciale

Nella tab. 2 è indicato, per i 39 prodotti presi in esame, il grado di partecipazione al commercio internazionale così calcolato:

A come percentuale del valore delle esportazioni complessive sul valore totale delle esportazioni di prodotti agricoli nel triennio 1981-83

B come percentuale della quantità totale esportata di ciascun prodotto sulla quantità totale prodotta nei trienni 1969/71, 1974/76, 1981/83.

I prodotti agricoli presi in esame assomano a circa il 60% del valore dell'intero commercio internazionale dei prodotti agro-alimentari e per-

tanto una loro analisi ci sembra sufficientemente significativa per le deduzioni che saranno tratte. Diverso è il peso sulla produzione mondiale della quota interessata al commercio internazionale. Potremmo a questo riguardo suddividere i prodotti secondo la percentuale della produzione interessata al commercio internazionale nel 1981/83 (1):

- con oltre il 70%:	lana (s), cacao (v), caffé (d), gomma naturale (d)
- dal 40 al 70%:	té (d), olio di palma (d)
- dal 30 al 40%	zucchero (s), soia (e), luppolo (c)
- dal 20 al 30%:	tabacco (c), frumento (c)
- dal 10 al 20%:	vino (v), burro (c), mais (c), carne ovina e caprina (v), formaggio (c), orzo (c), altri cereali (c), arance (d), olio d'oliva (v)
- dal 5 al 10%:	carne bovina (c), pollame (c), banane (v), legumi secchi (c), pere (d), mele (c), limoni (d), cipolle (v)
- con meno del 5%:	uova (v), arachidi (d), carne suina (c), riso (v), pomodoro (v), patata (c), avena (c), segale (c)

(1) I simboli c = crescente, d = decrescente, s = stabile, v = variabile, si riferiscono al caso in cui le percentuali riscontrate nel triennio 1969/71 sono rispettivamente inferiori, superiori, o comprese in un campo di variazioni del ± 5% rispetto alla percentuale del triennio 1981-83 o non indichino un trend definito.

La tab. 3 indica per ciascuno dei prodotti considerati il tasso medio annuo di variazione della produzione mondiale, dell'esportazione complessiva e del prezzo medio all'esportazione rispettivamente tra il triennio 1969/71 e il triennio 1974/76 e tra il triennio 1974/76 e il triennio 1981/83. E' pure riportata l'elasticità dell'esportazione complessiva in termini di produzione mondiale. Si osserva che, seppure per taluni prodotti (cacao, carne ovina e caprina, arachidi e legumi secchi, patata, avena e lana) si è registrata, nel periodo tra il 1969/71 e il 1974/76, una diminuzione di produzione, accompagnata dalla riduzione del volume degli scambi internazionali, nel periodo successivo l'incremento delle produzione fu - sia pure con ritmi diversi - pressochè generale, interessando 34 dei 39 prodotti osservati (1). Risulta confermato che,

In linea generale, il ritmo di crescita del volume degli scambi internazionali dei prodotti agricoli è stato superiore al ritmo di crescita delle produzioni. Questo indica che è cresciuta nell'arco temporale in esame la necessità di integrazione commerciale tra le diverse aree produttive nel mondo. Hanno fatto eccezione per il periodo 1974/76-1981/83 il caffé, il tè, il cacao, la gomma naturale, la lana, il tabacco, le pere, i limoni, tutti prodotti per i quali lo sviluppo delle esportazioni fu inferiore al ritmo di aumento della produzione (2). Poichè il ritmo di aumento dei prezzi non sembra avvalorare per questi prodotti, relativamente a quello degli altri generi agricoli, ipotesi di difficoltà di mercato, una delle spiegazioni più plausibili è che, con il miglioramento del tenore di vita, aumenta la domanda interna a scapito della quantità che viene collocata all'estero. Una seconda spiegazione, che può integrarsi con la prima, sta nel crescente peso che l'industria di trasformazione dei prodotti agricoli assume e che può determinare spostamenti notevoli nell'approvvigionamento delle materie prime in termini sia di quantità che di aree di provenienza.

(1) La riduzione di produzione è continuata solo per legumi secchi, avena e segale.

(2) Esaminando invece il ~~quinquennio~~ periodo 1969/71-1974/76 i prodotti con ritmo di sviluppo delle esportazioni inferiore a quello delle produzioni sono stati: riso, zucchero, té, gomma naturale, pere, cipolle, pomodori, arance, limoni e olio d'oliva.

La tab. 4 mette in evidenza per ciascuno dei prodotti agricoli considerati il grado di specializzazione produttiva e commerciale. La prima è indicata dalla quota percentuale sulla produzione mondiale detenuta dalla Regione che ha segnato nei trienni considerati il maggior volume produttivo. La specializzazione commerciale è indicata dalla percentuale, sul totale delle esportazioni nette complessive, detenute dalla Regione con il più elevato volume di esportazioni nette. Il ricorso alle esportazioni e alle importazioni nette è stato effettuato proprio per evitare di tener conto degli scambi intraregionali che avrebbero finito per alterare il significato di specializzazione commerciale nel senso che si è voluto attribuire a tale termine, ossia a livello di regione.

Le Fig. 1 e 2 riportano in forma diagrammatica per ciascun prodotto gli indici di specializzazione produttiva e commerciale del triennio 1969/71 e del triennio 1981/83 e consentono di classificare i prodotti a seconda del loro livello di specializzazione (elevato, medio o basso a seconda che la percentuale sia superiore al 70%, compresa tra il 40 e il 70%, inferiore al 60%.

Appare evidente che la specializzazione commerciale è più facilmente

raggiungibile della specializzazione produttiva. Si spiegano così le grandi correnti di traffico internazionale:

- per il frumento dal Nord America al Giappone, all'Europa Orientale e alla Russia e fino al triennio 1969-71 all'Europa Occidentale, divenuta nel triennio 1981/83 a seguito della politica agricola della CEE, esportatrice netta;
- per la soia dal Nord America all'Europa Occidentale;
- per le banane dall'America Latina al Nord America e all'Europa Occidentale;
- per lo zucchero dall'America Latina al Nord America, al Giappone, all'Europa Orientale e all'URSS (anche qui l'Europa Occidentale passa da importatrice ad esportatrice netta);
- per il caffé dall'America Latina al Nord America e all'Europa;
- per il cacao dall'Africa al Nord America e all'Europa Occidentale e Orientale;
- per il té dall'Estremo Oriente all'Europa Occidentale e al Nord America;
- per il vino dall'Europa Occidentale al Nord America e all'URSS (il crollo delle esportazioni dall'Algeria alla Francia per vini di grado da taglio

a seguito della politica agricola comunitaria, spiega il crollo delle esportazioni dall'Africa avvenuto tra i due trienni in esame);

- per la carne bovina dall'Oceania e dall'America Latina al Nord America e all'Europa Orientale e URSS (anche qui l'Europa Occidentale si è trasformata da importatrice a esportatrice netta);

- per il pollame e le uova dal Nord America e dall'Europa Occidentale agli altri paesi;

- per la lana e la carne ovina e caprina dall'Oceania al Nord America e all'Europa Occidentale.

Il livello di specializzazione commerciale appare sempre maggiore della specializzazione produttiva. Vi sono 12 prodotti nel triennio 1969-71 e 11 nel triennio 1981-83 per i quali una sola regione detiene oltre il 70% delle esportazioni nette. Invece soltanto per la gomma naturale, il cacao, il caffé, il vino e la soia si può parlare di una concentrazione produttiva rilevante in una sola regione.

Dalla tab. 4 emergono anche altri elementi di particolare importanza:

1) - la specializzazione produttiva è destinata a diminuire nel tempo senza peraltro intaccare il ritmo di espansione del commercio internazionale: adottando tecniche produttive diverse e con differente rapporto lavoro/capitale vi è una tendenza ad espandere certe produzioni agricole al di fuori

del loro ambiente tradizionale. Questo appare tanto più evidente per quelle produzioni in cui più elastico e meno stretto è il rapporto con la terra come per i prodotti lattiero-caseari e gli allevamenti di maiali e di polli. Ovviamente la crescente diversificazione a livello delle grandi Regioni prese in esame non contrasta affatto con una constatata crescente specializzazione a livello aziendale o di piccole aree;

2) per quanto concerne la specializzazione commerciale si avvertono modifiche anche radicali nel tempo: regioni che detenevano per certi prodotti la supremazia negli scambi internazionali hanno tra il primo e l'ultimo triennio ceduto il posto ad altre regioni: è il caso, per il riso, dell'Estremo Oriente subentrato al Nord America; per le arachidi, dell'Asia centralmente pianificata subentrata all'Africa; per la carne bovina dell'Oceania subentrata all'America Latina; per le uova, dell'Europa Occidentale subentrata all'Europa Orientale; per il burro e il formaggio dell'Europa Occidentale subentrata all'Oceania.

Considerazioni finali

Le analisi fatte mostrano che anche nel campo agricolo i problemi della specializzazione internazionale del lavoro vanno visti in chiave dinamica (1). Non si può ad esempio non tener conto:

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(1) Ovviamente non vi è dubbio che nel commercio internazionale anche dei prodotti agricoli abbiano peso rilevante le vicende monetarie dei diversi paesi, come il forte apprezzamento del dollaro statunitense in questi ultimi anni e il crescente livello di indebitamento di alcuni paesi in via di sviluppo nei confronti del sistema creditizio internazionale e/o occidentale. Tuttavia si ritiene che tali vicende non abbiano intaccato i problemi di fondo emersi da queste analisi di carattere generale.

- delle modifiche nel regime alimentare determinate da un miglioramento del reddito o da un cambiamento nelle abitudini e nei comportamenti del consumatore, che può determinare per alcuni prodotti una elasticità, anche negativa, della domanda al reddito; una quota crescente della spesa alimentare viene assorbita dai servizi incorporati nel prodotto alimentare di base; beni alimentari considerati "maturi" possono vedere aumentata la propria domanda grazie all'introduzione di innovazioni tese a diversificare il prodotto;

- del fatto che nei paesi sviluppati la crescita della produzione agricola trova un limite in uno sviluppo demografico ormai prossimo allo zero e in un grado estremamente ridotto della elasticità, in funzione del reddito, della domanda individuale di prodotti alimentari. Nei paesi sviluppati inoltre è più facile e rapida l'introduzione di innovazioni tecniche e biologiche destinate ad aumentare l'offerta agricola. La velocità con cui si diffondono tra le imprese agricole certe innovazioni tecnologiche di processo cresce quanto maggiore è il livello economico e produttivo dell'agricoltura di un paese. Peraltro l'avvicinarsi al limite di saturazione costringe i paesi avanzati ad una scelta tra la crescita di eccedenze produttive da collocare sui mercati internazionali a qualsiasi prezzo o la drastica riduzione dei prezzi agricoli. Quest'ultima strada è la più difficile da percorrere nella fase postindustriale dello

sviluppo economico caratterizzata da crescente difficoltà di assorbimento della mano d'opera, sia da parte del settore industriale, la cui produzione è sempre più automatizzata, che da parte del settore terziario, orientato verso una forte selettività delle assunzioni. Conseguentemente vi è da attendere nei paesi sviluppati il mantenimento, sia pure con piccoli adattamenti e correttivi, delle politiche di sostegno dei redditi agricoli e di protezionismo nei riguardi della produzione agroalimentare straniera, con conseguente cristalizzazione delle loro strutture agricole.

Questo ovviamente contrasterà con gli sforzi, fatti dai paesi in via di sviluppo, per ridurre le importazioni e aumentare il grado di autoapprovvigionamento anche a causa delle crescenti difficoltà di finanziare il proprio deficit della bilancia agroalimentare.

Infine non va trascurato il fatto che il commercio internazionale della maggior parte dei prodotti agricoli è dominato da grandi imprese di carattere multinazionale che investono ingenti capitali nella ricerca e nella promozione commerciale. La conquista di un mercato estero diventa allora il risultato di un lavoro metodico e paziente nel quale trionfa chi ha saputo investire, rimuovere o aggirare le barriere politico-istituzionali poste al movimento delle merci, senza fermarsi alle prime conquiste o fare affidamento su posizioni acquisite nel passato.

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SOME TOPICAL QUESTIONS OF HUNGARIAN-ITALIAN ECONOMIC RELATIONS

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SOME TOPICAL QUESTIONS OF HUNGARIAN-ITALIAN ECONOMIC RELATIONS

Some Topical Questions of Hungarian-Italian Economic Relations

1. Similarities and differences in the international economic relations of Italy and of Hungary

Before analysing the evolution of Hungarian-Italian economic relations, it is worth-while to have a look at what characterizes Hungary's and what Italy's international economic relations; to what extent are there similarities and differences between them.

a. In the past four decades Hungary became an country in which industrial production considerably surpasses that of agriculture. However, the degree of development of industry may be called intermediate, both in respect of its structure and its technical standard. Owing to its small size and medium-developed industry, the country is in approximately 40-41st place among the world's 150 countries in respect of the per capita GDP.[1.],

The Hungarian economy disposes of a sufficient quantity of "raw materials" of agricultural origin, and even exports some of them unprocessed. Of industrial raw materials, however, - with the

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1. World Bank Atlas, 1984

exception of bauxite - she depends on imports, and covers out of imports also approximately one half of her energy requirements. Owing to the relatively small domestic market and to the expanding import requirements accompanying industrialization and the rise in the standard of living, the growth of the Hungarian economy is increasingly accompanied by an extension of her participation in the international division of labour. Today already approximately 40 percent of total production is exported, and 40 percent of needs is covered from imports. In this respect the situation of the Hungarian economy greatly resembles that of the Italian, the industry of which also relies on the importing of raw materials and their transformation.

The larger part of Hungary's total imports are raw materials, or semi-finished products for further processing, a smaller part consist of machinery and equipment serving technical renewal, the development of industry and agriculture, and an even smaller part of consumer goods increasing the assortment available to the consumer. Approximately 70 percent of total exports are finished and semi-finished industrial products including 27 percent of machinery and equipment /out from finished goods/. A considerable part of industrial exports consists of consumer goods and semi-finished industrial products. Incidentally, in the last-mentioned product group the parallel growth of exports and imports is characteristic /unprocessed textiles, wood product, rolled steel,

chamicals/. The other important branch in respect of exports is agriculture and the food industry, which together represent 24 percent of total exports.

In Hungary's international economic relations trade is a decisive factor, because payments connected with trade represent approximately 90 percent of the balance of payments. The other items /tourism, freight, etc./ approximately cancel out each other, and consequently it is the task of trade to cover the country's foreign exchange requirements. Hungary - different from Italy - has no other sources available for balancing her payments.

All this together indicates that Hungary's economy is strongly foreign trade oriented, and depends to a large extent, on the one hand, on developments in the international market, and on the other, on the pace at which the competitiveness of the Hungarian economy increases.

b. It is not my task to describe Italy's international relations, and I wish to speak of them only inasmuch as they affect the bilateral economic relations between the two countries.

Italy is one of the ten most developed industrialized countries in the world. She counts for a medium economic power. The circumstance that Italy does not dispose of raw

materials and of hardly any primary energies, while her manufacturing industry is very significant, and also is the foreign trade, makes the position occupied by Italy and by Hungary in the international division of labour, and their dependence on it, very similar.

In the past forty years Italy endeavoured to satisfy primarily the increasing demand of the surrounding developed countries for industrial consumer goods, and in heavy industry she became specialized to a large extent in the primary processing of industrial raw materials. In addition, she reached the peak at some points of technical progress, as e.g. in the car industry, in the manufacture of light industry machinery, in electronics, and recently in informatics. In the past ten years Italy adapted herself to the new situation not so much by changing the branch structure but rather by considerably raising the technical standard and by the rejuvenation of traditional, especially light industry products. In spite of the fact that the weight of the so-called "mature" and "declining" branches was not reduced in Italian industry, for the time being this has not caused Italy to fall behind in international competition.

In spite of agriculture not being underdeveloped, and in some regions, e.g. on the Po plain very highly developed, in total it is not able to cover the needs of the population fully, and in recent decades the degree of self-sufficiency

has even diminished in food products. At the same time, the export branches of agriculture, as e.g. fruit, vegetables, citrus fruits have to face strong competition. The land under cultivation diminishes continually, and the farm structure is unfavourable. While in the average of the EEC countries the farms smaller than five hectares accound for one quarter of the total area, their share in Italy is approximately two thirds.

The indicated developments raised in Italy too the export orientation of the economy, and at the same time also her import requirements, although - due to the very considerable materials - and energy saving efforts of recent years - the specific import requirement of production has diminished.

The Italian balance of trade traditionally shows a deficit, as receipts from tourism, as well as from the remittances of the Italians working abroad and the emigrants cover more than ten percent of the balance of payments regularly.

c. Owing to what has been said above, there is a considerably similarity between the trade of the two countries in the respect that they both import considerable quantities of raw materials for the purpose of processing, and cover these from the exports of the transformed products.

The two main differences,, on the other hand, are the following: Hungary is an exporter of agrarian products, while Italy is an importer of them; in addition the structure of Italy's industrial exports is much more advanced than that of Hungary, and the export products of the traditional branches too are usually of a higher value than the same goods figuring in Hungarian exports.

2. The standing of Hungary and of Italy among the trading partners of the other country

It is worth-while to examine this question more closely, because the relative weight of one country in the trade of the other differs to a great extent. The large asymmetry is indicated by the following figures. While in 1983 3.8 percent of Hungarian exports went to Italy, and 2.6 percent of her imports came from Italy, only 0.23 percent of Italian exports went to Hungary, and in Italy's imports the share of Hungary was only around 0.33 percent. With a gross simplification we may claim that for Italy the Hungarian market is teh times less important than the Italian market is for Hungary.

This, of course, has its economic, historical and political reasons. The first, expressly economic reason is that the Italian exonomy - if we take only the number of inhabitants into consideration - is at least five times as large a market as the Hungarian. But if we take also the

degree of development of the Italian economy into consideration, the Italian economy can be considered to be approximately eight times as large a market as the Hungarian. This circumstance by itself offers already an explanation for the major part of the indicated asymmetry.

The second explanation is linked to the circumstance that in Italy's external exonomic orientation Western Europe stands in the first place, and within it the European Economic Community. The share of the latter is approximately 46 percent in Italy's exports and 41 percent in her imports. The developing countries occupy a position almost approaching this, and among these understandably the countries of the Mediterranean region enjoy a priority as well as those South American countries in which the number of Italian emigrants is substantial. The socialist countries have a share of approximately 6.0 percent in Italian exports, and 3-4 percent in her imports.

In Hungary's trade the CMEA countries represent approximately the same weight as the EEC countries in Italy's, their share in Hungarian trade being approximately 45 percent. It should be noted that a quarter century ago this share was 66 percent, and it fell under 50 percent in the past two decades. Although Hungary too puts an emphasis on her relations with the developing countries, their share in her total trade does not reach ten percent, partly owing to

geographic reasons, and partly to the lack of historic tradition. Consequently, the weight of the OECD countries and above all of the countries of Western Europe, in Hungary's trade is approximately on the same level as that of the CMEA countries. Hungary's interest in finding a market for her products in Western Europe, as well as in purchasing industrial semi-finished and finished products from there - including advanced technology -, is numerically approximately ten times as high as the interest of most West European countries in the Hungarian market. The asymmetry caused by this characterizes, in essence, also the Hungarian-Italian economic relations.

One must, however, refrain from drawing some very extreme conclusions from this. It would, for instance, be erroneous to claim that Italy is hardly interested in developing her economic relations with Hungary, since the proximity of the Hungarian market, the favourable source for importing food products partly counterbalance it. It would also be wrong to claim that Hungary is in a position of heavy dependence on the West European, including the Italian market, whether in respect of her purchases or markets for her products. The above indicated asymmetry, nevertheless, tells a lot, i.e. that from the aspect of the Hungarian economy or Hungarian trade the Hungarian-Italian economic relations represent a bigger weight than from the aspect of Italy's economy or trade. It would be a mistake, politically, to exaggerate

this circumstance on the Italian side, but it would also be wrong to neglect it, economically, on the Hungarian side.

As far as Hungary's western partners are concerned, Italy was over nearly two decades the second among Hungary's western economic partners, and she fell into third place only four or five years ago. Austria - exploiting her geographic proximity, political and exonomic openness, adaptability, as well as her being unrestricted by EEC ties - came up into second place, overtaking Italy considerably. The result is that Italy is today Hungary's third western partner, to which 11 percent of her exports to the OECD countries go, and from where she buys 7 percent of her total imports. Two other countries also begin to endanger Italy's third position. These are Switzerland and the U.S.A., which also make efforts to develop their relations with Hungary and which are also free of EEC ties. It should be noted that in the spring of last year, when for the first time in history an Italian prime minister came to Hungary, he declared that Italy wanted to recover her traditional second position among Hungary's western partners.

3. The level of Hungarian-Italian trade

The level of Hungarian-Italian trade, if we survey approximately the past fifteen years, and take 1970 for a basis figure, reached its peak in 1980 with exports worth

388 million dollars and imports worth 276 million dollars, adding up to 664 million dollars. In the period between 1971 and 1980 a temporary relapse occured only in 1975 and 1976, owing mainly to the negative effects of the agrarian policy of the EEC. But since the peak of 1980, the total volume of trade continually diminished through three years, even if not always evenly in respect of exports and imports. In recent years the figures were influenced by the turnover being measured in dollars, and the stormy increase of the exchange rate of the dollar caused distortions in the data. So for instance, in 1984 too we sould have to speak about a further fall in Hungarian exports and the stagnation of imports if we examined the turnover exclusively in dollars. At the same time, counted in forints, in the past year Hungarian exports rose by 9.5 percent and imports by 12 percent, and owing to the steep rise of the dollar this calculation is more realistic. Consequently, the unfavourable trend of the preceding three years was reversed in 1984. However, the main reason for the standstill and even regression which occurred in recent years must not be sought in the exchange rate of the dollar, but primarily in the crisis on the world market, as well as in the increasing Italian protectionism - be it Common Market stipulations or autonomous Italian dispostions -, as well as in the Hungarian economy being compelled to restore her balance of trade even through the restriction of imports, and also in the deficiencies of the competitiveness of Hungarian exports. In addition, both the Hungarian and Italian

efforts at developing trade dynamically have proved to be inadequate.

In addition to analysing the level of mutual trade, it is also worth-while to take a look at the balance of trade. This has traditionally shown a Hungarian sufficit and an Italian deficit, although its extent has fluctuated. It surpassed one hundred million dollars in 1979 and 1980 only. At one time the balance was considered very seriously from the Italian part. In recent years less emphasis was placed on it, perhaps because the structure of bilateral trade was examined more thoroughly. This is characterized by more than one half of Italian imports consisting of agricultural products, and a further considerable part of raw materials and semi-finished products supplying the Italian manufacturing industries, while in Italian exports the highly processed products representing an advanced technology occupy an importand place. Consequently, in the spring of last year the Italian Prime Minister voiced also publicly in Hungary the view that the Italian party was not disturbed by the deficit, if it was accompanied by the raising of the level of total trade. Consequently, the real problem is not the larger or smaller Hungarian sufficit, but the fall of turnover through three years, which was obviously unfavourable for both countries.

4. The pattern of trade

The problems of trade between the two countries - including its level - can be understood mainly through the analysis of the pattern of trade. More than one half of Hungarian exports, at present approximately 55-60 percent, consist of agricultural and food products. The majority of these can be considered unprocessed farm products, such as live animals, meat, or fodder. A further important share - 35-37 percent - is represented by raw materials and semi-finished products of the chemical, metallurgical, and textile industries. The share of finished industrial products /machinery, equipment, consumer goods/ does not even reach one tenth of the exports.

The pattern of exports is far from corresponding to the structure of the Hungarian economy, or to the pattern of total Hungarian exports, in which agricultural and food products account for 24 percent, industrial raw materials and semi-finished products for 31 percent, machinery and equipment representing 27 percent within the latter.

In total, more than 90 percent of Hungarian exports to Italy consists of agricultural products or industrial raw materials and semi-finished products, and in this it meets entirely those Italian endeavours which mainly want to obtain raw materials and semi-finished products for the Italian manufacturing industries, and in addition cover part of the food requirements. This pattern stresses at least two

thesiderations. One is that the continuous Hungarian sufficit is far from being contrary to the interests of the Italian economy, since in its majority it comes about through the importing of products which the Italian economy needs for its own development, and which do not represent a competitive factor to the Italian producers. The other not negligible consideration is that the pattern of Hungarian exports to Italy - consisting largely of agricultural products - is far from corresponding to the structure of the Hungarian economy - which is becoming industrialized fast -, and even less to our endeavours at further developing industry. In this the sharp competition on the Italian market in respect of industrial products undoubtedly plays a role, as do often also shortcomings in the competitiveness of the Hungaria industrial products, but other factors also play a role, first of all the strong Italian protectionism.

Within the large group of agricultural and food products, their internal composition deserves special mention. Until 1973 the bulk of Hungarian agricultural exports to Italy was accounted for by live cattle and beef, as well as by live pigs and pork. It should be noted that this relied on centuries long traditions, and the well-known saying must not be considered a mere joke that if the bottom of a Hungarian ox was given a little push, it shortly found itself in Milan. This traditional flow of goods was terminated by the agricultural regulation introduced by the

EEC in 1973, which reduced the possibility of exporting cattle and pigs to the minimum. This could primarily be felt in the fall of Hungarian exports after 1973, and since then agricultural exports have not yet reached their former level to this day. Cattle and pig exports were replaced by products of a smaller volume, such as e.g. sheep, rabbits, game, poultry. This structural change represented an absolute quantitative barrier to Hungarian exports, which - without these barriers - would have been able to increase these exports continuously, parallel to the rapid progress of Hungarian agriculture. The quantitative restriction is the more noteworthy, because although it can apparently be considered a considerable achievement that through the exporting of animals and meat representing a lower volume the exports of this product group again reached the earlier level, by the end of the seventies, it must not be ignored that the vigorous increase of the exports of the animals and meat of a lower volume mentioned is strongly limited not only from the aspect of the market but also from the side of production. Consequently, it is hardly possible to count with a dynamic growth in this sector, even if some unexploited opportunities may occur sometimes.

It follows also from what was said above that opportunities for increasing Hungarian-Italian trade must be sought in the export of manufactured products, taking into consideration that industrial raw materials and semi-finished products

cannot provide a dynamic factor in Hungarian exports either. The emphasis on manufactured products is far from meaning the underestimation of the traditional Hungarian food exports to Italy, or their relegating to the background, but noteworthy new opportunities offer themselves primarily in the sphere of manufactured products.

The pattern of Hungarian imports from Italy shows an entirely different picture. The agricultural and food products account for 5-6 percent of imports, consisting mainly of the traditional Italian agricultural products, as e.g. lemon, orange, rice, tobacco. Approximately 95 percent of imports consists of industrial products. The most important part of this, two thirds of the total imports are represented by industrial materials and semi-finished products. Part of this covers the product group in which there are Hungarian exports too, as e.g. unprocessed textiles, plastics, rolled steel. The sphere of products in which exports and imports are realized simultaneously is not merely the function of temporary cyclical movements, but covers partly a phenomenon which points much further: a certain long-term division of labour. This may be seen clearly, for instance, in regard of chemicals, where some products are regularly imported by Hungary from Italy, while other products are regularly exported there.

Nevertheless, the 66-69 percent weight of industrial raw materials and semi-finished products in Hungarian imports, as

against their 35-37 percent weight in Hungarian exports shows that in respect of these products Hungary is a considerable net importer from Italy. This, however, should not mislead anybody and suggest that this trend was contrary to the Italian endeavours at importing raw materials for manufacture. The fact is that none of the materials and semi-finished products representing a big weight in Hungarian imports can be considered raw materials, but are to a certain extent processed industrial products, such e.g. plastica, organic chemicals, basic materials for detergents, yarns, synthetic fibres, leather and accessories for the show industry, cardboard, alloyed steel, tinned sheets, pipes. Its is generally characteristic of this product group that products of relatively high specific value are concerned, and even in the sphere where there is two-way trade, i.e. there are Hungarian exports too, the specific value of Italian exports is higher than that of Hungarian exports.

One third to one quarter of Hungarian imports consists of industrial finished products, the majority of which is accounted for by machinery and equipment. 10-12 percent of imports consists of consumer goods. Statistics includes within the machinery and equipment also those parts and components which serve as spare parts for Hungarian equipment purchased earlier. However, the biggest part of machinery imports consists of technological imports, first of all in

those branches in which the Italian engineering industry disposs of great traditions and belongs to the international peak. So for instance, the importing of machinery for the textile- and leather industry, for glass- and tile manufacture have played an important role. There are considerable differences in the composition of machinery imports from one year to the other depending also on how Hungarian investment requirements develop.

5. Factors slowing down the growth of trade

Since Hungarian-Italian trade mostly fell in the last years, and thus Italy's role in Hungarian trade fell behind somewhat compared to earlier years, the examination of the causes which put a brake on the development of trade, deserves serious attention to see what are the obstacles which should be removed from its path.

Some factors of this kind will be indicated here, without the list representing also an order of importance.

a. The general decline in the world economy after 1980 had a negative effect. The recession also affected Italy considerably, in the spheres of both production and consumption. This is, of course, not a singular Italian phanomenon, and it affected not only Hungarian-Italian trade, but influenced it too. It should be noted that in

1984, when Italian industrial production began to rise again and trade also increased, the effect of this growth did not yet make itself felt in Hungarian-Italian trade. It is useful to stress this, because it makes it obvious that other factors, to be mentioned, are at least as important as the business cycle.

b. From the existence of the EEC, and its attitude towards third countries, brakes on trade developed which have no little effect on trade with the countries outside the community, including Hungarian-Italian trade. Among these the agricultural regulation of the Common Market is especially important, which obstructs in practice, or reduces to the minimum, the exporting of a number of Hungarian agricultural products to Italy. Among these cattle and beef are especially important, as well as pigs and pork, first because exports relying on centuries old tradition are being obstructed, and second, because the exports of these represented an important volume in the past and may do so in the present too.

The agricultural regulation of the Common Market, which at the time of its introduction aimed at self-sufficiency in the EEC sphere, became turned inside out in recent years. In respect of a number of products it led to the accumulation of considerable surpluses within the EEC, and on the other hand, to countries like Italy,

which are traditionally agricultural importers, it mado imports considerably more expensive. It is not difficult to demostrate that Italy would be able to import a number of important agricultural products, including those mentioned above, from Hungary at substantially better prices and in a better quality than she imports them at present from the Common Market countries under the compulsion of the stipulations of the EEC.

There are many people both in Italian economic circles and among the economists of other countries who have already recognized that the agricultural regulation of the Common Market has become obsolete, but certain factors do not yet make its changing possible. One of these is simply inertia, whole the other is the interests of some Common Market agricultural exporters as e.g. Denmark, but expecially France.

c. There is protectionism on the Italian side in the industrial sector as well. Some of this takes on the shape of EEC dispositions, while another is of a fully autonomous, exlusively Italian origin. But the protectionism appearing in the Common Market is not independent of the attitude of the Italian government or economic circles either; it is partly these circles

that urge the maintenance of Common Market protectionist measures, and even their increase, including its new forms, as e.g. self-limitation in the domain of textile- and steel products. This attitude is completely contrary to the concept and stipulated rules of the GATT, to which, incidentally, Hungary too is a signatory, and the aim of which is in principle the removal of obstacles which stand in the way of trade. In addition, there are numerous industrial goods in respect of which the import restrictions attributed to the Common Market must in fact not be reconciled with the EEC, but in the introduction of which a single country, in the given case Italy, is interested. In such cases only an obligation of notification exists, because practically the country in question is competent in the matter of maintaining or abolishing the restriction. In respect of a number of products Italy maintains restrictions of this type too, referring formally to Common Market stipulations, but following in practice her own protectionist policy, In addition to this, so-called autonomous restrictions also exist, in respect of which there is no Community rule, but the Italian government decides autonomously about the maintenance or abolition of the restriction. The number of these is not insignificant either. What is involved here are partly absolute import prohibitions, and partly imports limited by quantitative or value quotas. Only part of these

apply generally, another part is aimed expressly at the the restriction of imports from the socialist countries.

It should be noted that these quotas are not being adjusted from time to time either. In respect of the value quotas this means that often these are not raised to the extent of inflation, and consequently these become stricter, and further, changes occuring are not taken into consideration when setting quotas, and consequently quotas which have definitely lost their meaning are intermingled with those which present an increasing brake on imports from Hungary.

In our view, all this demonstrates in Italian trade the development of a protectionist line the extent of which is today already rare by world-wide comparisons too. An important factor in this is - especially in the case of industrial quotas - the strong assertion of particular vested interests, setting out from the electorates of some representatives or from the representations of some branches. These vested interests are then easily raised to the rank of governmental policy, and they form a very serious brake on the development of trade in spite of the Italian Government and its head taking officially a stand for the expansion of Hungarian-Italian trade relations.

d. Another obstacle to the development of Hungarian-Italian trade relations, or at least a limiting factor is that the representatives of the Italian economy are much less acquainted with the Hungarian market and are far from being as vigorous, aggressive and effective on the Hungarian market as the business circles of many other western countries, as for instance of the Federal Republic of Germany.

This has several reasons:

- One view which was dominant for a long time, and can sometimes still be encontered today, is that it is easiest to trade with Hungary, or with the Hungarian economic units, through their immediate neighbour, Austria. It is possible that there was some truth in this 15 or 20 years ago, but today this view lacks any foundation, the geographic distance between Hungary and Italy is insignificant, and it is an ancient experience that in trade the role of mediators returns a profit to the mediator only, but not to the two interested parties.

- A large number of the representatives of Italian merchants and especially of manufacturers are inadequately familiar with the Hungarian market or the Hungarian system of control. In respect of the latter, it is no longer possible to speak of a "new mechanism", since it

was inroduced in 1968, i.e. 17 years ago. Although the latter is a complex matter which cannot be dealt with in one sentence, the gist of the matter is the higher degree of autonomy of the Hungarian producer and trading companies. In the operations of the companies supply and demand, competition and profit play a decisive role, and the central instructions influencing company activity were abolished 17 years ago already. Consequently the Hungarian companies are interested in importing and in exporting on the best possible conditions. It follows from this that presence on the Hungarian market, the maintenance of contacts with the companies is a key question in trade with Hungary, and it must be noted regretfully that this is much better understood by the West German and Austrian economic circles, and even by the Swiss, American and French companies than by the majority of Italian companies.

- It appears to be an objective problem in the development of economic relations that the majority of Italian companies potentially interested in it are - owing to the structure of the Italian economy - small and medium size companies. In the case of these the knowledge of the market is much poorer than in the case of large companies and their possibilities for maintaining permanent representations or continuous

contact, frequent travels are much more limited than those of large companies. There appear certain trends in the Italian economy which aim at counteracting this handicap, e.g. establishment of consortia of small and medium size companies, or the mediating role by regional banks and chambers of commerce, but these endeavours do not exercise a noticeable effect on the bilateral relations. This is the more worthy of attention, since the dynamically growing small and medium size companies promise to be lasting factors of the Italian economy, and consequently the problems caused by the size of the small and medium companies require solutions. It should be added that the majority of Hungarian companies may be included in the same category, and they also have to cope with the problems mentioned. Sometimes on the Hungarian side these problems are solved by mediation through large foreign trading companies conducting a comprehensive activity, but it cannot be disregarded that the operation of the latter sometimes increases the distance between the directly interested economic units.

- Perhaps the factor is not entirely negligible either that in Hungary, especially the older generation has a better knowledge of German, and the young generation of English, than e.g. of Italian, and this circumstance somewhat orients towards contacts in Western Europe

which can be cultivated in German or in English, e.g. towards Austria, the FRG, Switzerland, Britain, the USA, Holland.

- The lack of competitiveness of Hungarian companies on the Italian market may in many cases be included among the factors putting a brake on trade. This usually does not manifest itself in an absolute sense, because in recent years it could be observed that some companies became uncompetitive on the Italian market with the sharpenting of the competition, with the recession, although earlier their exports had been undisturbed. Consequently a factor is involved to which Hungarian exporters must pay greater attention than earlier.

- In the last four years the maintenance of the economic equilibrium had become one of the principal tasks facing the Hungarian economy, in a world economic situation which had become much more difficult than it used to be earlier. The Hungarian economy could cope with this task only by temporarily reducing the ratio of accumulation in the national economy, including the level of investments. This led first of all to the reduction of technological imports, and this had an influence also on imports of machinery and equipment from Italy.

- In more than one case the development of relations is impeded by the clumsiness of the Hungarian companies. One manifestation of this is that some of them are not sufficiently flexible, and negotiation with them requires more time than is accustomed in Italy. Sometimes the clumsiness manifests itself in the separation of the technical, commercial and financial functions, which requires separate negotiations, and these as well as their reconciliation demands an exaggeratedly long time.

6. Cooperation

Between Hungary and Italy the number of cooperation agreements between companies is very low. One consideration that leads to this value judgement is that it is very low in relation to the level of trade, since the turnover realized within the the framework of cooperation accounts to but 2-3 percent of total Hungarian-Italian trade. The second reason which justifies that the number of cooperation agreements should be considered low, is the comparison with other West European countries. The comparison is especially conspicuous with regard to Hungarian-West German relations, since while Hungarian companies have more than 400 cooperation agreements with companies of the FRG, only 46 cooperation agreements are kept on record between Hungary and Italy, and it must immediately be added that even the majority of these do not cover genuine and living cooperation either.

Without going into the details of the cooperation agreements - because this would require a separate lengthy analysis - it may be noted that "cooperation" is a collective noun covering a rather broad range of economic operations, consequently cooperation agreements cannot be considered some unequivocal type of collaboration. There are perhaps two most important features of cooperation. One is that they are long-term, foreseeing relatively lasting collaboration, and the second is that beyond simple sale und purchase or the exchange of goods they also contain some elements of technical collaboration.

One characteristic type of cooperation is co-production /or jobwork/, within the framework of which certain phases of work are transferred by the company of one country fo a company of another country; mostly Italian companies for work to be done in Hungary. The technical element consists in the Italian companies determining the technology of the work, the technical parameters of the product, or if the Hungarian company does not dispose of the necessary facilities, they make them available. Agreements of this nature exist e.g. in the light industries, in the clothing industry, but not in large numbert.

Two thirds of the existing Italian-Hungarian cooperation agreements cover the engineering industry, where they contain variations going beyond what was described above; e.g.

cooperation on third markets, sub-contracting agreements, a certain division of work in the manufacture of parts and components, or a division of work within which one party supplies components to exact technical specificatinns, and the other party pays for them in finished products for which these components have been used.

In principle, industrial cooperation includes significant new opportunities for collaboration, inasmuch as it can make relations lasting and also by filling them with a significant technical content. Experience between Hungarian and Italian companies has so far shown that they can be considered more or less successful experiments, but - with a few exceptions - they have not yet established lasting relations ensuring technical progress, such as exist between Hungarian and other West European companies in numerous areas.

7. The non-commercial spheres of economic relations

Those spheres of economic relations which do not belong strictly to the scope of foreign trade are broad, but are not decisive in their weight.

a. Transport relations are relatively well-developed, because - owing to the volume of trade and partly to the commodity pattern - the trade involves the transportation of large quantities of mass goods. In addition, the

relatively significant tourism also calls for a considerable transport performance.

- There are no special problems in railway traffic, although the relative slowness of railway transport has led to priority being given to road transportation.

- Road transportation is relatively developed. In this a role is played by a considerable part of Hungarian exports - animals, meat, other food products - consisting of live or perishable goods, and therefore requiring rapid transportation. The Italian individual carriers are especially active, who usually carry goods between the two countries within 24 hours. In Trieste a joint Hungarian-Italian transport company has been operating for years, in which the Port of Trieste also has a share. One of the unsolved problems of road transport is that the Hungarian camions arriving loaded from Hungary to Italy are often compelled to return empty, because their righs are restricted in respect of transporting goods to other countries, even when at the given time there would be demand for it.

- For approximately ten years air transport between the two countries has been characterized by direct traffic between Rome and Budapest and Milan and Budapest being transacted only by the Hungarian airline. This is

returned by Hungarian travel bureaus - without compulsion, but by the way of advice - directing passengers booking for longer travels /e.g. to South Asia, South America, Africa/ to make use of ALITALIA.

- Part of Hungarian maritime shipping avails itself of the port of Trieste. The port would be able to transact a much larger turnover than at present. The impediment to this is primarily that the Yugoslav ports are not only more easily accessible, but they can be used at much more favourable railway and road freights. For the time being there is strong competition between Trieste on the one hand, and Rijeka and the nearby Yugoslav ports on the other; the Hungarian exporters avail themselves of Trieste mainly when carrying task requiring special skill or care is concerned, for instance in the case of live animals.

b. In respect of postal and telecommunication relations Italy is one of Hungary's most important partners among the non-socialist countries; considering turnover it is usually in 3rd-4th place. Its is one of the achievements of recent years that from the entire area of both countries the other country can be dialled directly by phone or by telex.

c. The baking and credit relations may be characterized by the statement that they ensure the undisturbed

implementation of trade. This is served also by the credit line of 150 million dollars which the Italian Government made available in the summer of 1983 in order to facilitate and vinance purchases from Italy. Although the banking relations do not cover every Italian bank, since there are a very large number of them in Italy, the National Bank of Hungary maintains regular contacts with at least 30 important financial institutions.

At the same time it should be noted that the Italian banking system, at least as viewed from Hungary - appears to be much clumsier, more rigid and conservative than either the English, American or West German banking system. This manifested itself at the beginning of the eighties also by the large state-owned Italian banks suddenly and considerably reducing their deposits in Hungary, and showing themselves to be much less flexible than the banks of western countries in general. This had indirectly also a negative effect on trade relations, and may be interpreted as one of the factors in the - hopefully temporary - fall of trade in recent years.

d. In tourism a noteworthy - though uneven - growth has been experienced in both directions. In 1984 the number of Hungarian tourists visiting Italy rose by 25 percent. It is a development of recent years that within Italy tourism began to become diversified. In earlier years Hungarian tourism concentrated considerably on the

geographically near and in price also favourable Adriatic coast between Jesolo and Rimini. Recently an increasing number of tourists have been visiting Liguria, the region of the northern mountains and lakes, as well as the historic cities of Northern and Central Italy.

The number of Italian tourists visiting Hungary also increased by 25 percent in 1984. While earlier visits were concentrated primarily on Budapest, in recent years increasing numbers of Italian tourists visited country towns, to become acquainted especially with various parts of the Hungarian Plain, as well as for the purpose of professional tours and of hunting.

There are great differences in the nature of the two tourisms. While Hungarian tourists in the average spend more than a fortnight in Italy, the Italians stay an average 3 to 4 days in Hungary. While the majority of Hungarian tourists consider their sojourn in Italy a recreation, the bulk of Italian tourists make only a short visit to Hungary. This explains why Italy's foreign exchange recepts from mutual tourism exceed those of Hungary, although in the past year 80.000 Italians visited Hungary - mostly for the purpose of tourism -, and 47.000 Hungarians Italy. This is, of course, caused primarily by the different character of the two countries, although, for instance, the better utilization of the

Hungarian spas would offer new opportunities in this area too.

8. Opportunities for the development of economic relations

The further development of economic relations depends to a large extent of the possibility of raising Hungarian exports to Italy. This is not some sort of one-sided approach from the Hungarian part, but may be considered an objective motive, because at present opportunities for expanding Hungarian imports from Italy are much broader than opportunities for expanding Hungarian exports. Especially the technical progress occurring in North Italy, both in Italian large-scale industry and moderate in the small and medium size companies provide a rich offer at prices which opens up broad opportunities for expanding Italian exports. The limits to this are set on the side of the Hungarian companies only by Hungary's ability to pay. The above statement covers various products of the engineering industry, complex production equipment, as well as industrial consumer goods, in respect of which Italian design has conquered a powerful position on the world market.

Consequently the main question is the opportunity to expand Hungarian exports. In respect of agricultural products the situation does not appear to be especially promising, although it is beyond doubt that even within the limits of the present agricultural regulation of the EEC there are some

opportunities for raising the turnover. This would serve the interests of both the Hungarian exporters and of the Italian importers who can make use of the possibilities of importing good quality goods at favourable prices, and thus in the last resort the interests of the Italian consumers as well.

The exports of Hungarian raw materials and semi-finished products cannot be considered dynamic either, if viewed from the side of the Hungarian production potential, although the mitigation of the sharp Italian protectionism could give Hungarian exports a certain impetus. The dynamic development of Hungarian exports can be imagined primarily if a change in the export pattern begins, in which the role of finished industrial products, including engineering products, gradually increases.

To achieve this purpose, partly the traditional commercial methods can be used, but it is useful to supplement these with modern methods, especially by the better utilization of the opportunities existing in cooperation. This may be especially topical in energetics, in electronics, in respect of complete agricultural systems, but also in a number of other branches, including the branches of Italian light industries which increasingly influence and even dictate fashion, and where great

opportunities also exist in cooperation through the transfer of models and designs and modern technology.

The engineering branches must not be forgotten either among the opportunities for developing trade. The leading sectors of the Italian engineering industry, e.g. the car industry, informatics, the manufacture of machinery for the light industries, the machine-tool industry offer a number of opportunities which may provide a considerable source for Italian-Hungarian cooperation. The forms of this can be very varied, from the purchase of equipment to that of know-how, from cooperation providing for the flow of products in both directions to cooperation on third markets. All this may be supplemented by the extension of cooperation in the technical-scientific domain, in respect of both basic and applied research. The standard of Hungarian science, the average technical standard of Hungarian industry, the technical skill of the manpower all make it possible that relations among producers should lastingly be developed in a very broad range and in many sectors, providing advantages for both the Italian and Hungarian companies.

Special attention should be paid to the development of relations between both the large and the medium and small companies. In fact, the institutional system for this exists only in the large companies, partly because

they dispose of a staff which is able to cope with the involved question arising in trade, e.g. the technical aspects of cooperation, the arrangement of counter-deliveries, etc. The making regular of contacts between the small and medium size companies, or at least their promotion by governmental, chamber of commerce and other means remains a task to be solved. From this aspect a whole number of trade promotion methods may be considered, both separately and combined, as e.g. participation in exhibitions, the holding of trade consultations and presentations, the activities of the chambers of commerce and some banks, etc. Assistance from govermental organs can least be counted with in this respect, although contributions from trade representations and from the ICE offices may of course be useful. It is worth-while to devote much more attention than heretofore to this last question, i.e. to the institutionalization of the development of economic relations between the small and medium size companies, and to the elaboration of measures of trade promotion.

In conclusion, a single comment of a political nature. Hungarian-Italian relations have a history of centuries. They were never simple, partly owing to the vicissitudes of Hungarian history, and partly to the special evolution of Italy, and the changing role of the papacy. Nevertheless,

there are long traditions, and these - accompanied by today's political considerations, among which political, economic, and cultural cooperation between the countries of Europe having different social systems play an important role - represent perhaps also an obligation that we should pay special attention not only to the cultivation of traditions but also to the search for new opportunities of cooperation.

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