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SPEECH OF THE PRIME MINISTER A.G.PAPANDREOU
AT THE SYMPOSIUM

" BUSINESS OPPORTUNITIES AND TRADE PROSPECTS
BETWEEN EAST AND WEST "

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BUSINESS OPPORTUNITIES AND TRADE PROSPECTS
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It is an especial pleasure for me to welcome you to the Symposium "East-West Business Opportunities and Trade Prospects", organised under the auspices of the Economic Commission for Europe of the United Nations

I am particularly pleased that you have responded to this call aimed at broadening the possibilities for new practical ways of communication, understanding and exchange between the peoples of Europe and the Economic Commission for Europe in general.

The development of trade and more generally economic transactions between the West and the East constitutes the basic feature, but also the instrument of mutual understanding and confidence of peoples, as expressed by the first Executive Secretary of the Economic Commission for Europe, Mr. Gunnar Myrdal :-

This Symposium assumes special importance today since it is of imperative need to re-establish and re-inforce the climate of confidence, to find new ways and means of stopping the negative trends in international

→ "Confidence does not, as a rule, trickle down from the mountain-tops of theory. It must start at the bottom - in the realm of practical things. The whole edifice of economic collaboration must be built on sure and reliable foundations."

economic relations and improving the short-term and long-term prospects. The above objectives must be achieved under adverse economic conditions against the current.

On the development and basic features of economic relations
between East and West

There are historic phases where the economic relations between East and West played a much more significant role than they do at present. The first Industrial Revolution for example, gave a tremendous impetus to economic cooperation between East and West. The West carried out the industrial revolution first and specialised in the production and export of industrial products, whereas the East and Southern Europe which were linked to the processes of the Industrial Revolution with a significant time-lag, find themselves obliged to specialise in the production and export of raw materials and food. This relationship remained until the Second World War, and some of its elements even survived on into the post-war period.

In the historic course of the development in economic relations between East and West the first big break came with the inter-war

period and especially during the great economic crises of 1929 -1933. The first trends continued until the decade of the '40's. Economic relations between East and West were abruptly interrupted or drastically restricted to a minimum during the Second World War, the Cold War, and the Economic Blockade.

In the period following the Economic Blockade there was very fast economic growth in terms of volume and importance of trade relations between East and West. This partly redressed the historic balance and momentum in East-West economic relations. The Helsinki Conference and the Final Act created more favourable conditions for cooperation, but their implementation came up against difficulties.

Over the past few years certain negative factors have been observed in East-West relations, such as the drop in the volume of trade transactions, the increase in the deficits and trade debts, the imbalance in national economies, parity difficulties, import restrictions, restrictions on expenditure and investments and the increase in inflation and unemployment.

The causes must be sought chiefly in the world economic crisis and the negative effects on international trade. The crisis has occurred not only in the West, but also in the East, with a certain time-lag and in different forms.

Generally speaking, the experience of economic history demonstrates that when national economies and the world economy are in crisis, serious problems arise for international economic relations and vice versa.

The development of economic collaboration is hampered considerably by protectionist trends, introvertedness and self-sufficiency, as well as the abolition of the clearing system, the absence of a common monetary system to cover the needs of both East and West.

This situation leads to the development of different types of de-regulatory trade. Collaboration is also not favoured by the fact that there are no agreements which establish stable systematic relations between the national economies of the countries in the East and in the West, (such as the founding conventions of ^{CMEA*} and the EEC). Attempts at creating a conventional framework for collaboration between the EEC and ^{CMEA} are still in their early stages.

The problems are linked not only to the adverse economic situation, but also to certain permanent characteristic features of the economic relations between East and West.

- a) the trade transactions fluctuate from year to year because the their bases of development are not stable enough, the relations are not yet systematic and they therefore react sensitively to the fluctuations in world economic and political situations.

* *Council of Mutual Economic Assistance.*

- b) in the economic relations between East and West the traditional forms of trade transactions prevail, and the modern forms of stable collaboration, such as joint ventures, play but a restricted role.
- c) The structure of foreign trade is asymmetric to the productive structure. The majority of exports of the eastern countries to the western countries is still made up of raw materials, fuels, and foodstuff, despite the fact that they have been transformed into industrial countries. On the contrary, the western countries still export to the eastern nations chiefly industrial goods.
- d) The volume of trade transactions is still smaller than the economic potential. The difference is that the specific weight of East-West trade is greater than the foreign trade of the eastern countries, vis-à-vis that of the western countries.

The imperativeness and usefulness of economic collaboration

The further development of economic relations constitutes a mutual interest of the West and East. There are serious reasons which make it necessary and useful to have economic collaboration. The West

can play an increased role for the East as the supplier of technology, of investment material, capital and management and contribute thus to the acceleration of its technological development. The development of economic collaboration with the East can facilitate the solution to some of the problems of the West, such as the extension of its external market, the increase in demand, the acceleration of economic growth and the combating of unemployment. The East, on the other hand, still represents for the West a substantial market, the source of raw materials and fuels. The importance of ^{CMEA} as a market will, it is foreseen, increase in the future because it is entering a period of mass consumption with 480 million inhabitants.

There are, moreover, pan-european problems whose solution requires close collaboration between East and Western Europe, from the Atlantic Ocean to the Urals. Problems, as for example, the protection of the European environment and european heritage, the drop in demographic, scientific and technological importance of the European Continent in the World and the weakening of its position in the World Economy.

There are also certain world problems which must be dealt with via paneuropean collaboration. I am referring specifically to the appearance of new competitors with considerable comparative advantages due to

the fact that the rapidly developing area of the Pacific Ocean is for the first time in the economic history of mankind threatening the position of Europe and the Atlantic Ocean area in general. Also one could make reference to the ever-widening gap between North and South, the increasing technological gap in the World Economy, the tremendous debt of the Third World, the restricted development resources, the arms race and the need for disarmament.

Many of the above problems have an inter-class nature and pertain both to the West and to the East. Dealing with the problems together would be useful for all sides involved. Paneuropean collaboration can contribute to the better use of resources, of the productive, labour and scientific potential to the benefit of the whole of Europe and the whole of the World.

The East and West must prefer by far peaceful collaboration to the arms and rivalry. Any political and ideological differences which may exist as concerns the socio-economic structure and alignment of our countries with blocs, must not impede common political action in order to solve vital problems of mankind.

The protection of our planet is a matter which pertains to all peoples on it. They must participate actively in all aspects of disarmament even if they have no nuclear arsenals.

It is of imperative need that specific and effective measures be taken to stop the arms race, especially in the nuclear field; also that military expenditure be reduced to the minimum, taking into account security interests of all countries, so that a full and universal disarmament be achieved under strict, effective control. A positive step in this direction would be the acceptance of the recent proposal submitted in Mexico by the six leaders to the two superpowers for a bilateral "moratorium" for one year on nuclear tests and the establishment of seismographs in three areas where the superpowers carry out nuclear tests. The adoption of mutually acceptable measures would contribute considerably to the reinforcement of confidence, to the security and stability of Europe and the whole World. Achieving these goals would serve the cause of the continuation of the East-West dialogue.

The arms race bears within it dangers which threaten the very existence of mankind and the human race.

Catastrophic consequences may arise not only out of the military use of nuclear weapons but also from the peaceful use of atomic energy. The Chernobyl accident underscores the negative consequences which the peaceful use of nuclear energy may have for the life of individuals, the environment, and for international economic relations.

The amounts saved from a halt to armaments and a possible disarmament can be used to solve the problems overall of mankind. As an indication let me mention the paying off of all the foreign debt of the Third World and the economic development of the Third World for ten years, which would represent only one sixth of the amounts spent on arms throughout the World during the same time period. Also, arms restriction and an improvement in the climate of confidence would have favourable consequences for economic collaboration between East and West.

The goals and mechanisms of development in the
economic relations between East and West

It is fairly easy to determine the objectives for further development in economic relations between West and East. I believe, that priority must be given to the following directions:-

- dynamic development and structural modernisation of East-West trade, by extending the range of goods and services exchanged and by harmonising the structure of external trade with the structure of production.

- Ensuring , on a long term basis, collaboration in the field of fuels
- Improving the terms of the transfer of technology
- Stepping up collaboration on protecting the european environment
- Broader extension of the modern means of constant collaboration such as joint-ventures, co-production, mixed enterprises and collaboration with third countries.
- The quest for new comparative advantages and common interests taking into account the common interests not only in the short-term, but also in the long-term as concerns strategic interests. The alignment of short-term interests with long-term interests of company interests with the general interests of countries can improve the development prospects for economic collaboration between East and West.

As concerns the possibilities it must be said that the economic relations of East and West cannot replace economic collaboration between East and East nor between West and West.

The determining external economic orientation will continue to be for the western countries - the West and for the eastern countries - the East. Within this framework however, there are many unexploited possibilities for the further development of economic cooperation between East and West.

Long-term prospects are favourable. Short-term prospects are not however auspicious due to the international economic crisis and other factors. They can however be improved if all sides proceed to necessary actions with the aim of stepping cooperation. The further development of the mechanisms for achieving the above goals is of decisive importance:-

- The creation of common institutions and bodies to promote transfer of technology, capital, know-how between countries in the east and west (e.g. common bank and research institutes, mixed enterprises).
- Promoting the climate of mutual confidence which is of special importance in the case of countries with different social systems.

Removing the obstacles which exist between East and West and harmonising certain elements of foreign trade policy under the auspices of the Economic Committee for Europe.

- The participation of representatives of the West in the activities of *CMEA* and of the East in the EEC and the OECD.

- Speeding up negotiations between the EEC and *CMEA* for further rapprochement of views observed recently, for an overall improvement in relations and the achievement of conventional forms of cooperation.

- Promoting long-term cooperation by extending the forms of more permanent collaboration and the signing of long-term programmes of economic, industrial and technological cooperations.

Experience shows that East-West economic relations are largely determined by political volition and political context.

When there is détente in East-West political relations, economic collaboration develops normally, and reform trends in the countries of the East is favoured. On the contrary, when the political climate is tense, negative phenomena in economic relations appear. The development in economic collaboration improves the political climate reinforces mutual confidence and stability.

Practice has shown that implementing political *will* for developing economic collaboration is influenced more and more by the market forces and the economic mechanisms. This is also linked to the

economic reforms of the Eastern countries which improve the development mechanisms and make the programming system and regulation of the economy more flexible.

With these general thoughts I would like to welcome you to this meeting. I would like to wish you every succes in your work here in finding new paths of collaboration between our peoples. The development of trade, of economic collaboration, of common enterpreneural activity constitute one of the most secure means of rapprochement and understanding between states with different political systems and different points of view.

Such efforts can but only bring positive results since they promote economic development, prosperity, détente and peace.