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Between Perestroika and Internal Market 1992: A new role for EFTA

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**Between "Perestroika" and
"Internal Market 1992"**

- A New Role for EFTA -

by

Holger Schmieding

March 1989

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I. Introduction

The winds of change are blowing through Europe. In the western half of the divided continent the European Community (EC) is setting about to complete its Internal Market by the end of 1992, in the East various members of the Council for Mutual Economic Assistance (Comecon) are striving for a thorough reform of their derelict command economies. Both projects are part and parcel of a worldwide trend towards freer markets, both are quite sensible in their own right. Unfortunately, they are incompatible in at least one aspect that is crucial for the economic future of Europe as a whole: while many Comecon countries seek closer links with Western Europe under the heading of "perestroika", a misconceived "Internal Market 1992" threatens to deepen the economic division of the old continent.

The purpose of this paper is to sketch the major causes for concern and to elaborate a concept on how instead a properly designed "1992" could contribute to a pan-European economic integration. The core of the proposal is (i) to give the emerging "Internal Market" a clear liberal imprint, (ii) to extend the non-discriminatory treatment to the European Free Trade Association (EFTA), and (iii) to offer EFTA membership to all those East European countries whose economic reforms have progressed sufficiently far.

II. The Economic Division of Europe

At present, Europe's economic division mirrors the continent's split along political lines: east of the river Elbe, seven Communist-ruled states form Comecon¹⁾; the democratic West is sub-

1) Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania and the Soviet Union. Three developing countries belong to Comecon as well, namely Mongolia (since 1962), Cuba (since 1972) and Vietnam (since 1978). The arguments
Forts. Fußnote

divided into a group of 12 states²⁾, most of them NATO members, which make up the EC, and a group of six states³⁾, four of them neutral, which collaborate in EFTA; three states on the Balkan⁴⁾ belong to none of these economic clubs. Comecon is the oldest of the three groups: it was established in 1949, allegedly as Stalin's symbolic response to the Marshall Plan. Until its official charter was finally ratified in 1960, however, Comecon had been little more than a TASS communiqué (Franklin and Moreton, 1985). The EC⁵⁾ was founded in 1958 (by six states), EFTA in 1960. The three organisations differ vastly in size and clout. In terms of population, Comecon comes first (400 million), followed by the EC (320 million) and little EFTA (32 million); in terms of GNP per capita, EC and EFTA are roughly on par while Comecon trails far behind. In spite of its complex network of committees, commissions, institutes and departments, Comecon is basically a talking shop with no power of its own.⁶⁾ The institutional difference between the EC and EFTA becomes obvious when looking at the respective headquarters: the EC is a supranational body sporting a full-blown administration (20,000 staff) in Brussels, the EFTA is a mere trade club with a tiny secretariat in Geneva (75 staff).

Forts. Fußnote

and figures of this article refer to the European Comecon countries only.

2) Belgium, Denmark, France, Germany, Greece, Italy, Ireland, Luxemburg, the Netherlands, Portugal, Spain and the United Kingdom.

3) Austria, Finland, Iceland, Norway, Sweden and Switzerland.

4) Albania, Jugoslavia and Turkey. Albania, which is still formally a Comecon member, has taken no part in Comecon work since 1961; Jugoslavia is loosely associated with Comecon (it is represented on some standing committees); Turkey has applied to join the EC.

5) Until 1965: EEC.

6) In the early 1960s, Romania had blocked Khrushchev's attempt to endow the organisation with supranational power to take decisions and enforce them.

In one respect, the EC is different from both EFTA and Comecon. Because of its huge intra-EC trade, the EC's economic exchange with EFTA and Comecon matters much less for the EC countries than it does for their partners. Only 10.7 % of what EC countries sell abroad goes to EFTA, 2.6 % to Comecon, while the EC takes 56.8 % of all EFTA and 16.3 % of all Comecon exports (Tables 2 and 3). This asymmetry causes the EFTA and Comecon states to worry that the EC may largely ignore the repercussion of "1992" on its neighbours.

III. The Hazards of a Misconceived "1992"

An exclusive "Internal Market" stretching no further east than the river Elbe would give rise to three unwarranted effects:

- (i) Even if the Community's trade policy remains unchanged, the Internal Market will inevitably put outsiders at a disadvantage. When the cumbersome border controls and the still more harmful impediments to the free flow of services within the Community are abolished, suppliers from member states will enjoy easier access to their partners' markets, suppliers from third countries will not. In the Internal Market, producers from, say, Portugal will thus prevail even over those of their competitors from, say, Poland who are more efficient, but whose cost advantage is eroded by the preferential treatment for EC insiders. Economists have coined the term "trade diversion" for this harmful side effect of regionally restricted moves towards freer trade.
- (ii) Supported by the lobbies of producers, the Council of Ministers and the Commission in Brussels are already busy unifying norms, standards and market regulations within the EC. Almost 70 % of the 127 "1992"-directives passed so far provide for such a harmonisation (Dicke, 1989). Uniform norms, however, which are set from above without having passed the test of competition can easily be misused as barriers to trade. The popular "local content" rules, according to which a "European"

good must not embody more than a fixed share of imported inputs, are but one gross example of such harmful regulations.

(iii) The EC may well increase its external protection and turn into the oft-cited "fortress", be it to compensate EC firms in general for the intensified internal competition by less pressure from abroad, or be it to counterbalance the cost push that the envisaged partial harmonisation of social systems and labour laws would entail for producers in the poorer parts of the Community in particular. Such a protectionism would deal a severe blow to Comecon countries. Their level of development and, thus, their export structure are quite similar to those of the EC's poorer members.

Many politicians in the EC who wish to link the demolition of the internal borders to a prior harmonisation and to a "social dimension" do not seem to be aware of the most likely effect: an even deeper economic divide between East and West. Discrimination against the East has already become a bad EC tradition. In the years 1980-87 East European producers were, in terms of the import values concerned, six times as likely to be harassed by EC "anti-dumping measures" than suppliers from elsewhere.⁷⁾ If, as a result of a misconceived Internal Market, politicians put even more protectionist tools into the hands of the Commission, it would be a great surprise indeed if Brussels did not apply them rigorously against the East.

The time for the West to forestall such misdevelopments and to come up with a concept for a pan-European economic integration instead is running out. Three reasons call for hurrying up:

(i) To chart the course of their "perestroika", East European reformers urgently need a clear orientation. They ought to

7) Own calculations based on the data in Commission of the EC (1984-1988), Organisation for Economic Co-operation and Development (1983-1988).

know to which extent, in which way, and under what conditions the West is willing to go along with the intensification of economic relations which the East wants and needs.

- (ii) In the run-up to 1992, the EC is already creating "little European" facts. These facts will be hard to reverse afterwards precisely because they are the compromise outcome of an arduous process of internal decision-making.
- (iii) The pull of the Internal Market threatens to draw apart the very institution best suited for bridging the East-West divide: the European Free Trade Association (EFTA) which, unlike the EC, has not been overburdened with politics. At present, the two neutral Alpine states, Austria and Switzerland, and four Scandinavian countries still work together in EFTA.

So far, it seems that Western politicians have not even started to ponder a pan-European perspective: the EC is too occupied with its 1992 project itself and its petty trade disputes with the US; the smaller fringe states of Western Europe are too frightened by the prospect of a "fortress" EC to notice their chance of healing the economic rift between both parts of the old continent. To avert the hazards sketched out above, the West needs a concept for Europe as a whole, a framework in which both great reform projects, the "Internal Market 1992" here and "perestroika" there, complement and reinforce, not hinder, each other.

IV. The Case against the Dominance of Politics

This concept for a pan-European economic integration ought to be based on two principles:

- (i) Economic activities have to be coordinated by markets, not bureaucracies.
- (ii) Economic integration is not to be confused with or linked to a convergence of political systems or even the dissolution of military alliances.

The first principle need not be explained at length: the economic crisis and the resulting quest for reform in large parts of the East are a clear proof of the failure of state planning.

At first glance, the second principle may appear less convincing to many Westerners and some Easterners alike. A look at the post-war history of Western Europe, however, suffices to reveal the damage which a premature mix-up of economic and political integration may do (Schmieding, 1988): as far back as the late 1950s, most states on this side of the Iron Curtain had been in favour of a free trade zone encompassing all of Western Europe. Unfortunately, French (and German) top politicians refused to include those countries whose governments were not willing to partake in a political cooperation under French leadership. Therefore, Western Europe split into two trading blocks, the EC customs union, established in 1958, and the European Free Trade Association, constituted in 1960 as a loose free trade federation of the neutral Alpine countries (Austria, Switzerland) and five states on the continent's fringe (United Kingdom, Portugal, Denmark, Norway, Sweden). Only in the 1970s, after West Germany's independent "Ostpolitik" had sealed the fate of the Gaullist dreams, could the two blocks come together: those EFTA members wishing to join were admitted to the Community (United Kingdom, Denmark), the others were granted free trade agreements for manufactures.

The EFTA states paid a high price for the 15 years of being pushed aside (1958-1973). While, for instance, West Germany's imports from the seven EFTA founding members amounted to 69 % of what she bought from her five EEC partners in 1959, this share declined to a mere 28 % in 1972 (Schmieding, 1988, p. 26); only after 1973 could this ratio rise again (1987: 57 %). And while, after having said farewell to her colonies, EEC-France enjoyed an economic miracle in the 1960s, the excluded United Kingdom fell victim to a chronic "British disease", a malaise which only Margaret Thatcher's bitter medicine could cure in the early 1980s.

These historic experiences with the EEC/EC explain why the Community's neighbours today take the new attempt at EC integration,

the Internal Market project, at least as seriously as the members themselves. Sweden, Austria and even Switzerland are pondering whether the economic costs of further trade diversion might not outweigh the political disadvantages which a renunciation of their current form of political neutrality would imply. In all three states (and in Norway) a lively debate on an eventual accession to the EC has sprung up; Austria is about to apply for membership soon.

From a pan-European perspective, an enlargement of the EC by these states would be counterproductive: it would increase the trade diversion to the detriment of outsiders and thus deepen the economic division of Europe into a Western and an Eastern half. To solve this problem, many politicians not only in the Soviet Union favour an institutionalised cooperation between the EC Commission in Brussels and the Comecon headquarters in Moscow. However, this would be a dead end: the Comecon bureaucracy has already failed miserably with its two traditional tasks, namely to coordinate the economic plans of its member states and to organise a "socialist division of labour". Intra-Comecon trade is still de facto dominated by bilateral barter, that is the archaic form of exchange which, for instance, had brought West Germany to the brink of starvation prior to the 1948 currency reform. According to the Soviet head of state, Mikhail Gorbachev, the Comecon members use their intra-trade as a "waste disposer"⁸⁾: they try to fulfill their mutual supply obligations with those goods which they can neither sell abroad for real money nor dare to dump on their own consumers. Unsurprisingly, Comecon countries wage tariff wars against each other which make all trans-Atlantic hassles about pasta and beef pale by comparison. In November 1988, Czechoslovakia and the GDR, for instance, forbade the "non-commercial" export of many scarce consumer goods to their partner countries, on 1 February 1989 the GDR opened a new round by

8) Cited by Schüller (1989).

banning additional exports and by quadrupling many of her intra-Comecon export tariffs (Urban, 1989).

The mix of currency chaos and trade wars in the East has made it plain that Comecon isn't working. An institutionalised cooperation between Brussels and Moscow would, on the Eastern side, prolong the agony of an obsolete supranational planning apparatus and, on the Western side, strengthen all those who prefer bureaucratic centralisation to a decentralized coordination of individual demand preferences and supply capacities via market forces. On the other hand, a direct entry of Eastern countries to an EC hoisting far-reaching, if ill-defined, political ambitions is ruled out as long as a military antagonism between East and West persists, that is for an unforeseeably long time-span.

V. A Concept for a Pan-European Economic Integration

While a pan-European political unification is out of bounds for the time being, both parts of Europe may well draw closer economically. For this to happen, the West has to devise a way to interweave markets (integration from below) without forcing governments into a permanent form of cooperation (integration from above). The very relationship between the EC and the EFTA after 1973 may serve as a telling example: since the free trade accords for manufactures mentioned above, the remainder of the EFTA (at present: Austria, Switzerland, Sweden, Finland, Norway and Iceland) has turned into a grouping of states which can enjoy a rather free exchange of goods with the EC without having to participate in the "European Political Collaboration" or the economically and ecologically outrageous EC agricultural policy.

A reinvigorated EFTA unburdened by political aspirations of its own offers the best starting point for a concept for Europe: the reform-minded states of Eastern Europe could join such an EFTA long before the present political and military division of Europe may have faded away some lucky but far-off day.

If the EFTA is to bridge the economic division of Europe and to reconcile the "Internal Market 1992" with "perestroika", both the EC and the EFTA have to prepare the ground today. For the EC this means the following:

- (i) The "Internal Market 1992" must not induce any discrimination between EC and EFTA suppliers.
- (ii) For this purpose, the existing EC-EFTA free trade agreements for manufactures ought to be extended to services⁹⁾ and factor movements, that is to those sectors which the 1992 programme affects most.
- (iii) The EC integration must not proceed via a harmonisation of product norms, market regulations, redistributive systems and labour laws. Economically, a harmonisation by force is utter nonsense except for some special cases (genuine cross-border health and environmental hazards). Politically, the present harmonisation attempts are already close to overstretching the Euro-goodwill within the Community; it will be next to impossible to impose this harmonisation on a sizeable number of third countries as well. Instead, the EC should opt for the superior alternative at hand: the mutual recognition of all national norms, standards and regulations. In plain English, this "country-of-origin principle" states that what can legally be produced in one country can be offered to the customers in all countries - as long as the label depicts to which national requirements the product or service in question conforms (Giersch, 1987). This liberal principle would widen the choice and thus enhance the welfare of domestic consumers at the same time.
- (iv) The EC should apply mutual recognition to EFTA states as well. If the political resistance against this far-reaching

9) An EC-EFTA free trade agreement for services has been proposed by Senti (1988).

Euro-deregulation turned out to be insurmountable, the EC should, as the second-best solution, demand from its imports no more than the least restrictive national standard of a member country.

- (v) The EC should agree to extend these rules automatically to any state which may join the EFTA in the future. (Sure enough, special rules for the export of products with military uses are possible and, to some extent, sensible if these exceptions are known beforehand and are predictably applied.)

If these liberal principles were put into practice, the Internal Market would, for all that matters economically, comprise both the EC and the EFTA - for the benefit of all participants. Both groups would lift their barriers against each other. Because of this reciprocity, EFTA members could not justly be accused of "picking the raisins" on economic and trade policy grounds, a charge always lingering in Brussels. If the EFTA states do not want to share in the advantages of a "European Political Collaboration", they should not have to contribute to the costs of politically motivated but economically foolish EC programmes such as the "Common Agricultural Policy". The EFTA states would be spared the awkward choice between their economic interest (participation in the Internal Market) and their political freedom of manoeuvre (f.e., political neutrality). Such an EFTA would no longer be in danger of disintegration. Instead, membership in this EFTA would be quite attractive to East European countries: they could thus gain free access to the entire West European market without having to turn their political systems completely upside down beforehand.

On their side, the EFTA would have to fix clear rules on how far the economic reform in an East European country must have progressed before it can be admitted to the club. Three conditions are indispensable:

- (i) currency convertibility, at least for trade in goods and services, that is on current account;

- (ii) the freeing of prices, at least for tradeables; and
- (iii) no bureaucratic discrimination between domestic and foreign producers.

These three economic requirements do not go beyond what courageous pioneers of perestroika are already envisaging today. They are thus politically acceptable. Those East European countries willing to join would preserve their full freedom to deal with the ideologically touchiest questions as they see fit: formal ownership of the means of production of the economically autonomous firms could, if desired, remain with the state; the socialist countries could pursue that kind of social policy which best confirms to their preferences and budgetary constraints.

VI. The Benefits of Integration

Naturally, neither the internal economic reforms nor the integration into the pan-European market need to be attained in one single leap. Instead, it may pay to proceed in a series of parallel steps during a period of transition: this way, the population of the particular East European country would, immediately after any of the parallel steps, not only feel the short-term pain of internal adjustment, but experience the advantages of closer links with Western Europe at the same time.

The benefits could be surprisingly large for East European countries in the initial phase already: with the fixed-by-treaty prospect of less red tape and free access to the West European market, Eastern Europe is bound to become investors' favourite location. While skilled people are becoming scarcer and dearer by the year in the West, the East hosts a vast reservoir of well-educated but mis-employed workers. In other words: East European states choosing the EFTA option would, by this very step, make themselves attractive for mobile capital and thus enhance their creditworthiness. They could then easily cushion the inevitable adjustment crisis with imports financed abroad.

Our concept for a pan-European economic integration is thus well poised to impart an additional impetus to the reform process in Eastern Europe - without giving rise to the political or even military hazards that could result from a directionless upheaval in the East. At present, the option of joining a revitalised EFTA seems to be almost irresistible for Hungary and Poland, and already quite attractive for Bulgaria and non-Comecon Yugoslavia; even the Soviet Union itself might be tempted. The West should extend the offer to all East European states though.

Not only the East would gain if this offer were accepted. A pan-European market promises vast opportunities for the West itself. Let us take West Germany, the biggest country on the east-west divide, as an example. Even the Federal Republic with her traditional ties to the East today supplies the 400 million customers in the seven European Comecon states with goods worth merely 7 % of what she manages to sell to the 300 million people of her 17 West European partners. An immense potential for a mutually beneficial division of labour among close neighbours lies dormant, an opportunity for welfare gains comparable only to the so-called "economic miracle" which West Germany enjoyed in the 1950s and 1960s due to her policy of open markets vis-à-vis the West. And the more the citizens of Eastern Europe are allowed to heed market signals and to sell the fruits of their efforts on this side of the river Elbe, the less will they feel compelled to offer their labour services directly in the West. It is hardly a mere coincidence that the pronounced decrease in East-West trade after 1984 (Tables 1 and 2) went along with a dramatically swelling influx of East Europeans into West Germany.

VII. Outlook

Recently, the EC trade policy has not been famous for liberal features, in spite of encouraging turns in the consultations with EFTA and in the cooperation agreement with Hungary. All in all, the EC does precious little to alleviate the world-wide fear of a "fortress" EC. On her part, the EFTA has finally woken up to the

challenge of 1992 (see the Oslo meeting of March, 1989; Taylor and Buchan, 1989) but has failed to produce any coherent idea of how to deal with 1992 and the resulting threat to the cohesion of EFTA itself. A properly conceived "Internal Market" in which mutual recognition of national norms and practices is introduced for EC members and extended to EFTA countries would bear a much more liberal imprint than a "little European" grouping with internal harmonisation by decree. The experiences with previous liberalisation successes, for instance with those of West Germany in the 1950s and of the EEC in the 1960s, support the conclusion that such a liberal Europe would soon gain in internal flexibility and thus growth dynamism. It would thus be comparably easy for the EC and EFTA countries to lift their trade barriers vis-à-vis the rest of the world as well, be it unilaterally or be it on the basis of reciprocity within the GATT framework.

Table 1: Regional Composition of Western Europe's Imports 1960-1988

	Share ^a of Imports from											
	EC (12)				EFTA (6)				Comecon (7)			
	1960	1972	1984	1988	1960	1972	1984	1988	1960	1972	1984	1988
EC (12) ^b	38.0	53.6	51.0	58.4 ^c	9.3	8.4	9.4	10.1 ^c	3.7	3.7	4.9	3.0 ^c
Belgium-Lux.	56.9	72.4	68.3	73.2 ^d	6.1	4.5	5.5	5.9 ^d	1.9	1.7	4.1	2.0 ^d
Denmark	59.3	47.8	47.9	51.7 ^d	18.9	27.9	24.6	23.3 ^d	4.3	3.3	5.0	2.7 ^d
France	35.2	58.5	54.4	59.8 ^d	5.4	5.6	6.0	7.0 ^d	2.5	2.7	3.7	2.7 ^d
W. Germany ^b	38.6	55.1	49.4	50.9 ^d	13.0	9.0	12.2	13.5 ^d	5.9	5.6	7.0	5.0 ^d
Greece	45.1	55.8	48.6	61.0 ^e	6.7	6.3	4.7	5.8 ^e	7.8	5.3	8.4	5.1 ^e
Ireland	64.1	70.5	66.3	65.9 ^d	4.2	5.2	4.3	4.2 ^d	1.1	1.9	1.5	1.1 ^d
Italy	37.0	51.0	45.2	56.5 ^e	9.8	6.1	7.9	9.4 ^e	5.6	5.7	7.2	4.1 ^e
Netherlands	54.1	63.6	55.1	64.7 ^d	7.7	4.8	6.7	6.6 ^d	2.1	1.8	4.7	2.1 ^d
Portugal	52.1	51.3	43.1	66.2 ^c	8.2	10.2	5.2	7.8 ^c	1.3	0.0	1.3	0.7 ^c
Spain	35.4	43.1	34.2	56.6 ^d	7.7	7.2	4.3	5.3 ^d	1.5	1.9	3.1	2.7 ^d
United Kingdom	22.5	34.3	47.7	52.2 ^d	8.8	13.3	13.5	12.4 ^d	3.0	3.5	2.2	1.9 ^d
EFTA (6)	60.2	59.3	56.9	60.3 ^d	9.9	15.8	13.3	13.1 ^d	6.4	5.5	8.3	4.5 ^d
Austria	63.2	66.4	61.4	67.5 ^d	6.4	11.0	7.6	7.6 ^d	11.2	8.5	11.6	6.4 ^d
Finland	51.8 ^f	43.6	37.1	43.5	15.2	24.5	17.3	18.9	18.9	15.5	26.2	14.5
Iceland	44.0	52.6	51.4	50.7 ^d	12.6	18.6	18.5	21.5 ^d	22.4	10.3	11.0	5.5 ^d
Norway	53.3	46.3	47.2	46.8 ^d	19.3	25.1	24.7	24.6 ^d	3.1	3.1	3.6	2.3 ^d
Sweden	58.7	56.7	54.6	55.7 ^d	8.3	17.1	17.2	16.4 ^d	4.2	4.5	5.7	3.7 ^d
Switzerland	69.2	70.3	69.0	71.3	5.6	9.5	6.3	7.2	2.1	1.9	3.1	1.2

Notes: See Table 2

Table 2: Regional Composition of Western Europe's Exports 1960-1988

	Share ^a of Exports to											
	EC (12)				EFTA (6)				Comecon (7)			
	1960	1972	1984	1988	1960	1972	1984	1988	1960	1972	1984	1988
EC (12) ^b	40.7	55.1	54.1	60.4 ^c	12.6	11.4	9.8	10.7 ^c	3.7	4.0	3.2	2.6 ^c
Belgium-Lux.	60.6	75.9	70.1	74.2 ^d	8.5	5.6	6.1	6.0 ^d	2.5	1.7	1.8	1.3 ^d
Denmark	55.9	44.8	44.7	49.5 ^d	18.0	30.1	23.0	24.7 ^d	3.8	3.2	1.9	1.8 ^d
France	38.5	60.2	52.9	61.8 ^d	8.5	8.3	7.1	7.2 ^d	3.1	3.6	3.2	1.9 ^d
W. Germany ^b	39.6	49.7	49.4	54.3 ^d	20.6	16.4	14.8	16.5 ^d	5.8	6.6	5.4	4.5 ^d
Greece	43.0	54.2	55.1	67.0 ^e	6.5	4.1	2.9	4.8 ^e	21.8	13.5	5.7	4.2 ^e
Ireland	80.4	78.5	70.0	74.4 ^d	0.8	1.7	4.7	5.5 ^d	0.0	0.4	0.5	0.6 ^d
Italy	40.1	54.7	47.4	56.1 ^e	12.9	9.2	8.3	9.9 ^e	4.6	4.2	3.4	3.1 ^e
Netherlands	61.3	75.7	73.7	75.2 ^d	10.8	6.1	5.7	6.8 ^d	1.5	2.0	1.3	1.4 ^d
Portugal	38.2	49.3	62.1	73.2 ^c	5.6	14.9	10.4	11.1 ^c	2.1	0.6	1.6	0.7 ^c
Spain	58.3	49.5	51.5	65.7 ^d	7.3	5.4	3.9	4.2 ^d	2.5	3.1	2.5	1.1 ^d
United Kingdom	23.1	34.1	47.2	50.2 ^d	9.0	12.6	9.2	8.0 ^d	2.6	2.8	1.8	1.4 ^d
EFTA (6)	55.3	51.6	53.6	56.8 ^d	12.0	18.2	13.4	14.1 ^d	7.3	6.3	6.2	5.0 ^d
Austria	56.2	49.9	55.1	64.6 ^d	9.0	18.2	10.6	10.8 ^d	13.7	11.8	12.1	8.3 ^d
Finland	58.2 ^f	46.3	38.8	44.2	8.5	24.7	18.9	20.4	17.6	15.2	20.7	16.5
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Norway	56.4	55.3	70.7	66.2 ^d	16.5	20.6	12.7	15.9 ^d	4.3	2.9	0.9	1.2 ^d
Sweden	56.4	53.4	49.4	52.7 ^d	15.7	20.6	18.0	20.0 ^d	4.2	3.8	2.6	2.0 ^d
Switzerland	51.9	51.0	52.9	60.0	8.2	11.6	3.9	7.0	3.2	4.2	2.9	3.3

^aIn % of total imports (exports); ^bincluding German-German trade; ^cfirst two quarters; ^dfirst three quarters; ^e1987; ^f1961.

Source: OECD, various issues; Statistisches Bundesamt, various issues; own calculations.

Table 3: Regional Composition of Comecon Foreign Trade 1960-1987

	Share ^a of Trade with											
	EC (12)				EFTA (6)				Comecon (7)			
	1960	1972	1984	1987 ^b	1960	1972	1984	1987 ^b	1960	1972	1984	1987 ^b
IMPORTS												
Comecon (7)	14.3	17.8	15.4	15.9	4.8	4.4	4.9	5.0	58.4	60.1	54.3	59.0
Bulgaria	10.8	11.2	9.4	11.0	2.4	2.8	3.1	2.8	80.0	76.3	76.3	76.7
CSSR	12.7	17.3	10.5	12.9	5.3	4.1	3.5	3.5	63.5	66.1	74.8	74.0
GDR ^c	17.5	25.6	21.4	22.4	4.3	3.4	4.1	4.0	66.4	62.9	61.9	59.0
Hungary	18.0	20.7	24.0	28.9	6.0	5.7	8.5	9.9	62.1	63.3	48.1	47.6
Poland	13.8	22.9	19.1	20.2 ^d	5.3	5.6	5.1	5.3 ^d	57.9	57.7	57.4	54.6 ^d
Romania	18.7	29.7	13.0	8.7 ^d	4.7	5.5	1.9	1.4 ^d	67.8	44.9	38.2	48.4 ^d
USSR	12.9	11.9	13.5	11.8	4.8	4.3	5.3	5.2	49.7	57.4	46.7	57.4
EXPORTS												
Comecon (7)	13.9	15.2	19.7	16.3	4.5	4.0	5.6	4.4	60.6	62.5	50.1	56.3
Bulgaria	10.4	9.7	6.6	5.5	2.1	2.5	1.1	0.7	80.3	76.4	72.2	79.4
CSSR	11.3	13.6	10.7	10.7	4.3	4.1	4.0	3.7	63.2	67.0	68.8	73.3
GDR ^c	16.8	18.0	24.0	22.7	3.2	2.5	4.7	3.3	68.5	71.0	60.9	64.6
Hungary	15.1	18.4	20.8	23.2	6.5	5.0	9.7	8.4	60.8	65.8	48.3	49.7
Poland	20.2	20.9	21.1	22.4 ^d	6.6	5.3	6.9	6.3 ^d	54.7	60.2	48.2	49.8 ^d
Romania	17.3	28.3	30.7	21.6 ^d	3.4	3.4	1.7	1.6 ^d	65.5	47.5	28.8	39.5 ^d
USSR	11.8	10.9	20.4	13.8	4.6	4.2	6.1	4.4	55.2	57.8	43.6	51.8

^aShare in total imports (exports), in %; ^bpreliminary results; ^cincluding German-German trade; ^dbased on IMF data, not Comecon statistics.

Source: Comecon, various issues; OECD, various issues; IMF, various issues; Vienna Institute, various issues; own calculations.

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