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One Year after the Moscow Treaty

It can hardly be said that the high hopes for the development of economic relations between the Soviet Union and the Federal Republic of Germany which were being entertained at first when the Moscow Treaty had been signed have so far been fulfilled. Though the extent of economic contacts has greatly increased during this last year, the actual development of economic exchanges is more likely to engender in German industry an attitude of wait-and-see.

Admittedly the repercussions of the Moscow Treaty could not yet have been reflected by figures for the months from September to December, 1970; but its results in the first half of 1971, as far as known at present, were disappointing. German imports of DM 597 mn compared with exports of DM 817 mn, and the total volume of trade in the whole of 1971 is unlikely to be greatly in excess of the DM 2.8 bn reached in 1970, even after inclusion of the pipe deliveries which have started since.

The contracts placed for plant installations and joint German-Soviet projects are not in any way spectacular either. The prospects for successful conclusion of an agreement on the truck project on the Kama between Daimler-Benz and the USSR appeared to have improved as a result of the Moscow Treaty. Western countries believed that the Kama project marked the beginning of a flood of big German-Soviet deals. In the place of German firms—the Soviets had in the meantime been negotiating also with Klöckner-Humboldt-Deutz—it is however the French firm of Renault which will assist in carrying out the Kama project.

Industrialists in the Federal Republic are well aware of the attractions of big business deals with the East, e.g., for chemicals, plastics, electronics, motor car production and other sectors, but they have no longer such high expectations that the Ostpolitik of the Brandt Government will soon bear fruit commercially. The current negotiations with Klöckner about building an engine plant, with Krupp about research on metallurgical technology and with Grundig about a tape-recorder factory seem to bear out the impression that German-Soviet economic relations are probably in a state of auspicious suspense.

A realistic assessment of the economic facts as they exist today suggests that a big expansion is not likely either in ordinary delivery contracts or in plant construction or joint ventures, for business with the East is subject to severe competition, the Soviets often expect too much in the way of credit terms and interest rates, the foreign exchange position of the USSR is not very promising, and the prospects of disposing of Soviet goods are not very bright given the present supply structure. In short, the economic data do not at present justify optimistic forecasts.

Besides, the ninth Five Year Plan recently passed by the USSR did not contain any concrete indicators of a dynamic upturn of Soviet trade with the West. What share of its foreign trade the Soviet Union intends to transact with the Federal Republic is, moreover, wide open. True, to carry out its plans the USSR is interested in importing industrial goods with a high technology content from the West; but, wishing not to make its financial position in the external economic field still more difficult, it is obviously practising restraint in trade with the West at present.

To judge the situation a year after the signing of the Moscow Treaty solely by the big contracts concluded recently would however leave the picture incomplete. The undeniable improvement of the atmosphere between the two countries is part of the scene. This improvement is reflected not only by the visits of the Federal Ministers Schiller and Leussink and the groups of industrialists led by Wolff von Amerongen and Berthold Beitz but above all by the many Soviet contact talks with various big and also medium-sized firms in the Federal Republic. Even if, as is likely, these talks lead to relatively few transactions, they may prepare the ground for new forms of intensive cooperation. Joint production ventures probably offer the best prospects for economic relations between East and West in the future. They would be a suitable means of relieving the foreign exchange stringency of the Soviet Union as well as the labour market in the Federal Republic.

The willingness on both sides to have talks and, for instance, also the envisaged joint technical commissions could lead to greater mutual trust, which is absolutely essential for flexible joint production projects of the two countries.

Klaus Bolz