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Cooperation Between CMEA and EEC

In the last review of the Council for Mutual Economic Assistance in this journal,¹ it was noted that in April, 1977 CMEA transmitted a letter to the EEC, stating that CMEA was interested in meeting with the EEC to try to develop areas of mutual cooperation. That cooperation has continued its slow pace of development.

On September 21, 1977, a joint CMEA-EEC meeting was held in Brussels. Following this preliminary meeting between CMEA's Executive Committee and the EEC's Commissioner for External Affairs, it was agreed that further negotiations would occur in the first half of 1978. CMEA, in addition to stating that it wanted "mutual trade relations on a nondiscriminatory basis," also indicated an interest in a long term arrangement for trading agricultural products. To this end, CMEA seeks to conclude bilateral trade agreements with EEC member countries, and only a general cooperation agreement with the EEC itself. CMEA states its position as follows: "an agreement between CMEA and CMEA member countries on the one hand and the EEC and EEC member countries on the other." The EEC rejects this CMEA position, and continues to insist that the EEC Commission negotiate actual trade agreements only with individual CMEA member countries. A major reason for this insistence is that CMEA lacks the legal authority to conclude agreements that are binding on all its member states (Art. IV CMEA statute), whereas the EEC, of course, is expressly given such authority by Article 113 of the Treaty of Rome. Thus far, only Romania has shown an interest in negotiating directly with the EEC Commission. The EEC, for its part, has expressed a willingness to conclude a general cooperation (as opposed to trade) agreement with the CMEA itself.

The EEC-CMEA negotiations in early 1978 will, at least initially, probably concentrate on such a general umbrella cooperation agreement. Only after such an agreement has been concluded would actual trade agreements be conceivable. These trade agreements probably will be between the EEC and in-

¹See 11 INT'L LAW. (1977) No. 1, pp. 211 ff.

dividual CMEA countries. The main reason for this is that since the beginning of 1975 (when the last EEC member state—CMEA member state trade agreement expired), the EEC Council of Ministers has set annual quotas for CMEA imports into EEC member countries. Presumably the CMEA member countries would be able to increase their exports to EEC member countries through bilateral trade agreements concluded with the EEC. This is so even though since 1975 most EEC member states have concluded "cooperation agreements" with CMEA member states which have included some trade matters.

One further aspect of CMEA-EEC trade development occurred in late 1977. Bulgaria requested EEC recognition as a developing country, which would thereby enable that country to be eligible for the EEC's generalized preference system for imports from developing countries. Romania already has been granted such preferences. The fact that Bulgaria has taken this initiative is especially noteworthy because of the country's traditional strong foreign policy and trade ties with the Soviet Union (the USSR is Bulgaria's chief trading partner). But Bulgaria, as is the case with other CMEA countries, needs to expand its exports to convertible currency countries. For instance, the country's net indebtedness to western banks rose \$300 million during the first quarter of 1977, which was the amount of the total increase for 1976.

On June 21-23, 1977, the 31st session of CMEA was held in Warsaw. In addition to CMEA members, there were also in attendance observer delegations from Yugoslavia, Angola, Vietnam and Laos. Vietnam had earlier been admitted to the two CMEA banks—the International Bank for Economic Cooperation and the International Investment Bank. CMEA cooperation with Laos and Angola is in the process of being established. The TASS communique on the 31st session noted that the CMEA agreement with Finland was "making good progress." Regarding the agreements with Iraq and Mexico, TASS stated that "realization has begun." Finally, during this session Cuba and Mongolia submitted proposals aimed at speeding the developments of their countries.

The 31st CMEA session discussed cooperative programs in raw materials, fuels and power (especially atomic power), farming and the food industry. Regarding atomic power stations, the session recommended that in 1978 the CMEA countries sign a cooperation agreement on the production and mutual deliveries of equipment for these stations for 1981-1990. The session also adopted a program to coordinate the CMEA countries' national economic plans for 1981-85, and the member countries were urged to conclude the required intergovernmental agreements for this coordination by June, 1980. The CMEA Committee for Cooperation in Planning (which held its 14th session in Warsaw in June 1977) would administer this coordination.

The International Investment Bank (IIB) obtained a \$500 million loan in June, 1977 (1 and 1/8 percent—1 and 1/4 percent over Libor). The loan was

managed by Dresdner Bank. German banks (with the exception of Dresdner) have been reported to be close to their legal lending limits with CMEA and the USSR. The IIB obtained a second \$500 million loan in late 1977, which was managed by Chase. The two CMEA banks may begin discussions with western bankers at some time in 1978 to spread out the upcoming maturities of their debts.

