

## Euro-Soviet trade: No time for embargoes

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There are "new East-West link-ups to save economic cooperation," announced the Italian financial daily *Il Fiorino* Jan. 31, and that seems to be true for Italy, and even more so for West Germany and France.

Later this month Deutsche Bank chief executive Wilhelm Christians will arrive in Moscow to put together a package to finance the most massive pan-European energy project undertaken thus far. By 1985 an enormous, 2,700 kilometer pipeline will be delivering 40-50 billion cubic meters of natural gas a year to Western Europe. Christians needs to arrange a \$12 billion credit package to tap West Siberia's gas reserves, known to represent 10 percent of known world reserves.

France, in its own deal clinched last week, will double Soviet deliveries of natural gas by the end of this year, and expects the Soviet Union to provide 16 percent of their natural gas needs by 1985, which will approach the level of 40 billion cubic meters per year.

The gas deals are the leading edge for bringing full-scale pan-European energy cooperation on line. U.S. and British economic warfare has not deterred continental Europe from pressing on with the perspective laid out in the Schmidt-Brezhnev accords of May 1978, pointing to full nuclear energy cooperation. The German firm Deutsche Babcock is known to have made arrangements for supplying nuclear plant equipment to the Soviets, and the Italian Finmeccanica is doing the same. Anyone who believed that Otto Wolff von Amerongen, president of the German Chambers of Commerce, was not serious when he recently responded to Carter's economic block-

ade against the Soviets, by calling for *more* East-West trade, should remember that German and other European businessmen are expecting to be spending a lot of time in Moscow hammering out contracts for the next five-year plan when the bargaining season gets under way later this year.

### Another Togliattigrad

One jumbo-deal already in the works involves the construction of another "Togliattigrad" in the Soviet Union—a replication of the massive auto plant that Fiat built there in the early 1960s. This time around, Fiat expects to conclude a \$20 billion deal for auto construction facilities in the so-called White Lands, which the Soviets will pay off with exports of 120,000 units per year. Stories to the effect that Italy had cancelled its credit line to the Soviet Union were dismissed last week by the Italian Foreign Ministry, which explained that "technical improvements" to the credit arrangements were involved in the delay in announcing the extension of the credit arrangements from \$650 million to \$1 billion. Such credit lines serve mainly the smaller enterprises' trade with the East. The massive energy deals, or even Montedison's planned half-billion dollar chemical plant deal, is financed through special credit packages. Germany does not have such a standing credit line, but rather gives state-backed credit insurance for East-West trade.

The sums involved in the pan-European energy cooperation elements of the Soviet Union's new Five Year

Plan (starting in 1981) are so big that no one is speaking publicly about them. Both West German banking sources and Soviet commentators in Western Europe, however, have privately made clear that contracts adding up to a total of several hundred billions of dollars are involved. Americans and others who say the West Europeans are just "looking for profits" in East-West trade, and "behaving egotistically," ignore the common European heritage of a unified continental system of integrated industry and trade "from the Atlantic to the Urals" as de Gaulle once said.

Every industrialist who helped build the continent out of the ruins of the last war knows that the partnership of West European and Comecon industry in developing the economic strength of the Soviet Union and the East European countries is the only means to establish a permanent basis of peace on the continent, and a base from which to export industrial development all over the world. For example, therefore, despite concern over the dependency involved, the West German government has been content to have 38 percent of the uranium consumed in the German nuclear plant network enriched in the Soviet Union. At the moment, as much as 11 percent of West Germany's primary energy imports comes from the East bloc.

### **The case of West Germany**

The German case is exemplary of the accelerated expansion of detente-linked industrial relations. Between 1971 and 1978 German exports to the Soviet Union increased by 292 percent, and German imports from the Soviets by as much as 326 percent. In the same period the proportion of finished goods in West Germany's imports from the Soviets has increased from 9 percent to 21 percent, demonstrating a determination to shift the quality of economic cooperation away from a mere exploitation of Soviet raw material resources, to a genuine technological collaboration leading to joint ventures in the economic development of Third World countries, a prospect which German industrialists have placed major emphasis on since the May 1978 Schmidt-Brezhnev accords.

By mid-1979, the proportion of German exports going to socialist countries had reached 6.07 percent, with a total of 13.9 billion deutschmarks in the first three quarters. Exports to the U.S.A. were still narrowly ahead at 15.2 billion deutschmarks, but the trend has been to close the gap. Exports amounting to 4.9 billion deutschmarks went to the Soviet Union in the same period, and interestingly enough, exports to the socialist bloc and OPEC countries together added up to 27.9 billion deutschmarks, almost exactly the same as exports to France, West Germany's closest and principal

trading partner. Although West Germany still has a trading surplus with the East bloc, imports from the Soviet Union have been racing ahead—up 19.2 percent in 1978, and rising another 28.9 percent by the third quarter of 1979 against the same period of 1978.

Beyond even the dreams of the pioneers of East-West trade in the 1950s, the construction of the Soviet Union's Baikal-Amur railway to massively increase the flow of traffic across Asia to Vladivostok, has opened up the possibility for developing a cheap freight transport route between continental Europe and Japan, a project which Soviet Gosplan experts speaking at seminars in West Germany have lost no time in pointing out.

With these vistas in view now, no West German industrialist has forgotten the disastrous decision forced on Konrad Adenauer in the early 1960s by the Anglo-Americans, which resulted in the scrapping of the groundbreaking jumbo deal for steel pipes between Mannesman and the Soviet Union. Every industrialist looking to expanding trade links with the East has sworn it will never happen again.

### **Cooperation: 'From the Atlantic to the Urals'**

Behind the recent spate of trade deals are the initiatives taken by Europe's leaders, French President Giscard d'Estaing and West German Chancellor Helmut Schmidt, to consolidate the European Monetary System and move on to the gold-based phase 2 of the EMS, the European Monetary Fund. As part of these initiatives, the two leaders have looked to the Soviet Union.

The first, on May 6, 1978, was a 25-year treaty between Chancellor Schmidt and Soviet President Brezhnev. The treaty provides for cooperation in industry, mining, science and nuclear power and energy research of an unprecedented scale and depth, including the highly significant stipulation for joint cooperation in third countries.

The second was a series of agreements reached between Brezhnev and France's President Giscard d'Estaing during the latter's visit to the Soviet Union April 25-27, 1979. The agreements included two on economic, industrial and scientific cooperation with specific mention given to developing new types of energy and advanced technologies. They also agreed on cooperation in Third World development and in taking steps to prevent the outbreak of war. In all it is a 10-year program for Franco-Soviet cooperation.

## New deals at a glance

*Euro-Soviet trade deals are mounting up to the billions of dollars—and an overwhelming “no” to the Carter government’s request that Europe enforce a trade embargo against the Soviet Union, particularly in areas of energy and high-technology trade, for their military action in Afghanistan. Here are some of those deals.*

### **West Germany and the Soviet Union**

- Deutsche Bank chief Wilhelm Christians will soon be in Moscow to work out a package to finance the construction of a 2,700 kilometer pipeline that by 1985 will deliver from Western Siberia to West Germany 40-50 billion cubic meters of natural gas per year. The credit package adds up to \$12 billion.

- Deutsche Babcock has sealed a deal to provide nuclear plant equipment to the Soviet Union as has the Italian firm Finmeccanica. The Soviet Union currently enriches 38 percent of the uranium consumed in West German nuclear plants.



*Pipeline construction in Siberia could soon provide West Germany with a large part of its natural gas needs.*

### **France and the Soviet Union**

- France has already sealed a deal with the Soviet Union that will double Soviet deliveries of natural gas by the end of 1980. By 1985, they expect Soviet natural gas to meet 16 percent of their needs.

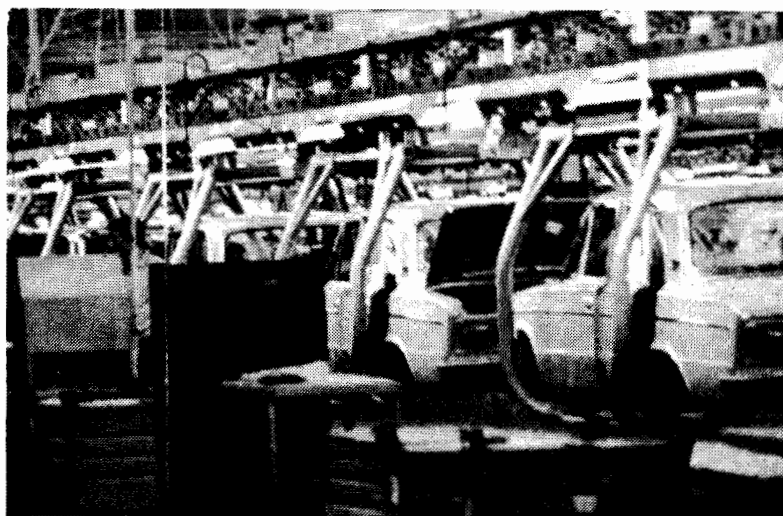
### **Italy and the Soviet Union**

- Fiat expects to conclude a \$20 billion deal for auto production facilities in the Soviet

White Lands. Fiat and the Soviets expect that these new facilities will produce 120,000 additional units per year for export.

- The Foreign Ministry announces the extension of credit arrangements from \$650 million to \$1 billion.

- The Montedison chemical giant plans a half billion dollar chemical plant deal to be financed by a special credit package.



*Fiat's on the assembly line at Togliattigrad, the first such auto production facility built by Fiat in the Soviet Union.*