

## CONTENTS

<b>Preface – <i>Gerald Hinteregger</i></b> .....	x
<b>Introduction – <i>Franz-Lothar Altmann, Hermann Clement, Aleksandar M. Vacic</i></b> .....	xi

### CHAPTER 1

#### Institutional framework of foreign economic relations

##### **1.1 REGULATION OF FOREIGN ECONOMIC RELATIONS IN BULGARIA UNDER THE ECONOMIC REFORM – *Milcho Stoimenov***

<b>(i)</b> Introductory notes .....	1
<b>(ii)</b> Abolition of the state monopoly in foreign economic relations .....	1
<b>(iii)</b> Decentralization and market regulation of foreign economic relations .....	2
<b>(iv)</b> Interdependence between home and international markets .....	3
<b>(v)</b> Convertibility of the lev .....	4
<b>(vi)</b> Tariffs and non-tariff instruments .....	4
<b>(vii)</b> Foreign-trade marketing infrastructure .....	4
<b>(viii)</b> Regulation of the business activity of foreign and mixed companies .....	5
<b>(ix)</b> Prospects .....	5

##### **1.2 THE INSTITUTIONAL FRAMEWORK OF FOREIGN ECONOMIC RELATIONS IN CZECHOSLOVAKIA – *Miroslav Hrnclr***

<b>(i)</b> State monopoly of foreign trade and payments and economic reforms .....	7
<b>(ii)</b> Decentralization in foreign trade and payments operations .....	8
<b>(iii)</b> Linkage between domestic and foreign prices .....	8
<b>(iv)</b> The role of exchange-rate policy .....	9
<b>(v)</b> The role of customs duties and non-tariff commercial instruments .....	10
<b>(vi)</b> The role of financial instruments in export and import policies .....	11
<b>(vii)</b> Mechanism for the allocation of foreign exchange .....	11
<b>(viii)</b> Infrastructure for marketing abroad .....	12
<b>(ix)</b> The role of foreign capital for joint ventures and direct foreign investment .....	12
<b>(x)</b> Policies on currency convertibility .....	13
<b>(xi)</b> Impact of reforms on foreign economic relations and domestic development .....	13
<b>(xii)</b> Conclusion .....	13

##### **1.3 THE INSTITUTIONAL FRAMEWORK OF FOREIGN TRADE REFORMS IN HUNGARY – *Kálmán Mizsei***

<b>(i)</b> State monopoly of foreign trade and the decentralization of organizational structures .....	15
<b>(ii)</b> Direct foreign investment .....	17
<b>(iii)</b> Financial regulation and currency convertibility .....	19

##### **1.4 INSTITUTIONAL AND POLICY FRAMEWORK FOR FOREIGN ECONOMIC RELATIONS IN POLAND – *Dariusz K. Rosati***

<b>(i)</b> The Polish economy in 1989 .....	21
<b>(ii)</b> The economic reform of 1990: an overview .....	22
<b>(iii)</b> The new foreign trade system .....	24
<b>(iv)</b> The new foreign exchange system .....	26
<b>(v)</b> Foreign direct investment in Poland .....	28
<b>(vi)</b> Liberalization of Polish foreign economic relations: an analytical assessment .....	29
<b>(vii)</b> Conclusion .....	31

<b>1.5 INSTITUTIONAL FRAMEWORK OF FOREIGN ECONOMIC RELATIONS IN ROMANIA</b>	
– <i>Mircea Cosea</i>	
(i) Deficiencies of the traditional institutional structure .....	32
(ii) The general orientation of the new institutional framework .....	33
(iii) The main features of the new institutional framework .....	34
(iv) The current situation and prospects .....	35
<b>1.6 INSTITUTIONAL FRAMEWORK OF FOREIGN TRADE RELATIONS OF THE SOVIET UNION – <i>Aleksandr N. Bykov</i></b>	
(i) The state monopoly in foreign economic relations .....	37
(ii) New agents in foreign economic relations since the mid-1980s .....	38
(iii) The transition from administrative methods to economic management .....	39
(iv) Direct foreign investment and joint ventures .....	41
(v) Convertibility of the rouble .....	42
(vi) The impact of economic reforms at home .....	42
(vii) Integration into the world economy .....	43
(viii) Economic relations with CMEA countries .....	44
<b>1.7 INSTITUTIONAL FRAMEWORK OF REFORMS: A DISCUSSION – <i>Horst Brezinski</i></b>	
(i) What kind of market economy .....	45
(ii) How fast to reform? .....	45
(iii) Role of central institutions .....	46
(iv) Privatization .....	46
(v) Foreign investment .....	47
(vi) Special economic zones .....	48
(vii) Conclusion .....	48
<b>1.8 PROGRESS IN TRADE REFORMS, MISSING LINKS, CONVERTIBILITY: A DISCUSSION – <i>Domenico Mario Nuti</i></b>	
(i) System replacement versus reform .....	49
(ii) Progress in trade reform .....	49
(iii) The missing links .....	50
(iv) Convertibility .....	51
<b>1.9 INSTITUTIONAL FRAMEWORK OF REFORMS: A DISCUSSION – <i>Jean Baneth</i></b>	
(i) Summary .....	53
(ii) Full speed ahead for institutional reform .....	54
(iii) Openness: what is it? how to get it? why? .....	55
(iv) Towards openness: how fast? .....	55
(v) The exchange rate .....	56
(vi) Residual controls .....	56
(vii) Regional arrangements .....	57
(viii) Concluding remarks .....	57
<b>1.10 ECONOMIC REFORMS AND TRANSITIONAL POLICIES: SUMMARY OF DISCUSSION – <i>Peter Oppenheimer</i></b>	
(i) Sequencing .....	59
(ii) Transitional policies .....	60
(iii) External indebtedness .....	62
(iv) Conclusion and prospects .....	63

## CHAPTER 2

### Economic relations with market economies

#### 2.1 BULGARIAN ECONOMIC RELATIONS WITH MARKET ECONOMIES – *Stoyan Shalamanov*

(i)	Introduction .....	65
(ii)	An economic crisis – the ultimate cause of reform .....	65
(iii)	The general orientation of economic reform .....	66
(iv)	Past economic relations with market economies .....	67
(v)	The principal deficiencies of economic relations since the War .....	67
(vi)	Guidelines for future relations with market economies .....	68
(vii)	Structural changes required for closer links with market economies .....	69

#### 2.2 ECONOMIC RELATIONS WITH MARKET ECONOMIES IN CZECHOSLOVAKIA

– *Karel Dyba and Martin Kupka*

(i)	The new strategic importance of economic relations with market economies .....	70
(ii)	Recent systemic and policy changes .....	71
(iii)	Gradualism versus rapid switch to market economy practices .....	71
(iv)	Policy aims with respect to European integration .....	72
(v)	Relations with developing countries .....	72
(vi)	Efforts to increase exports of services .....	73
(vii)	External debt and its significance .....	73
(viii)	Short- and medium-term prospects .....	74

#### 2.3 ECONOMIC RELATIONS WITH MARKET ECONOMIES IN HUNGARY – *Béla Kádár*

(i)	Institutional framework .....	76
(ii)	Economic relations with market economies .....	78
(iii)	Economic relations with the CMEA countries .....	80

#### 2.4 REFORMS IN ECONOMIC RELATIONS OF POLAND WITH MARKET ECONOMIES

– *Boguslaw Sosnowski*

(i)	Introduction .....	83
(ii)	Poland and the world economy .....	83
(iii)	The new economic programme .....	85
(iv)	Changes in the foreign sector .....	86
(v)	Trade relations with market economies .....	87
(vi)	Financial relations with market economies .....	88
(vii)	Relations with international organizations .....	89
(viii)	Institutional framework for relations with market economies .....	90
(ix)	Conclusions .....	90

#### 2.5 ROMANIAN ECONOMIC RELATIONS WITH MARKET ECONOMIES – *Mihai Paraluta*

(i)	Introduction .....	92
(ii)	The inherited problems .....	92
(iii)	The new strategy of foreign economic relations .....	92
(iv)	Short-term measures in early 1990 .....	93
(v)	Opening to the international economy .....	94
(vi)	Joint ventures possibilities .....	94
(vii)	Formation of the new system of economic relations .....	95
(viii)	Changing role of the state .....	96
(ix)	New role of planning .....	97
(x)	Foreign trade price policy .....	97
(xi)	Gradual shift to convertibility .....	98
(xii)	Integration into the European and world economies .....	98

## 2.6 ECONOMIC RELATIONS OF THE SOVIET UNION WITH MARKET ECONOMIES

— *Boris M. Pichugin*

(i)	The changing political background .....	100
(ii)	The direction and dynamics of Soviet trade .....	100
(iii)	Striking recent problems .....	101
(iv)	Short-term measures aimed at improved Soviet performance .....	103
(v)	Medium-term measures for Soviet economic relations with the west .....	103
(vi)	Potential western contributions to extended co-operation with the USSR .....	104
(vii)	Soviet relations with EC and EFTA .....	105
(viii)	Soviet economic relations with the United States .....	106
(ix)	Soviet economic relations with developing countries .....	106
(x)	Prospects .....	107

## 2.7 ECONOMIC RELATIONS WITH MARKET ECONOMIES : A DISCUSSION — *Gerhard Fink* ... 109

## 2.8 ECONOMIC RELATIONS WITH MARKET ECONOMIES: A DISCUSSION — *Philip Hanson*

(i)	The present role of western policies .....	111
(ii)	Variations among the eastern countries .....	111
(iii)	The Soviet Union .....	111

## 2.9 ECONOMIC RELATIONS WITH MARKET ECONOMIES : A DISCUSSION

— *Hans-Jürgen Wagener*

(i)	Introduction .....	113
(ii)	Market economies .....	113
(iii)	A new division of labour .....	114
(iv)	Forms of co-operation .....	115
(v)	Transition period .....	116

## 2.10 ECONOMIC RELATIONS WITH MARKET ECONOMIES: SUMMARY OF DISCUSSION

— *Joseph Smolik*

(i)	Eastern reintegration into the world economy .....	118
(ii)	Policy orientation .....	118
(iii)	External financial support .....	119

## CHAPTER 3

### Economic relations with CMEA countries

#### 3.1 BULGARIAN ECONOMIC RELATIONS WITH CMEA COUNTRIES — *Kina Kazandzhieva*

(i)	The general transition to a market economy .....	121
(ii)	The characteristics of foreign economic policy .....	122
(iii)	Importance of relations with CMEA countries .....	122
(iv)	The necessity of a radical reform in intra-CMEA relations .....	122
(v)	Main features of new economic relations within the CMEA .....	123
(vi)	Co-ordination of economic policies .....	124
(vii)	The foreign exchange and financial system .....	124
(viii)	The organizational status of CMEA .....	126
(ix)	Some final remarks .....	126

#### 3.2 CZECHOSLOVAK ECONOMIC RELATIONS WITH CMEA COUNTRIES — *Vratislav Válek*

(i)	Present economic relations of CSFR with CMEA countries .....	127
(ii)	Deficiencies of the present mechanism of co-operation within CMEA .....	128
(iii)	Mutual operations in national currencies .....	129
(iv)	New approaches to co-operation with CMEA countries .....	130

<b>3.3 ECONOMIC RELATIONS BETWEEN THE GERMAN DEMOCRATIC REPUBLIC AND THE CMEA COUNTRIES – <i>Christa Luft</i></b>	
(i) General framework .....	135
(ii) The importance of past CMEA trade for the GDR .....	135
(iii) Short-term arrangement of the GDR with other CMEA countries beyond 1990 .....	136
(iv) Major problems expected from new arrangements in GDR-CMEA relations .....	137
(v) Possible new lines of GDR-CMEA co-operation .....	138
(vi) The role of GDR enterprises in future east-west economic relations .....	138
<b>3.4 HUNGARY'S EASTERN ECONOMIC RELATIONS: A TIME OF CHANGE – <i>András Köves</i></b>	
(i) Reforms and reorientation of Hungary's CMEA trade: the legacy of the Németh Government .....	139
(ii) Problems and dilemmas for the new government .....	141
(iii) Some further issues of economic co-operation with east European countries .....	143
<b>3.5 ECONOMIC RELATIONS OF POLAND WITH THE CMEA MEMBER COUNTRIES – <i>Andrzej Budzinski</i></b>	
(i) Structure of trade with the CMEA countries .....	146
(ii) Dependency on imports of raw materials from the Soviet Union .....	147
(iii) Dependency on exports of machinery and equipment to the CMEA countries .....	147
(iv) The efficiency of Polish trade with the CMEA countries .....	149
(v) Energy agreements with the Soviet Union .....	150
(vi) Liberalization of Polish trade in convertible currencies .....	150
(vii) Systemic transformation of trade with the CMEA countries .....	151
(viii) Towards the new functions of the CMEA .....	152
<b>3.6 ROMANIA'S ECONOMIC RELATIONS WITH CMEA COUNTRIES – <i>Daniel Daianu</i></b>	
(i) The historical background .....	154
(ii) The importance of the CMEA for the Romanian economy today .....	156
(iii) The impact of political and economic change in Romania .....	158
(iv) Transformation of the domestic system and relations with the CMEA partners .....	160
<b>3.7 INTEGRATION OF THE SOVIET UNION AND EASTERN EUROPE INTO THE WORLD ECONOMY – <i>Oleg T. Bogomolov</i></b>	
(i) Profound historical changes .....	162
(ii) Overcoming isolation from the world economy .....	163
(iii) Western support .....	164
(iv) All-European integration .....	164
(v) The fate of the CMEA .....	165
(vi) The impact of the changes in the east on the rest of the world .....	166
<b>3.8 THE FUTURE OF ECONOMIC RELATIONS AMONG THE EUROPEAN COUNTRIES IN TRANSITION: A DISCUSSION – <i>Jozef M. van Brabant</i></b>	
(i) Introduction .....	167
(ii) CMEA reform .....	168
(iii) Is there room for regional economic union? .....	169
(iv) Clearing markets, including the CMEA .....	171
(v) A collaborative approach to external payments problems? .....	172
(vi) Conclusions.....	173
<b>3.9 THE CASE FOR AN ENTIRELY NEW TRADING AND CLEARING ARRANGEMENT AMONG FORMER CMEA COUNTRIES – <i>Ante Cicin-Sain</i> .....</b>	175

---

3.10 ECONOMIC RELATIONS WITH CMEA COUNTRIES: A DISCUSSION – <i>Marie Lavigne</i>	
(i) The previous patterns of trade among the CMEA countries .....	177
(ii) The assessment of the past .....	179
(iii) The transition .....	181
(iv) The possible reform of the CMEA .....	182
(v) The special case of the GDR .....	183
3.11 ECONOMIC RELATIONS AMONG THE EUROPEAN CMEA COUNTRIES: SUMMARY OF DISCUSSION – <i>Wolfram Schrettl</i> .....	184
CONTRIBUTORS .....	189
LIST OF SPECIAL STUDIES PUBLISHED IN THE <i>ECONOMIC SURVEY OF EUROPE</i> AND <i>THE ECONOMIC BULLETIN FOR EUROPE</i> IN THE PERIOD 1981-1990 .....	197