

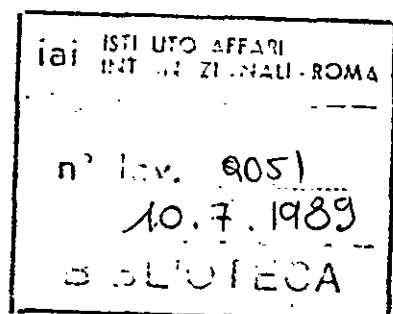
HUNGARIAN-ITALIAN ROUNDTABLE CONFERENCE

"INTER-EUROPEAN RELATIONS IN THE 90'S"

IAI - HUNGARIAN INSTITUTE FOR FOREIGN AFFAIRS

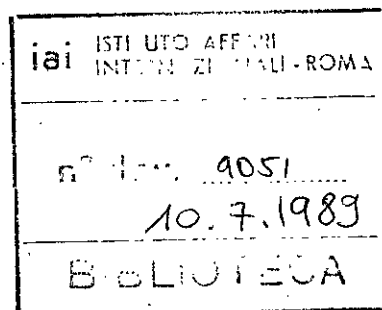
BUDAPEST, 30 MAY - 4 JUNE 1988

DELEGAZIONE IAI: G. BONVICINI
R. ALIBONI
M. CARNOVALE
P. PADOAN
S. CHAPMAN
C. SILVI



HUNGARIAN-ITALIAN ROUNDTABLE CONFERENCE
Istituto Affari Internazionali
Institute for World Economics
Budapest, 30/V - 4/VI/1988

1. "Programme"
2. "List of participants"
3. "The Middle East from a Western European perspective"/ Roberto Aliboni
4. "A new conflictual detente"/ Gianni Bonvicini
5. "Reflections on the future of the European communities"/ Annamaria Artner
6. "Continuity and change in Soviet-East European relations: recent trends and implications for the West"/ Marco Carnovale
7. "The common commercial policy and the prospects for EEC-CMEA trade"/ Sheila Chapman
8. "The CMEA in the eighties: tensions and reform efforts"/ Csaki Gyorgy
9. "What has been wrong with the socialist economic reforms?"/ Kalman Mizsei
10. "Il coordinamento internazionale delle politiche macroeconomiche: un approccio di 'political economy'"/ Pietro Carlo Padoan
11. "An 'inherently safe nuclear reactor' for Europe"/ Cesare Silvi
12. "Dimensions and levels of security in the international system of the eighties and beyond"/ Mihaly Simai
13. "Report...prepared for the Consiglio Nazionale delle Ricerche"/ Marco Carnovale



HUNGARIAN - ITALIAN ROUNDTABLE CONFERENCE

Budapest, 30. May - 4. June 1988

P R O G R A M M E

30. May. Monday

19:50 Arrival
Accommodation High-School Hostel
Budapest, XIV., Ajtósi Dürer sor 19/21.

31. May, Tuesday

8.30 Breakfast

9.30 Opening session /Room No. B-27/

9.30 - 12.00 The developing and main problems of Italy's
and Hungary's economy and the cooperation
between the two countries.

12.30 Lunch /the members of the Italian delegation
are invited by the Institute for World Economics/

14.00 - 17.00 "Perestroyka", integrational changes and the
East-West cooperation

19.30 Dinner given by Professor M. Simai
/See invitation card/

1. June, Wednesday

8.30 Breakfast

9.30 - 12.00 Global security and problems of the world-
economic environment

12.30 Lunch

14.00 - 17.00 General discussion and conclusions

17.30 Reception given by Prof. Pál Romány,
Rector of the Political High-School
/See invitation/

2. June, Thursday

8.30 Breakfast

9.30 - 12.00 Cooperation between IAI and IWE:
discussion of the plan for common
research and other forms of cooperation.

12.30 Lunch

14.00 - 17.00 Continuation of the morning session.

3. June, Friday

8.30 Breakfast

The whole day is free for individual consultations,
sightseeing, shopping, etc.

4. June, Saturday

5.25 Departure for the airport.

HUNGARIAN - ITALIAN ROUNDTABLE CONFERENCE

Budapest, 30. May - 4. June, 1988

List of Participants

Italian Delegation

- Prof. Roberto Aliboni, IAI, director
- Prof. Gianni Bonvicini, IAI
- Dr. Cesare Silvi, IAI
- Dr. Marco Carnovale, IAI
- Dr. Sheila Anne Chapman, IAI
- Dr. Pietro Carlo Padoan, IAI

Hungarian Delegation

- Prof. Mihály Simai, IWE, director
- Prof. János Szita, ambassador, Honorary Scientific Advisor of IWE
- Prof. Pál Romány, Political High-School, Rector
- Prof. Péter Hardy, Hungarian Institute for Foreign Affairs, director
- Prof. Béla Kádár, Research Institute for Planning of the National Planning Office, director
- Prof. Tibor Palánkai, Head of Faculty, Budapest University of Economics
- Dr. György Réti, Hungarian Institute for Foreign Affairs, senior researcher
- Dr. Magdolna Szőke, Economic Research Institute of the Hungarian Central Statistical Office, senior researcher
- Dr. György Csáki, Political High-School, senior researcher
- Dr. József Pankovics, Political High-School, senior researcher
- Dr. Magdolna Mészáros, Ministry for Industry, Head of Department
- Lolita Szilvási, Ministry for Foreign Affairs, Senior Officer

Dr. Annamária Artner, IWE, researcher

Magdolna Sass, junior researcher

Dr. Kálmán Mizsei, IWE, senior researcher

Dr. Gábor Hunya, IWE, senior researcher

Hungarian-Italian Roundtable Conference

organized by

International Affairs Institute, Rome
Institute for World Economics, Budapest

Budapest, May 30 - June 4, 1988

THE MIDDLE EAST FROM A WESTERN EUROPEAN PERSPECTIVE

by

Roberto Aliboni

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

THE MIDDLE EAST FROM A WESTERN EUROPEAN PERSPECTIVE

by Roberto Aliboni

1. This presentation discusses the situation in the Middle East and the Persian Gulf (referred here to as the South Western Asia, SWA) from a Western European perspective. SWA is seen, first, as a global factor and, secondly, from a regional point of view.

2. Looking at SWA as a global factor, the most important trend concerning West European countries is their increasing direct involvement in that area.

2.1. As a rule, when US-USSR relations are conflictual, NATO's European allies put pressures on the USA in order to impress a more cooperative approach over East-West relations.

In this framework, after Mr. Reagan took over the US presidency with the aim of restoring a more acceptable balance of power with the USSR, the USA and the European allies have been quarreling over three points related to the state of East-West relations: arms control negotiations and the development of new weapons systems (especially SDI); economic and technological relations; PLO's role in the Arab-Israeli crisis and, later, terrorism as an international factor. As US-USSR relations became more cooperative (from their 1985 summit in Geneva), up to the present agreement on dismantling intermediate and shorter nuclear weapons, allied pressure on the USA have eased and almost disappeared. This is happening in relation to the SDI programme but also in relation to the US policy in SWA. Intra-NATO conflict because of the Venice Declaration on the PLO role and the US attitude vis-à-vis Afghanistan and Iran at the end of '70s has now given way to a remarkable cooperation at the occasion of the current Persian Gulf crisis.

More US-USSR cooperation brings about a reassurance to the Western Europeans. This allows for more cohesion and cooperation among NATO allies in Europe and out of the NATO area as well.

2.2. The recent disarmament agreement in Europe has changed the West European security perception on both subjective and objective ground. It brings about a rethinking of the West European defense. West European presence out-of-area is likely to become an important part of the new West European security concept.

Disarmament in the European theater is at the same time an outcome and a factor of a wider change in both superpowers' regional priorities. Both the Usa and the USSR have undergone a growing involvement in SWA. This involvement is witnessed by the new military arrangements made by Washington and Moscow by setting up the Rapid Deployment Joint Task Force in Tampa and the new Southern TVD respectively. Disarmament in Europe and the new Us regional priorities coalesce in giving Western Europe a new and enlarged security concept. More and more security is getting a mutual concern. Security is not divisible. In order to keep alive an American supported European security, Western Europe has to match non-European Us security requirements elsewhere. Regions where a West European presence is expected are quite naturally SWA, the Mediterranean and Africa South of Sahara.

In this changing environment objective West European interests, such as oil, trade, etc. are likely to become more visible to public opinions and more inescapable to governments. That will combine with changes in perceptions to reinforce the trend towards a strengthened West European presence in SWA.

3. At the regional level, the outcome of the Iran-Iraq war seems now linked to the global level as a consequence of the Western decision to protect navigation in the Persian Gulf. This makes it more unpredictable than ever. On the other hand, the Arab-Israeli conflict is undergoing important changes within the region itself. This is confronting external powers with new options.

First, the PLO is more and more appearing as a vanishing political force. The USSR sponsored reunification in Algiers has failed to reintroduce the PLO as a credible actor on the Middle Eastern stage. After they failed to enforce the option of acquiring a national status under the Hashemite dynasty (as the Italian "republicans" did under the Savoy dynasty) the PLO seems now left with no option any more. If this trend will stabilize it will reveal the real nature of the Arab-Israeli conflict as an inter-State conflict. This will require a deep change in the regional policies of the external powers concerned.

Second, Syria has proved unable to arrange any kind of stabilization in Lebanon. Furthermore, the contradictions of its alliance with Iran have begun to emerge and Damascus seems now obliged to pay more attention to its national interests and to its (never clarified) projection toward a Greater Syria. This trend is converging with the transformation of the Arab-Israeli conflict in a local (though very difficult) inter-State conflict.

Third, whichever Iraqi regime will survive or come next to the present crisis it will lead a country that because of the war has intensely industrialised, acquired discipline and consciousness, a strong security force and a stature which can not be compared by its neighbours, particularly Syria. This will complicate the inter-State conflict in the region. One important diplomatic task today is that of favouring a rapprochement between Iraq and Syria as to avoid strong conflict ahead. This has been very well understood by Moscow.

Contrary to what happens with the Western powers, all these trends seem very clear to the Soviet government, which in the last years has been able to evolve from a sectarian partner to a more responsible and balanced superpower. This evolution should be considered by Western powers not as a dangerous competition but as an opportunity to test the possibility of enlarging cooperation from the Western theater to SWA.

The West European countries, which are about to enter a deeper military involvement should be especially interested in exploring this option. Nevertheless their new military engagement is not alternative to cooperation but it is a necessary condition for giving cooperation more chances to succeed.

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Budapest, May 30 - June 4, 1988

A NEW CONFLICTUAL DETENTE

by

Stefano Silvestri
Gianni Bonvicini

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

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During the seventies we saw how closely detente was related to arms control. Indeed, it can be said that in those years detente was identified too strictly with arms control alone. Henry Kissinger was one of the first to point to the unfortunate absence of linkage between arms control and crisis management, especially in the Third World- and in the end this absence proved to be one of the causes of the crisis of detente.

Today the situation is not different. Some problems have remained. Before the Geneva summit meeting with Mikhail Gorbachev, Ronald Reagan announced that he wanted to resume discussion of joint crisis management with the Soviet Union, but he did not make this a necessary condition of possible agreements. In his address of January 15, 1986, Gorbachev explicitly rejected the idea that arms control agreements "could be made to depend on so-called regional conflicts." Actually, the prospect appears to be for possible arms control agreements without detente.

This is perfectly consistent with the ideological nature of relations between the superpowers. Fred Ilke, U.S. Undersecretary of Defense for Policy, in a recent address to the Wehrkunde conference in Munich, accurately summed up the American administration's position in the statement that the Atlantic Alliance must survive a longterm global struggle "against a strong force that seeks ultimate destruction of our political order." For his part, Gorbachev has repeatedly asserted that the United States aims to attain absolute security for itself, in contrast with the security of the rest of the world, that the Americans are developing offensive space weapons ("a shield that can be quickly transformed into a space sword"), and that the U.S. acts as the main protector of what the Kremlin call "state terrorism", clearly alluding chiefly to Israel.

The two superpowers are thus engaged in a bitter international confrontation, in the arms field and in Europe and the rest of the world. Yet both seem prepared to talk about arms control. Not completely negative are the reports from Stockholm; seat of the Conference on Disarmament in Europe in the framework of the Conference of Security and Cooperation in Europe (CSCE), from the Vienna Conference on mutual, balanced force reduction in Central Europe (MBFR), from the UN conference in Geneva on the possible elimination of chemical weapons, and also from the bilateral U.S.-Soviet talks in Geneva on nuclear arms control, especially as regards intermediate nuclear forces (INF). Nowhere has an actual agreement been reached, but some significant progress has been made in all these forums.

Consiliatory remarks are being made and possible grounds for agreement are also being explored in connection with some regional conflicts. One hears talk of the possible resuscitation of the plans for an international

conference on the Middle East, which Carter and Brezhnev had sought to agree on. A brief 90 minutes meeting, in Finland, between two official delegations from Israel and from the Ussr, mid-August 1986, has revived communications between the two countries, for the first time after 1967. Diplomatic rumors and modest signals from Moscow allude to the possibility of compromise on Afghanistan. Moscow has sent top level diplomatic missions to Tokyo, Beijing and the major West European capitals. The Soviet leader Gorbachev has been particularly forthcoming in the case of China, hinting to the possibility of a sizeable reduction of Soviet troops in Mongolia and to the acceptance of the Chinese position in the Ussuri border confrontation. On the U.S. side, the possibilities for facilitating and expanding economic dealing with Eastern Europe are being explored.

These signals, however, have not prevented the persistence, and in some cases the aggravation, of international tensions. One example is the delicate, dangerous situation in the Mediterranean, with the heightening of the international terrorist menace and the proliferation of military maneuvers and the military presence of the superpowers. But this is certainly not the only case. The unending Gulf war between Iran and Iraq, the Soviet intervention of internal and international conflicts in Central America, the numerous direct and indirect wars in Africa, are all important signs of a persisting crisis in international relations despite the prospects for agreement in some sectors.

Judging by the present situation, then, it is unlikely that East-West relations will soon see a return to the climate and the conditions of the detente years. The superpowers intend to renew a dialogue and perhaps attain some concrete results, but they no longer have the illusions (or hopes) of the past, and both sides affirm the principle that they are essentially different, and counterposed, to one another.

This cannot fail to have repercussions in terms of arms control agreements. The first and perhaps most obvious consequence is the importance taken on by the verification issue, where the limitation to so-called "national means of verification" is more and more strongly questioned. In all negotiating forums, the Western countries are now insisting on the need for local inspections, either national or international, capable of checking, directly and on-site, the national information obtained by satellites and other sources.

The President recently reaffirmed that he would be prepared to submit the Threshold Test Ban Treaty and the Peaceful Nuclear Explosions Treaty for Congressional ratification only once the Soviet Union had agreed with the United States on the introduction of a more accurate system of observation and surveillance of underground nuclear explosions.

Moreover, the U.S. administration also stresses the problem of Soviet non-compliance, asserting that the Soviet Union "has violated its legal obligation under or political commitment to: the SALT I ABM Treaty and Interim Agreement; the SALT II Treaty; the Geneva Protocol on Chemical Weapons as it reflects the rules of customary international law; the Biological and Toxin Weapons Convention; the Limited Test Ban Treaty; and the Helsinki Final Act."

Actually, these real or presumed violations vary considerably in legal and military significance. Some are of only slight importance, while others (like the Krasnoyarsk radar, the SS-25 ICBM, and, if proved, the violation of the Biological and Toxin Weapons Convention and the 1925 Geneva Protocol on Chemical, Biological and Toxin Weapons) are of unquestioned strategic importance. All of them, however, both singly and as a group, ultimately produce serious political and psychological effects, making future agreements much more difficult.

Apart from arms control proper, in fact, what counts in relation

between the superpowers and improved East-West relations is the creation of an atmosphere of growing mutual confidence and cooperation. In the strictly military sphere, so-called "confidence-building measures" (CBMs) may not have had much concrete importance, but they have certainly helped improve the political climate and enhance reciprocal willingness to engage in dialogue.

The CBMs stipulated in the Helsinki Final Act in particular, as well as those currently under discussion at the CDE in Stockholm, directly affect Eastern and Western Europe, as well as the neutral and non-aligned countries. As Stephen Larrabee and Allen Lynch observe in a recent study, "CBMs cannot create confidence or trust among nations, especially among adversary nations... They are designed to stabilize relations between states by providing tangible and verifiable assurances regarding the purpose and character of military activities." Obviously, such a purpose holds special interest for the weaker nations, or those outside the two great alliance that confront one another in Europe, nations which can only gain by more extensive controls, or self-controls, over the military activities of the superpowers.

However, the kind of East-West dialogue that is taking shape in Washington and Moscow, based on mutual mistrust and military competition, may prove particularly insensitive to the prospect of new and better CBMs. By their very nature, in fact, such measures require a certain degree of flexibility and good will on the part of the countries involved. Subjecting CBMs to stricter verification (and with on-site inspections, no less) and making them mandatory means, in practice, turning them into something closely resembling actual arms control agreements, thus increasing their importance while augmenting the difficulty of reaching agreement.

In short, while on the one hand the idea of making CBMs militarily significant, fully verifiable and mandatory is intended to enhance their importance, on the other giving up a more indirect, less explicit approach, not binding in strictly legal terms and less significant in strictly military terms, blocks one avenue of dialogue and makes the search for political compromise between East and West more arduous.

This critique applies equally to Washington and to Moscow. For if it is the United States that is most insistent on the principle of verifiability and on the military significance of any and all agreements, for its part the U.S.S.R. has what can be called a mixed compliance record and would even like to accord the status of confidence-building measures to a whole series of generic declarations of principle or of good will, which instead must be taken for exactly what they are worth.

The strictly military and technical attitude of the one side and the basically propagandistic stance of the other have combined to strip of meaning the European line favoring the progressive construction of a situation of mutual trust between East and West. CBMs in particular have been viewed by the European (especially the countries of Eastern Europe and the neutral and non-aligned nations) as a useful diplomatic tool to limit the risk of the use of force in Europe and moderate the negative effects of the confrontation on their relations with the superpowers, chiefly the U.S.S.R.

The fact that CBMs get harder to negotiate and the effort to give them greater military significance cannot help but limit the negotiating freedom of the countries of Eastern Europe and of neutrals and the non-aligned in general. Gerhard Wetting notes that "the extent to which the Soviet have usurped the sole say over the military affairs of the Warsaw Pact, has led to the emergence in Eastern Europe of a conspicuous interest in the confidence-building measures which the Western, neutral, and non-aligned nations have been proposing at both the CSCE and the CDE." Still, except for

Romania, this has not led to any major independent initiatives by the members of the Warsaw Pact. On the contrary, if we look at what is happening at the MBFR talks, where CBMs with evident, concrete arms control aspects are under discussion, we observe a clear predominance of the Soviet delegation over the other Eastern delegations, which are often apparently unfamiliar even with the position the Soviet representative presents in their name.

If it can be said, then, that the climate of East-West relations has certainly improved, opening the way to new agreements, there is also a strengthening suspicion that at least for now the substance of the confrontation between East and West cannot change. In other words, it is improper to speak of "detente."

Nor, furthermore, does it seem correct to speak of "peaceful competition." For this term presumes the acceptance by all the "competitors" of a common framework, an underlying solidarity, or at least the rules of the game, whereby the victory of one athlete or the other does not change the nature of the game or the design of the playing field. In our case, though, what we have is a confrontation that can be called peaceful simply because it has not reached the level of an open European or global war. Certainly, political dialogue and arms control agreements could produce a quantum leap from the present situation of no war to a new one of structured international peace, but the process appears to be long, slow, and anything but sure.

After this premise, let us seek to offer a more in-depth analysis of the state of East-West affairs.

The Strategic Relationship

This new phase in U.S.-Soviet relations has been made possible by the end of the long period of uncertainty and instability of the top Kremlin leadership in the wake of Leonid Brezhnev's death. (Actually, it had begun some time before he died.) During this period the United States saw the successful reelection of Ronald Reagan as President, ending a long series of administrations that failed to serve out two full terms (Kennedy, Johnson, Nixon, Ford and Carter). For once, therefore, the situation was one of stable leadership in the United States and shifting, unstable leadership in the Soviet Union. For many years, until Gorbachev and his group took power, this certainly encouraged the Kremlin to adopt a prudent, conservative strategy little inclined to take the initiative. With rare exceptions (coming for the most part during the brief government of Yuri Andropov), the West could easily anticipate the Soviet response to Western moves. The Soviet played by the book, accepting the passive role to which they had been relegated by the new activism of the Reagan administration.

Today, all this is changed. That does not mean that in the Gorbachev era the Soviet regime has demonstrated great imagination or attempted to revolutionize the rules of the game. But it does mean that the Kremlin is no longer a passive interlocutor, and that every so often it too is capable of taking the initiative: its moves are no longer so easily predictable.

If, therefore, we are interested in understanding the present nature and the possible future of East-West relations, our point of departure must necessarily be an assessment of just this new element; the international and security policy of the new Soviet leadership.

Precisely because it is new, however, Gorbachev's foreign and security policy is not yet fully clear. The new continues to be mixed in with the old, not yet forming a full, consistent whole. In just a year Gorbachev has

visited Britain and France and met with Reagan. A visit to Italy has been announced. The new foreign minister, Eduard Shevardnadze, and the new Prime Minister, Nikolai Ryzhkov, have also had occasion for numerous international contacts. And virtually all Western leaders have managed to meet the new leaders. Although it gives top priority to the economy, the new leadership is aware of the importance of international relations and of the need to extend the Soviet presence and enhance the Soviet image in the world.

What is still unclear is the set of priorities of the new Soviet foreign policy. The initial concentration of attention on Western Europe and China (followed by a trip to Japan by the Soviet foreign minister), might suggest an effort to improve the Soviet Union's relations with its principal neighbors. During his visit to France, for instance, Gorbachev referred repeatedly to the need for better relations with Western Europe, even going so far as to hint at the possibility of excluding French nuclear weapons from the Geneva arms control talks. The Comecon's willingness to begin overall negotiations with the European Community and Gorbachev's positive assessment (again, during the Paris trip) of the process of Western European integration also point in this direction.

After the Geneva Summit, however, and also in the January 15 speech which announced his proposal for global disarmament, the Communist leader appears to have changed course. Though not abandoning his overtures to the other countries of the West, he now seems resolved to pursue the more traditional course of a direct, prior agreement with the United States. Particularly indicative of this new line is the total omission from the January 15 speech and many subsequent statements of all reference to the Helsinki Final Act and the CSCE, except for certain aspects of the CDE now proceeding in Stockholm. On the contrary, the global disarmament plan proposed by Gorbachev in January, while offering some proposals directly affecting the Europeans, appears designed primarily to soften the clash with the Americans. The issue of the British and French deterrent has been given some attention, with the offer of direct bilateral negotiations. Some consideration has received also the major Franco-British objection: that no reduction of the two European nuclear deterrents will be possible without a prior agreement diminishing the conventional, chemical and strategic nuclear threat against Western Europe. Gorbachev has in fact proposed also an important reduction of conventional forces in Central Europe, without however taking into account the actual imbalances in favour of the Warsaw Pact. The Vienna Mbfr negotiations, moreover, have not made the progress anticipated on the basis of these Gorbachev proposals. The concessions offered with respect to the CDE are also intended chiefly as a response to U.S. objections. Mentioning the possibility of postponing talks on the inclusion of naval exercise among the CBMs under discussion in Stockholm interests mainly the United States. By contrast, there is no mention whatever of some national right to on-site inspections in the territory of another party to the agreement, an innovation that would certainly enhance the role and the possibility for independent initiatives of the various European powers with respect to the superpowers.

Still, it is significant and positive that today several "areas of consensus" can be identified that could give rise to arms control agreements.

These are roughly the following, in order of probability (the first ones being those where agreements seem most readily attainable):

- a) An interim agreement on INF in Geneva;
- b) An understanding in Stockholm on prior notification of military maneuvers and on a statement reaffirming the principle of the renunciation of the use or threat of force in the framework of the principles of the Helsinki Final Act;

- c) Progress in the MBFR talks and in those on the outlawing of chemical weapons;
- d) A U.S.-Soviet agreement on the overall dimensions of an initial cut in strategic nuclear forces (the figures proposed by Reagan and Gorbachev, at different times and in different contexts are not so far apart);
- e) New discussions on a nuclear test ban, on U.S. ratification of existing treaties on the matter, and on a progressive diminution of and perhaps a ban on the tests;
- f) Negotiations on the issue of satellite security and anti-satellite arms control.

It would be mistaken, however, to ignore or underestimate the potential obstacles to the successful conclusion of these talks.

The principal obstacle concerns the strategic talks proper, and it stems from the diametrically opposed position of the U.S. and the U.S.S.R. on the issue of the Strategic Defense Initiative (SDI). The Soviet side has repeatedly and explicitly stated that U.S. renunciation of "offensive space weapons" (as the Soviet define SDI) is an indispensable precondition to any agreement on nuclear disarmament. However, the Soviets have suggested that a limited nuclear agreement, an interim agreement of the Soviet government already by the final communique of the Geneva Summit, perhaps covering INF, might be possible even in the absence of constraints on SDI.

The Americans, for their part, have already stated on a number of occasions first that SDI is a strategic priority and can not and will not be a bargaining chip, and second that a present SDI is not negotiable, in that it is still simply a research program, not an operational strategic program.

At least for now, then, both sides declare that SDI in non-negotiable, it must be either accepted or rejected. Obviously, such a position is incompatible with a successful course of strategic arms talks. On the other hand, we must note two factors that might permit both superpowers to take a different stance in the future. The first, on the American side, is the reaffirmation of the U.S. intention not to violate the commitments of the ABM Treaty, hence its stated willingness, prior to the deployment of a defensive system, to open talks on it with the Soviets. A recent American proposal, to extend the validity of the Abm Treaty for 5 to 7 years more, while not very forthcoming in terms of the actual testing of space-based Bmd, is a confirmation of this positive trend.

The second, on the Soviet side, stems from the very choice of the term "offensive space weapons" to describe SDI. The Soviets do not appear to be concerned over the defensive uses of a future Ballistic Missile Defense system (BMD) as much as over the possibility that a BMD system could be used to increase the possibility of a surprise first strike against Soviet nuclear forces and that it could be easily turned from a space shield into a sword (in Gorbachev's words), heightening the American strategic threat to the U.S.S.R.

It would appear, then, at least in theory, that there is some possibility of a compromise aimed at limiting the effectiveness of SDI and some of its technologies and reaching joint agreement, with a mix of defensive and offensive strategic systems, on a new, credible, stable deterrence.

Today, such a prospect is only too easily labeled "wishful thinking", and in any case it would require a great deal of good will, flexibility, and imagination on the part of both superpowers. But the very fact that we cannot exclude the possibility out of hand is encouraging.

The prospects for an agreement on INF are apparently simpler, for

here the divergences are more political than strategic or military. In highly summary fashion, they may be condensed to two:

- 1) The Americans maintain that the negotiations must cover all Soviet SS-20s, both in Europe and in Asia. The Soviets seem to be prepared to bargain over those stationed in Europe (and perhaps over a portion of the Asian ones as well, those that can strike Western territory in depth), but they maintain that in principle the proper negotiating context for their Asian INF is together with the U.S. nuclear forces stationed in the Pacific.
- 2) The Soviets are asking at the same time for a freeze on the tactical and strategic nuclear arsenals of France and Britain, while the Americans claim to have no right to negotiate over those apparently and the two European powers state that they are unwilling at this stage to negotiate over their nuclear forces in the context of the INF talks.

The first point might be relatively easy to settle by setting a fairly low ceiling for SS-20s based in the Soviet Far East. However, any direct comparison between the Soviet SS-20s in Asia, and the American tactical nuclear forces in the Pacific, would be unacceptable on various grounds. First of all because the balance is already made between SS-20s, worldwide, and Nato's euromissiles. Second, because there are important technical and strategic differences to be accounted for. The SS-20s, for example, are mobile land-based missiles, while all the American nuclear weapons in the region are air- or sea-based. Control over their deployment would entail limitations on the freedom of movement of the U.S. forces incomparably more restrictive than the limitations that would apply to Soviet forces.

The second point cannot be resolved in the way the Soviets hope. The British and French forces are virtually all classifiable as strategic forces. They cannot be pooled with U.S. forces in the calculation of limitations on overall force levels without putting the United States at a disadvantage in the strategic balance vis-a-vis the Soviet Union. On the other hand, even under Gorbachev's proposed disarmament plan, Britain and France would not have to start reducing their nuclear forces until the second stage (i.e., once the superpower's nuclear forces had already been reduced by about half). Moreover, nuclear arms reduction for Britain and France would begin with their tactical weapons. The elimination of their strategic arms, under the Soviet plan, would not come until the third and final stage of the disarmament program.

Thus Moscow too agrees in principle that the nuclear forces of the two European powers (and those of China) have a specialist status, not perfectly comparable with those of the superpowers. Given their modest dimensions, they cannot be significantly reduced without losing all credibility; hence they can only be either maintained or totally dismantled. The point at issue thus concerns only their modernization. At the end of 1985 the Soviets maintained that French and British strategic forces amounted to 162 launch vehicles with 434 warheads (though the latter figure is held by Western sources to be exaggerated). However, by the turn of the century, while the number of missiles should remain more or less the same (although France has scheduled the entry into service in 1994 of a sixth and later of a seventh nuclear-armed submarine, each with 16 SLBMs), the number of warheads is expected to rise to more than 1200.

probably negative consequences for the future of peace and security.

Some of these problems could be settled if the other negotiating forums (MBFR, CDE, the chemical warfare talks) managed to reach agreements.

Otherwise, the outlook for Europe, too, is for conflictual detente featuring a combination of arms control measures in some areas (especially on INF) linked with an arms buildup in other fields.

The Worried Europeans

The scenario for East-West relations outlined here creates major political problems for Western European governments. Our countries have a structural interest in detente, for obvious reasons both political and strategic. At the same time, these are also the most militarily vulnerable and the weakest countries of the two blocs. This weakness leads them to fear any and all changes, even apparently peaceful and positive ones, simply because they might upset the fragile existing balance.

All this would be of little importance if we were heading towards a period of real detente, mutual trust and cooperation between East and West in all fields and on a wide range of issues. But that is not the case.

The clearest indication of the limits of the present phase of detente is probably the difference in the superpowers' stances on local conflicts and regional crisis management. In his January speech Gorbachev said that "the Soviet Union opposes making measures in the sphere of disarmament dependent on (resolution of) so-called regional conflicts." In a word, he rejected the concept of linkage, as Brezhnev before him had done. Considering that in the past, under both Ford and Carter, arms control talks and agreements were downgraded or broken off owing to the political impact of local crises (from Angola to Afghanistan), such a position does not appear very realistic.

On the other hand, on many other occasions Gorbachev himself has underscored the importance, indeed the urgency, of ending the numerous local crisis situations. So if he rejects formal linkage between arms control and regional crisis management, that does not mean he is unaware of its importance.

In particular, it is hard to underestimate the potential repercussions of crises that could directly affect Europe in geographically contiguous regions such as the Middle East and North Africa. And it would be utterly impossible to ignore crises breaking out in Europe itself -- in the Balkans for instance. Nor does there appear to be any reasonable likelihood of continuing to ignore the problem of international terrorism, and complicity, connivance, and coverage of it and the possible and/or necessary responses (including military responses).

We are entering upon a period of transformation of international equilibria. The collapse of oil prices, for instance, will redraw the map of power in the Middle East, where some states that until now have played a role out of all proportion to their real social, human, and historical importance may see their influence drastically reduced. This alone will increase the likelihood of serious domestic and international crises and create a situation of strategic uncertainty.

The two superpowers are self-sufficient enough economically and in energy supplies and have the requisite military means to view this sort of development with relative calm and detachment. Not so their European allies. The economic growth and the security of the countries of Europe require a high degree of international stability. Such stability may be ensured either by joint, concerted management of the principal regional crises or (at a higher cost and at higher risk) by a sharpening confrontation between East and West

and the identification of separate "spheres of influence". At present the superpowers appear to be wavering between the two alternatives, hesitant to make a definitive choice. The result is general strategic uncertainty, which proliferates the unknowns in the future of detente.

Similar uncertainty appears to characterize the future of the European military balance. The Soviet Union is actively engaged in the modernization and expansion of its nuclear and conventional arsenals, especially aircraft and missiles. The U.S. has announced a future revolution in weapons. Doctrines are being swiftly transformed, bringing into question the equilibria on which European security has been based for the past two decades.

The debate on the future of nuclear deterrence opened by the pacifist and antinuclear movement, and taken up as a theme by President Reagan himself in his speech announcing SDI, will certainly have a profound influence on perceptions of security and international relations in Europe. Such concepts as flexible response, extended deterrence, and mutual assured destruction have been brought into question. But the problem is not a Western one alone, for two reasons. First, a change in the nuclear doctrine and strategy of one nation cannot but affect all the others. Second, within the Warsaw Pact, the change in Soviet conventional warfare strategy (the introduction of the Operational Maneuver Group, for instance) and the apparently enhanced role of short and medium-range missiles, both nuclear-armed and conventional, deployed outside Soviet territory may create problems of adaptation and divergent perception among allies.

In the West, the prospect of an arms control agreement covering just INF, together with the technological and strategic development implicit in SDI, is fueling a difficult discussion on the future of European defense. Indicators are the effort to revive the Western European Union (although so far the achievements of this effort have been modest in the extreme), the discussion on the relaunching and reinforcement of NATO's conventional weaponry in Europe, and the debate that has arisen over the possibility of building a European Tactical Anti-air and Anti-missile Defense System, which could be linked with the American BMD system of SDI (as the West Germans now propose) or else deployed independently (as the French might perhaps prefer).

These are not easy or painless decisions, however, for several reasons:

- a) First, because they entail difficult budget choices, rendered virtually insoluble by the problem of reconciling rising expenditure with a general tendency to reduce and contain budget deficits;
- b) Second, because they can raise delicate problems in international relations between East and West, since the vast majority of Western nations intend to reconcile these programs for strengthening military security with a search for more effective and stable detente.
- c) Third, because the decision must be made in a rapidly changing strategic context, while the operational and doctrinal consequences of the technological transformation that has barely gotten under way are still unclear, as is the effective scope and importance of possible arms control agreements between the U.S. and the Soviet Union.

As usual, then, the Europeans may be strongly tempted not to do anything, putting off decision until better times. This time, however, such a

stance may be impossible, partly because the European members of NATO are under strong and continuous pressure from their American allies to make decisions in line with those of Washington, partly because the response to Moscow's overtures cannot be delayed too long.

In this situation, however, it is likely that the Western European response will be much more cautious than the Kremlin would like, stressing defensive exigencies and the need to preserve deterrence rather than readiness to embrace daring ideas of disarmament.

Western Europe could thus find itself in a difficult situation uncongenial to its intense, sincere desire for detente, engaged in polemics with the U.S.S.R., and at the same time unsatisfied with its relations with the U.S.

Such a development would needlessly complicate relations between the countries of Eastern and Western Europe. Though both sides in Europe have an interest in detente, the two groups of countries run the risk of embracing conflicting policies, grounded in their different roles within their respective alliance. The Eastern Europeans, in fact, appear to be convinced that in the ultimate analysis their security depends on decreasing NATO's military potential in Europe. But this belief has not kept them from increasing their own defense spending; the GDR, for instance, increased its military budget by 7.7 percent in 1986, while Poland's 1985 defense budget was 31.7 percent larger than in 1984, at current prices. If we take into account the enormous devaluation of the Polish currency in relation with the US dollar, of course, the increase is greatly inferior (+1.5% in constant prices, according to the figures provided by Sipri). We should not however underestimate the political significance of these current increases, decided in a period of continuing economic crisis, and growing social expectations. Nor does this merely reflect the warning of Soviet Defense Minister Sokolov that the Warsaw Treaty Organization would match any U.S. arms buildup. It also indicates a willingness to maintain and possibly increase the military role of the Eastern European allies (and in particular of the German Democratic Republic), notwithstanding any other civilian priority. This choice has apparently not been a totally painless one, moreover. Previously, for instance, Romania had publicly expressed a diametrically opposed view, calling for a decrease in the Warsaw Pact members' military budgets in the order of 10 to 15 percent. Even the GDR, judging from signals that emerged during Viktor Grishin's Berlin visit in May 1985, acknowledged that up to that time it had not fully satisfied the Pact's military requirements. In committing themselves, that same year, to a twenty-year renewal of the Warsaw Pact with an automatic further ten-year extension, the Eastern European countries also agreed to play according to the Soviet military tune.

The Western Europeans appear concerned above all to ensure the continuity and stability of deterrence, through arms control measures where possible, but with not a priori exclusion of military reinforcement where necessary, though placed in a different political framework. In particular, the Western Europeans do not intend to submit to a situation of joint control or bipolar U.S.-Soviet management of European security that would diminish their political role or bring independence into question. The ultimate objective is the same, but the paths toward it may be different.

It is clearer and clearer that limited disarmament (such as measures affecting only the Soviet SS-20s and the U.S. Pershing-2s and cruise missiles based in Western Europe), while having undeniable political significance, has no equally self-evident military significance and may indeed be viewed with considerable skepticism in Western Europe. It is impossible to ignore, for

instance, that with its new-generation SS-21, SS-22 and SS-23 short-range systems, almost unnoticed, the Soviet Union has already deployed its first highly accurate conventional missiles in Eastern Europe. These weapons, while allegedly a response to the NATO INF deployments, seem in reality to be an integral part of the evolving Soviet-WTO strategy. The development of conventional payloads for the SS-21 through the SS-23 class missile systems suggests a dramatic improvement in accuracy that could contribute to a Soviet military decision to delay the employment of nuclear weapons in the battlefield. The SS-21 reportedly has a range of 75 miles and an estimated accuracy of 50 yards. The SS-22 has a 520-mile range and is being deployed in the GDR. The SS-23 has a range of 300 miles. With this range capability, those missiles will be able to strike most of NATO's highest-value military installations. This would extend Soviet coverage to NATO's rear areas and would enhance strategic surprise.

The prospective ability of the Soviet Union to conduct a fast-moving offensive campaign against Western Europe, without itself necessarily resorting to the use of nuclear weapons, places a greater burden on the credibility of NATO's escalatory options, especially if the Allied members, either for political or for economic reasons, failed to augment NATO's conventional assets.

By the 1990s Soviet theater offensive capabilities can be expected to be supplemented by army-level SA-X-12 brigades, to augment the organic air defense of Soviet ground forces. The SA-X12 reportedly is capable of engaging high performance aircraft, cruise missiles, and even ballistic missiles like the Pershing-2. Together with the development and deployment of a successor system to the ZSU-23-4 air defense gun and to the short-range SA-13, SA-14, and SA-11 surface-to-air-missiles, the SA-X-12 will impose upon NATO even more stringent penetration requirements while rendering the attainment of operational flexibility more difficult.

So if the U.S.S.R. has some reason for concern in the strategic effects of SDI, NATO in Europe has equally serious grounds for concern in the offensive and defensive weapons development of the Warsaw Pact. The enhanced military role of the Soviet Union's Eastern European allies on the one hand and these technical weapons developments on the other must both be somehow included and considered within the detente process and the arms control talks, at least if some response to Western European concerns is desired.

It should not provoke surprise or shock, therefore, if it proves to be the Western Europeans themselves who insist most emphatically on the question of linkage and the complicated problems of non-circumvention -- that is, linkage between the various arms control agreements and between arms control and regional crisis management, in particular crisis management in the regions of special interest to Europe. In particular, there are likely to be long-running, thorny problems of non-circumvention and of extension of arms control from the sphere of INF alone to all conventional and nuclear arms. Moreover, failing adequate arms control measures and satisfactory crisis management, it is likely that Western Europe, like Eastern Europe, will be squeezed ever tighter in an overall arms buildup mechanism, ranging from a new generation of conventional weapons to theater anti-aircraft and anti-missile defense systems, linked closely or loosely to the American "space shield", to the request to maintain both national and allied theater nuclear offensive credibility.

It would all be much faster and easier if the superpowers moved from the present period of conflictual detente to one of closer international cooperation and real trust and confidence. Until then, however, it is

inevitable that the Europeans should be, more than anything else, worried.

A Strategy Toward Detente?

New impetus needs to be imparted to the detente process and to arms control. This depends first and foremost on the U.S.S.R. and the U.S. but it would be mistaken to neglect the need for initiatives from the lesser powers of Europe. For it is these latter that have the strongest interest in a rapid improvement of East-West relations, for at least three reasons:

- a) because they are also the countries that are most disadvantaged by the unbalanced development of East-West relations and by the difficult realities of conflictual detente;
- b) because they risk finding themselves in the unpleasant position of having to oppose unbalanced arms control measures or arms control measures that fail to take due account of their particular problems;
- c) because they risk being the first to suffer the consequences of the worsening of and of a number of regional crises in the Middle East, the Mediterranean and Africa.

Everything, then, seems to point to the need for a new, more incisive European political initiative, if possible not restricted to Western Europe but involving the active participation of the Soviet Union's East European allies plus the neutral and non-aligned nations.

It is easy enough, in principle, to reaffirm the central role of European security and cooperation in any real detente and arms control, but it is hard in practice, not only because it could cause difficulties in the relations between the European powers and the superpowers but also because the Europeans themselves are deeply divided, have divergent perceptions of security, different domestic political response times, and so on. Yet it must also be recognized that only if a satisfactory response is made to the express or implicit concerns of the countries of Europe can a true, non-conflictual detente process take root.

Some of these prerequisites are already present, and could be actively cultivated. Both the U.S. and the U.S.S.R. for instance, recognize the importance of regional crises, and already they are engaged in exchanges of information and viewpoints on a bilateral basis. There is a real willingness in both Washington and Moscow to look on these local conflicts in a new light, from the Middle East to the Gulf war between Iran and Iraq, and possibly even the war in Afghanistan and Libya. We have noted the emergence of some possibility of progress in certain negotiating forums of direct interest to Europe, from the CDE in Stockholm to the MBFR in Vienna and the INF talks in Geneva. All of this is still highly uncertain, of course. For the most part the signs are just political signals, at times immediately contradicted in practice, which do not yet appear to have taken on the form, the substance, or the dignity of an overall strategy.

Is a joint European initiative for detente imaginable, one that starts from these signals and develops them positively?

This is not a matter of finding or seeking some strange role as "mediators" for the minor European powers with respect to their superpowers allies. It is clear enough by now that in both Washington and more recently in

Moscow as well there is recognition and acceptance of the existence of specific realities and particular national interests in the individual European countries that differ from those of the superpowers. This does not mean, however, that either Washington or Moscow is prepared to delegate to the Europeans a role of mediation between East and West. The two-sided dialogue between them has been under way for a long time now; it has its own well-defined channels of communication, its own characteristics and procedures; it certainly has not the slightest need of more or less self-interested "couriers".

The problem, rather, is whether it is possible to determine some common European interests, an objective European reality, with which both the superpowers must reckon, within the respective blocs and in pan-European relations.

In a word, the question is whether it is possible to find and lend substance to a collective European interlocutor in the arms control talks and in the detente process.

Obviously, the first forum in which to test this possibility is the CSCE. Unfortunately, however, despite the moderately positive signals coming from Stockholm, one cannot at present be overly optimistic with regard to the success of the future Vienna conference of CSCE, because of the clear imbalance that has arisen between the possible progress at Stockholm and the lack of progress, if not actual deterioration, in the sphere of human rights. This political impasse has to be overcome, and in this the active involvement of the U.S.S.R.'s East European allies would be invaluable, acting if nothing else along the lines suggested by the neutral and non-aligned countries.

But we have to go beyond Stockholm and the first phase of the CDE towards closer cooperation in the political and strategic sphere and towards more militarily significant agreements in the area of CBMs and arms control in general. We shall examine some of these points further on, but we can remark straightaway on the unlikelihood of any immediate emergence of such cooperation in the difficult sphere of arms control, because NATO and the Warsaw Pact will certainly seek to make significant agreements follow, not precede, the stabilization of the ongoing strategic and technological evolution between the superpowers, which would more clearly define their military priorities.

For this very reason, however, the time appears to have come to try to create a climate of mutual trust and better, less conflictual detente using as a point of departure other aspects of the international confrontation between East and West. Some of these aspects, such as economic and technical cooperation, are of great interest, but are outside the scope of the present paper and will be dealt with in another paper at this conference. Here, let me simply remark that true as it is that economic cooperation and trade are not per se a sufficient condition to ensure peace and detente, it appears equally true that trade war, sanctions and embargoes on economic relations are fundamentally incompatible with that objective.

Aside from the strictly economic and commercial aspects, however, in the present paper it is worth underscoring the need for proceeding jointly to the preventive management of a number of economic, political, and military crises touching European interests. This requires, first of all, that those crises be identified, followed by the identification of joint tools for intervention, which at first might well be non-military, i.e. essentially economic and political, in line with the European reality of civilian power repeatedly acknowledged and on which there is no need to dwell.

Taking the initiative in the sphere of regional crises is the more urgent and important, the more the confrontation between U.S. and U.S.S.R.

appears to intensify on this precise issue. Increasingly, the superpowers tend to intervene directly (Afghanistan) and to assist local combatants to upgrade the technological level of their conflict (the U.S. decision to supply Stinger SA missiles to the Nicaraguan "freedom fighters"). This could touch off a most dangerous spiral that could bury all hopes of an East-West agreement. Instead of just deploring it, the Europeans should try to suggest alternatives.

The problem of the economic crisis that is bound to strike some of the Balkan countries, for instance -- might this not be a chance to devise concerted economic and commercial intervention by the EEC and the Comecon? Financial assistance and economic and trade concessions could form part of an overall political plan for stability, to forestall an unnecessary aggravation of international tensions and establish a first, significant sphere of cooperation between the economic blocs and the European members of the two alliances, with the invaluable, indispensable involvement of neutral and non-aligned countries.

The recognition of the importance of peace and security in the Mediterranean could lead to other agreements no less important in the perspective of non-conflictual detente, such as active cooperation against terrorism (or at least against of the regional crises most directly affecting Europe.

Here again, I am not thinking of ambitious, abstract plans to substitute a European presence for the military presence of the superpowers or to neutralize the Mediterranean. Such plans have no practical effect whatever and are incompatible with the smooth functioning of the collective security systems to which the European powers belong. Instead, we need to see whether it is possible to foster the international political and economic strengthening of certain key countries, fundamental to regional stability and open to the prospect of a progressive easing of tensions and defusing of conflicts. Another feasible project is to look into the possibility of joint ways to back the diplomatic initiatives that best correspond to the need to enhance communication between the two blocs and mutual confidence. For instance, in the Middle East, encouraging initiatives to favor dialogue between Israel, the Palestinians, and some Arab countries involved in the conflict without necessarily predetermining the outcome of the contacts. Other initiatives could be more directly economic or humanitarian, though not without their political value, such as assistance for the economic development of the Arab populations of Israeli-occupied territories, or multinational development projects in key areas of the Middle East (irrigation, electrification, communication, etc.).

These are not new ideas, and they may still be overambitious. In any case, they do not preclude other, more innovative or more modest ones; nor do they preclude a more pragmatic, open-minded attitude. If I have chosen to mention them in this forum, it is only to underscore the potential of a different path to European cooperation, an avenue more ambitious than the present one, not conflicting with the policies of the superpowers but aimed at emphasizing the presence of a European interlocutor permanently interested in advancement of true detente. In sum, a greater European role in the detente process could try to insert some political cooperation in the superpower's world of conflictual relationship. This will not be easy. The Usa and the Ussr are both bound to look suspiciously to European West-West initiatives. There is a risk of misperceptions between allies, as well as a risk of diminishing the cohesion of the Alliances and the credibility of their defensive postures. It is difficult however to ignore the enormous benefits that the Europeans could draw from well balanced and imaginative political initiatives. It is very

likely that the idea of coupling together Eastern and Western European countries, supporting the same initiative, might be overambitious. In this case, the Western countries should try to increase their international presence and role, leaving a door as open as possible for latecomers from the East. A greater consideration for European perceptions and interests is a necessity, for detente. But such a necessity has to be demonstrated by the Europeans themselves.

Arms Control for Europe?

We return, finally, to military problems proper. It has been said that arms control agreements in themselves do not ensure detente, but we have also seen that incomplete agreements or, worse still, the outright absence of agreements are in the long run incompatible with closer East-West cooperation.

The climate is not of the best. The two superpowers are engaged in massive arms modernization and development plans, both nuclear and conventional. The main feature of the arms control plans offered so far seems to be their inflexibility - take it or leave it. A strange sort of public, declamatory diplomacy appears to have supplanted the more reserved diplomacy of bilateral and multilateral negotiations. What is more, the negotiations themselves often seem to be the last to know about the public initiatives announced by their leaders; they have no explanatory instructions and they lack the negotiating flexibility to be able to concede something to the other side.

Exerting some influence on these strange pseudo-negotiations (which could even yield sudden, unexpected results but could also collapse, equally suddenly) is no easy matter. Trapped in the political vice of the conflict between the opposed propaganda of Moscow and Washington, the government of Western Europe too are driven toward declamatory attitudes and public proposals. However, this heightens the tensions within the NATO alliance and produces additional political complications in domestic and international politics. For instance, when the West German Foreign Minister says that the two superpowers should agree on a cessation of nuclear tests, he tries to distinguish his position from that of Gorbachev, but he inevitably produces political effects in Washington and Moscow that do nothing to strengthen hopes for new arms control agreements.

Here again, I feel, we need to pay more attention to the problems and priorities of the European countries taken all together. In a recent interview granted to Humanite, Gorbachev criticized the United States, stating that America was set on going ahead with the SDI "to achieve absolute security for itself and put everybody else in a condition of absolute insecurity." This is an important statement, not only in the context in which it was made but in general. The quest for absolute security by one side cannot be pursued if its condition is the absolute insecurity of the other. Some middle ground, some meeting point must be found, of relative security and insecurity. And this is precisely Europe's problem. Today, the two alliances -- NATO and Warsaw Pact-- offer no guarantee whatever of absolute security for Europe. They do not even offer the European powers security equivalent to that enjoyed by the superpowers (which in turn is not absolute). Arms control agreements must not upset this delicate equilibrium but instead strengthen it, must make European security permanently better than it now is.

This will not be easy, but if two ingrained ways of thinking about the European countries continue to prevail, it will be impossible. These are:
-- that European powers are mere extensions of the superpowers whose allies they are, whose military potential is mechanically added to that of their respective superpower;

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REFLECTIONS ON THE FUTURE OF THE EUROPEAN
COMMUNITIES

by

Annamaria Artner

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

Reflections on the Future of the European Communities

Annamária Artner

To the tasks surfacing as a consequence of the world economic crisis of the 70s /including a restructuring called for by technological progress/ the EC could not respond appropriately until as late as the very end of 1986. Therefore, in the first half of the 80s, the future of the EC appeared to be of a negative trend. From late 1986, however, various phenomena and particularly the reform-mindedness having unfolded in the Community have been shifting opinions towards some sort of optimism. This is backed up by the following: the countries of the EC show a modest but stable growth; the fight against inflation has achieved some promising results; from a certain aspect there are signs showing a levelling off of the situation of the member countries; the EMS is functioning well; the reform of the institutions of the EC shows an uptrend; the dismantling of the institutional barriers to a unified internal market appears to have become an irreversible process. At the same time, unemployment continues to be on a high level in the region; behind the apparent convergence major differences lie hidden as regards the level of development of the subregions; the EC's losing of positions in the world market is continuing; the restructuring of the industry is still an issue of prime importance; and no results seem as yet to have been achieved by the intentionally radical reforms. Because of all this, the reform measures centred around the establishment of an internal market permitting a unified, efficient management are liable to attract particular attention.

1/ The intention is to rationalize the common agricultural policy and to take thus some burden off the Community budget. Successes have been achieved in a reduction of the

output. However, the system fundamentally continues to encourage overproduction, and agricultural protectionism continues to be existent, which - particularly in view of the increasing agricultural exports of the EC - affects the external agricultural exporters very negatively. Despite the expected cut in CAP expenditure, for the time being the agricultural sphere will continue accounting for over half of the expenses of the EC budget.

2/ In the field of the budget having shown a deficit for years, the intentions aim at pressing back the national state ambitions and extending the Community authority. Apart from the reduction of the share of CAP, the reform of the budget is to feature additional contributions complying more with the differences in the economic power of the individual member countries, furthermore a restructuring of the expenses. The restructuring has two main characteristics: a doubling of the regional fund which has been made necessary by the latest wave of enlargement, and an increase in the significance of the role of joint research and development being a condition of the region's keeping abreast of the progress of the world economy. It is to be remarked in this connection that an expansion of co-operation between the EC and the non-EC European /above all EFTA/ countries is to be expected, and that primarily just in the field of technology development and finances.

3/ In the domain of finances a progress has been made towards liberalization. The Ecu is expected to continue gaining ground in the world market. At the same time, the harmonization of the highly different tax rates complying with the deviating economic performances makes the Community face a hard task.

4/ In the interest of creating a unified internal market, steps are being taken towards a standardization of the

legal, health, environmental and labour protection, and transport norms and rules, and state orders are wanted to be taken out of the national frameworks, i.e. the intention is to put an end to the practice of giving preference to the national enterprises. It is probable that the unification of the norms and legal rules will come up against less national state obstacles than the "setting free" of state orders related to actual or supposed national/ interests.

From the end^{of} 1986, consequently, the signs of a new phase have been becoming manifested in the development of the EC. However, the effectiveness of the reform of the long-standing institutions and of the steps taken towards the establishment of a unified market will depend on the extent to which the Community will be able to deal efficiently with the regional problems having emerged in the wake of the enlargement in the 80s. The accession of the three latest-joining countries has enlarged the less developed /"peripheral"/ wing of the Community. The contrast between the more developed core /"centre"/ and the less developed periphery has thereby become more pronounced and more marked within the Community, which obviously curbs the possibility of joint actions and of a rapid and unified development.

The problems needing more attention because of the enlargement can be classified into five big ^{groups}, covering the respective issues of industrial customs union, agricultural sphere, free migration of the labour force, budget, and decision making /mechanism/.

By means of the industrial customs union the three new member countries, characterized by relatively low wages, raise competition in several "sensitive" sectors of the EC /e.g. iron, steel, ship-building, textile and clothing industry, and chemical fibres/. Since these industries play a

significant role in the economic development of the new member countries /in reducing their economies' dependence on agriculture/, the Community has promised them to provide support in this field. However, in various less developed regions of the "Nine" /Ireland, Mezzogiorno, various parts of Britain/ these activities are partly also pursued. The competition of the new member countries with lower wages is unfavourable for them, hence the development of the industry of these regions also needs some compensation. All this may result in that the industrial policy of the EC becomes shifted towards the "lagging" sectors. But what needs at least to be reckoned with is that the import competition caused by the enlargement exercises an unfavourable impact in the "traditional periphery", due to which the differences in economic development may increase within the EC.

The enlargement rearranges the agricultural sphere so that, on the one hand, there will be an increase in demand for the products connected with animal husbandry /meat, feed-stuffs/ and, on the other hand, there will be an expansion of supply of Mediterranean products. The latter change raises the issue of a reallocation of subsidies, which may affect negatively the share⁴ the "northern" products receive of the subsidies.

A complicated situation has been produced by the enlargement also in respect of the free migration of the labour force. On the one hand, the Community supports the establishment of a unified labour market free from restrictions /SEA/. On the other hand, however, in view of the considerable unemployment the governments /e.g. of France and the FRG/ endeavour to set limits to job-taking by foreign nationals. With the enlargement an increase in the number of job-takers migrating from the new, less developed member

countries to the more developed ones may be expected, which may simultaneously strengthen resistance to the employment of foreign workers. Naturally, this may exercise a negative impact also on the foreign job-takers "traditionally" employed within the "Nine" and may sharpen conflicts between the more developed and the less developed regions.

With the enlargement there will be an increase in the weight of the regions to be developed, and in the demand for financial transfers /allotment of regional and social funds, of cheap credits/ from North to South. Since the availability of funds is limited, the resources to be allotted to the new entrants may only be increased to the detriment of the aids serving the traditionally underdeveloped regions. This may contribute to making conflicts keener within the "periphery".

The mechanism of decision making is to become more sophisticated, since now it is necessary to concert the interests, much more diversified than earlier, of 12 countries. A new element is the growth of the weight of the "periphery", which strengthens its bargaining position vis-a-vis the "centre". However, the less developed countries can only take advantage of this if they can take unified actions, i.e. if from time to time they can resolve their conflicting interests in compromises.

It is moreover necessary to deal in some detail, in general terms, with the "centre - periphery" relationship having become more marked and pronounced within the integration, that is with the role this may play in the future development of the EC.

The conflicts evolving powerfully between the Periphery /the underdeveloped regions of the EC/ having become enlarged and giving thereby rise, on its own, to new contra-

dictions and the Centre representing the more developed member countries - i.e. the regional problems existing within the Community - are probably impossible to be resolved by the process of economic integration /the international division of labour evolving spontaneously/ without making active and deliberate interventions, on the contrary, it can continue aggravating them and increase the lag of the Periphery. This process of dualization is not obviously in the interest of the Community.

In the EC various factors speak in favour of the development of the underdeveloped regions:

1/ First, it is in the interest of the developed countries themselves to develop to a certain extent the regions serving as a market for them, since thereby they can ensure an increasing export of goods and capital and can, moreover, realize additional advantages from the international division of labour.

2/ The possibilities provided by the integration /international institutions, mechanisms, plans etc./ permit a certain recognition of global /international/ and long-term interests. It is to be realized, thus, that making the underdeveloped regions catch up is necessary from the viewpoint of the development of the whole region.

3/ Finally, by virtue of its weight within the EC, the Periphery may itself be an effective promoter of regional developments in the process of decision-making.

For a successful development of the less developed countries the resources may be supplied by the more developed core of the EC. However, with the Periphery having now become of a major weight, the West European Centre is unable to provide any meaningful financing for its development, since on the world economic level the Centre itself is liable

to face the risk of becoming displaced towards the Periphery. The catching up of the less developed countries and regions may thus get suspended /and in certain places it may not even get started/, since the developed countries cannot /or don't want to/ promote it and/or the Periphery is unable to take unified /or co-ordinated/ actions for its own interests. Since such economies are at issue as, beyond the real economic processes, are considerably connected with one another through the integrational mechanisms and institutions as well, in consequence of a possible further falling behind the Periphery facing economic, social and political concerns would lay a considerable burden on the economic and political strength of the Centre /e.g. due to the need of a permanent economic and financial subsidization/, and this would act destructively against the integrational processes.

From another aspect it is imaginable that the Periphery can enforce its interests so successfully that by a maximum utilization of the possibilities provided by the Community mechanisms it can set a considerable part of the resources of the Centre in the service of its own development /increase in financial transfers, shift of the integrational industrial policy towards those branches of the Community that are actually "lagging" but being of significance in the less developed countries, etc./. By this, however, it can "absorb", it can erode and ruin the Centre, the pulling power of its own development.

These two ways, leading to near-identical outcomes, are naturally simplified alternatives of the possible development of the EC, leaving out of consideration, for example, the obvious possibility that given certain conditions self-generating development processes may also start in the Periphery. However, so much is clear also from this simplified

train of thoughts that unless the Community is able to go beyond the national frames and formulate a unified international /"supranational"/ economic policy, due to the gravitational pulls the region will inevitably evolve towards the direction of dualization.

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CONTINUITY AND CHANGE IN SOVIET-EAST EUROPEAN RELATIONS:
RECENT TRENDS AND IMPLICATIONS FOR THE WEST

by

Marco Carnovale

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

I. Gorbachev and Eastern Europe

Three years into the Gorbachev era, there is reason to believe that the Kremlin is taking stock of Soviet/East European relations from an increasingly pragmatic standpoint. While nothing indicates a dramatic redefinition of fundamental Soviet interests in the region, Moscow seems to be ever more concerned with the economic aspect of that relationship and less with the once all-important ideological issues and ritualistic demonstrations of loyalty.¹ The chapter by Keith Crane in this volume has argued in this context that while there is a perceived trade-off in Moscow between pursuing profitable trade and avoiding political instability, the latter remains a more important goal than the former.

Aggressively looking for resources to implement its perestrojka at home, the Kremlin seems to be less willing to shoulder the costs of its economic support of the troubled Eastern European economies, and it is therefore vigorously prompting the fraternal parties to increase productivity and economic efficiency as a matter of top priority. For the same reason, as Wolfgang Berner has noted in chapter, both the Soviets and the Eastern Europeans have been wary of admitting to the CMEA new developing Third World members, which would have represented an economic burden in terms of both aid and trade.

As a general indication of this trend, one might notice how during 1986 and 1987 the targets of the most pungent Soviet criticism have been the economically stagnant Rumania and Czechoslovakia, while the relatively more dynamic Poland and Hungary have been repeatedly

¹ Dawisha, Karen and Jonathan Valdez: "Socialist Internationalism in Eastern Europe", in Problems of Communism, Vol. XXXVI, March-April 1987, p.13.

praised and encouraged in their efforts. This line was paralleled at the political level during the debate in the USSR over the reform of the party's electoral systems, when Soviet leaders referred to the Polish and Hungarian systems as positive precedents in multi-candidate elections.²

Successful economic reform in Eastern Europe would allow the Soviets to reduce their economic subsidies to their allies and redirect the savings to domestic investment, which is sorely needed for the success of the process of perestrojka. Nonetheless, one should remember that what prompted past Soviet economic subsidies to Eastern Europe was Soviet concerns about the social and political stability of the Eastern European allies. This stability was considered by Moscow to be more important than the marginal improvements which the resources destined to those subsidies would have generated in its own domestic economy. There is no reason to think this has changed. Thus, an increasingly pragmatic USSR will expectedly continue to look with favor at Eastern European reforms to the extent that they can substitute for Soviet subsidies. Reforms in Eastern Europe might however generate concern even in a reformed Soviet Union if they feed excessive popular expectations and generate destabilizing domestic political repercussions. This concern is clearly justified by past experience.

A longer term concern of Moscow's might be to avoid an excessive Eastern European dependency on Western credits and technology which,

² During the course of the debate over party electoral reforms at the CC Plenum of January 1987 Hungary and Poland were praised even by the usually conservative Ligachev. Hahn, Werner G.: "Electoral Choice in the Soviet Bloc", in Problems of Communism, Vol. XXXVI, March-April 1987, p.32.

if extensive enough, might generate some undesirable Western leverage as well. This might provide an additional motivation for Moscow to incur the costs of its subsidies.³ In this sense, as Keith Crane has pointed out in his chapter, Moscow's overriding desire to retain control over the region still outweighs its obvious desire to make the countries in the region economically viable. At this time there is not much reason for the Soviets to be concerned about this potential problem: the West no longer has the massive availability of capital which made the soft loans of the '70s possible, and Eastern Europe can hardly afford to buy expensive high technology to the extent that it would make it vulnerably dependent on Western know-how.

In fact, Eastern European trade has recently been rather re-directed toward the Soviet Union, whose trade with the junior allies has risen from 52.9% in 1985 to 61.5% in 86.⁴ The European CMEA members continue to be dependent on the USSR for the energy raw materials which they can not afford to buy in the world market for hard currency, despite the recent lowering both of energy prices and of the value of the dollar. Even Rumania, which used to be the most self-sufficient in energy, is increasingly forced to resort to energy imports from the Soviet Union. This forces the USSR to continue to sell more oil, and at less favorable terms, than it would prefer to do, particularly at this time, since serious problems deriving from years of over-exploitation of national hydrocarbon reserves are becoming apparent and are threatening the future of the Soviets' main

³ Kusin, Vladimir V.: "Gorbachev and Eastern Europe", in Problems of Communism, Vol. XXXV, January-February 1986, p.46.

⁴ Data provided by the Soviet-Italian Chamber of Commerce.

source of hard currency.⁵ In light of this, it is not surprising that for several years the Soviets have been doing their utmost to exhort the East Europeans to increase productivity, and particularly to improve their energy efficiency.

In the institutional framework of the CMEA, the Soviets have aired proposals to improve efficiency by selectively introducing competitive market mechanisms--including some sort of convertibility for the ruble--in intra-bloc trade. This might help to overcome the current trade inflexibility owed to the widespread counter-trade practices and to the lack of incentives for producers to compete with better products from outside the bloc--and indeed from within the bloc as well.⁶ As I have noted in my chapter on the Warsaw Pact, over time the Soviets have allowed a greater room for political maneuver in their institutionalized security framework as well.

Concomitantly with their increasing pragmatism in the economic and security policies, the Soviets have reduced the ideological emphasis in their relationship with the allies. In particular, references to "socialist internationalism"--the long-time catch-phrase

⁵ Kramer, and Gustafson, T.: "Energy and the Soviet Bloc" in International Security, Vol. 6, No. 3, Winter 1981/82. As is known, intra-CMEA oil prices are calculated yearly on the basis of a five-year moving average. This of course favored the East European buyers when world market prices were rising, but the same mechanism turns against the buyers when world prices fall for a prolonged period of time. In fact, what was a subsidy from the Soviet seller might become a premium. But since not all energy trade is settled in hard currency, the degree to which the Soviets are making the East European shoulder the financial burden represented by the fact that Soviet prices have been declining more slowly than world prices depends on the degree to which Moscow demands that energy be paid back either in hard currency or in "hard goods". So far Moscow has avoided pressing for "hard" payments too strongly.

⁶ Diehl, Jackson: "Soviet Rewriting East Bloc Economic Rules", in International Herald Tribune, 14 October 1987.

indicating that the interests of the socialist community, as defined by the community's Soviet leaders, must have precedence over those of each individual socialist state--have since the inception of Gorbachev become increasingly rare. Ever since his first speech as Secretary General to the Central Committee in 1985, Gorbachev has used few ideological slogans and catchwords.⁷ Significantly, he has not renewed his predecessors' calls for a world-wide conference of the international communist movement. In this respect, as noted by Wolfgang Pfeiler in his chapter, the Soviets have followed in the wake of the Eastern Europeans.

Yet, memories are still recent from the incandescent days of 1968 when Brezhnev stated that under no circumstances may the interest of socialist countries conflict with those of world socialism, thus stigmatizing with his name the theory of limited sovereignty for the junior allies--though it obviously had long preceded his coming to power.⁸ Indeed, while Gorbachev has referred to socialist internationalism most sparingly, the debate in the Soviet Union is clearly far from settled on this score. At least three positions can be singled out among authoritative Soviet spokesmen.

The first position is that of those who flatly deny not only that the interests of individual socialist states can not be different and even contradictory, but are also opposed to "hegemonic" and "domineering" temptations by the most powerful among them over the

⁷ Kusin, Vladimir: "Gorbachev and Eastern Europe", op.cit., p.40.

⁸ Reported in Pravda, 26 September 1968.

weaker ones.⁹

The second group includes those, at the other extreme, who continue to uphold the validity of socialist internationalism essentially in the same form as did the Brezhnev Politburo.¹⁰

The third group is trying to square the circle by placing more emphasis on the possible contribution of initiatives on the part of the small socialist states both to peace in Europe and to better superpowers relations.¹¹ This formula might afford them more latitude for independent foreign policy initiatives, while reserving for the USSR the ideological "right" to stop them should the threshold of "acceptability"—however defined by the Soviets—be crossed.

As noted in Wolfgang Pfeiler's chapter in this volume, Gorbachev appears to belong to the third group, but this might be owed as much to his current necessity to keep his balance in Politburo politics as to his genuine conviction about the desirability for reform in Soviet/East European relations. In any case, it is still too early to judge which of the three groups will eventually prevail in the Kremlin.

II. Eastern European responses to Gorbachev's Policies

The above discussion on the conflict between national and international interests in the context of Soviet-Eastern European relations suggests that some novel aspects have emerged in the Eastern

⁹ Dawisha, Karen and Jonathan Valdez: "Socialist Internationalism ...", op. cit., p.2.

¹⁰ Ibid.

¹¹ Kusin, Vladimir: "Gorbachev and Eastern Europe", op. cit., p.44.

Europeans' reactions to the policy changes and to the proposals emanating from Moscow. While Eastern European responses to Gorbachev's initiatives have varied significantly from country to country, they exhibit interesting common denominators. This section will outline them individually, while the next one will use these reactions as a basis to examine prospects for Soviet-East European relations.

One general point to note with respect to all of the regions is a rather paradoxical one. With Gorbachev, for the first time ever a Soviet leader draws enthusiasm from dissidents and opponents of Eastern European regimes—including the large, if imponderable, strata of the dissatisfied population at large—while the leaderships are overall very ambiguous about challenging economic restructuring and even more about dangerous political democratization, both of which are at the core of the "new thinking" in Moscow. By the same token, it is now the reformers who tend to emphasize "socialist internationalism" to strengthen their case in favor of emulating Soviet reforms, while it is the opponents of such change who now stress the right of each country to pursue a "national way to socialism".¹²

Another general point is that the Eastern Europeans, so far, have responded more on the economic than on the political plane. This might be due to several reasons. First, the Soviets have better defined their economic plans for restructuring than their schemes for political reform. Second, in light of the objective needs of the Soviet economy, there is a lesser danger of a sudden reversal of perestrojka than is the case for glasnost. Third, the Eastern

¹² Kraus, Michael: "Soviet Policy Toward East Europe", in Current History, Vol. 86, No. 523, November 1987, p. 354.

Europeans had been doing some of the things Gorbachev proposes to do in the economic sphere already. Third, economic reforms are less dangerous domestically, more predictable, than political ones. Finally, economic reforms are more badly needed and much less controversial domestically, than political transformations.

When Gorbachev launched his drive for economic restructuring, Hungary was among the CMEA allies the one which had already done the most to improve economic efficiency, beginning with the introduction of the New Economic Mechanism in 1968. The Hungarian response to Moscow's attempt at economic perestrojka has therefore predictably been a positive one. New economic legislation has been enacted which continues and strengthens Budapest's drive for greater decentralization and increased room for market mechanisms and individual enterprise.¹³

Yet, the possibility looms large that further economic liberalization might fuel higher expectations of political freedom as well, particularly should such widening economic liberalizations fail to raise productivity and to create the basis for a permanent increase in the average standards of living. This is what happened in Poland in the late '70s, and the result was the well known social turmoil and ensuing political crackdown. Thus, while obviously agreeing with the new Gorbachevian emphasis on the right of each socialist country to

¹³ Private enterprises are now allowed to have up to 24 employees, twice as many as before. Since March 1987 Hungary is the first socialist country in Eastern Europe with a law on bankruptcy, enacted amidst growing dissatisfaction with the mismanagement of large sums of foreign hard currency credits on the part of several major enterprises. In 1987 Hungary has also introduced the first value added tax and personal income tax. Argentieri, Federigo: "I Paesi Europei del Blocco Sovietico e la Politica di Gorbaciov" in Note & Ricerche CeSPI, # 14, Rome, September 1987, pp.26ff.

pursue its own model of economic and social organization, the current Hungarian leadership in trying to avoid dangerous excesses by restating--and thus reminding itself and its people--the continuing applicability of the "general laws" of socialism, which Hungarians were rather brusquely reminded of by Soviet ideologue Suslov thirty years ago.¹⁴ In sum, Budapest is trying to continue on its course of reform without however providing ammunition to the maximalists who might be inclined to do too much and too fast.

The Gorbachev era finds Bulgaria in relatively good economic health. The recent record of economic growth and technological progress of the country is generally recognized as satisfactory. The government has therefore little reason to be critical of its own recent past, and it has welcomed Soviet exhortations toward greater efficiency without however reneging the course of action followed so far.¹⁵

In particular, the party headed by the aging Todor Zhivkov, the doyen of all socialist rulers in Eastern Europe with 33 years of uninterrupted power behind him, has followed a duplicitous course, in that it has been careful to distinguish between its support for the advisability of further economic improvements and reforms and any connection whatsoever between it and even the most limited form of political liberalization.

Overall, one might conclude that the Bulgarian response to Gorbachev's innovations has been cautious, with much more emphasis on

¹⁴ Dawisha, Karen and Jonathan Valdez: "Socialist Internationalism...", op. cit., p.5.

¹⁵ Gati, Charles: "Gorbachev and Eastern Europe" in Foreign Affairs, Vol. 65, No. 5, Summer 1987, p.963.

economic perestrojka than on political glasnost', and its successful prosecution will largely depend on the development of the upcoming post-Zhivkov transition.¹⁶

Poland has wholeheartedly welcomed Moscow's economic initiatives. This hardly came as a surprise in light of the fact since at least 1983 Jaruzelski had been pursuing essentially the same moderate economic reforms that Gorbachev is advocating. Thus, there is more than a kernel of truth in the general's statements about how the two countries have never experienced such a convergence of interests as they do today in all of their past common history.¹⁷

Aside from the prevailing convergence of the pragmatic economic outlooks in both countries, Poland's economic efforts require good relations with the Soviet Union because help from the latter will be instrumental to its success at economic revival—or perhaps one should say resurrection. In fact, after the lesson of the seventies Warsaw is unlikely to once again become overly dependent on Western technological and financial inputs, which have proven to be expensive and difficult to absorb and properly utilize.

For all its support for economic perestrojka, Poland welcomes perhaps even more the Soviet drive toward political glasnost', particularly with respect to Gorbachev's call for more transparency in Soviet-Polish relations. Specifically, Gorbachev has underlined the necessity to finally fill in the "blank spots" in the historical record of the two countries' relations. In that context, both leaders have stressed the need for a re-foundation of bilateral relations on

¹⁶ Argentieri, Federigo: op. cit., p.37.

¹⁷ Gati, Charles: "Gorbachev and Eastern Europe", op. cit., p.968.

more solid grounds after decades of mistrust. The first sign of this effort has been the re-opening in the Fall of 1987 of public discussion in both countries on the question of the infamous World War II massacre at Katyn, which remains a bleeding wound in Polish memories.^{1a}

An additional novel aspect in Soviet-Polish relations is the increasingly open recognition by the Soviets of the role of the Church in Poland. Given the recent warming of relations between the Jaruzelski government and the Church, it is conceivable that the former has successfully persuaded Moscow to recognize the importance of the latter in terms of the positive contribution which it can provide to social stability through its pervasive influence in the country.

The government of East Germany has reason to be satisfied with Gorbachev's initiatives. Honecker can point to the success of his own economic reforms during the past decade, and thus resist domestic and international pressure to emulate the Soviet trend toward increasing political openings.

Moreover, he can avail himself of the new Soviet overtures to the West to pursue the inter-German détente which Gorbachev's predecessors had persistently stifled. In fact, the renewed Soviet dynamism in East-West relations allows Honecker to better resist Soviet-type political reforms at home by displaying positions which are

^{1a} The socialist government of Poland, unlike the government in exile at the time, has supported the Soviet version which, contrary to the findings of the Red Cross during World War II, attributed the responsibility for the execution of thousands of Polish officers to the Nazi; however, many in Poland have never been convinced and the memory of Katyn has fuelled considerable anti-Soviet resentment.

fundamentally identical to the Soviets' in foreign policy—this had not happened for a while: quite to the contrary, in the last years of the pre-Gorbachev era, Moscow had restrained Berlin's overtures to the West, while East German domestic political conservatism closely resembled that of the Soviet Union itself.

At the heart of East German efforts toward better East-West relations lies the well-known goal of de jure political recognition of the East German state by Bonn. For this reason, there probably is a structural limit to the extent to which the Soviets can approve of better inter-German relations.¹⁹ If Bonn should eventually come about to recognize the East German state, this would undoubtedly increase the international standing of the latter and, with it, diminish its subordination to the USSR. Moreover, Moscow would see its post-war official authority over all of Germany undermined.²⁰

In Czechoslovakia, the similarities between Gorbachev's economic and political initiatives and those which led to their tragedy of 1968 are too evident to be denied. While there are perhaps more differences

¹⁹ As the chapter by Eberhard Schulz in this volume has argued, the East Europeans have long been balancing their desire for better relations with Bonn with Soviet pressure to limit such relations. In this light, Gorbachev's "green light" to better Bonn-Berlin relations might have long-lasting consequences for Bonn's ties with the rest of Eastern Europe as well.

²⁰ The Kremlin still considers it important to maintain a de jure recognition of its presence in Germany as guarantor of one of four occupation sectors rather than host of one of two German states. This status maintains a Soviet right of say in West German affairs which would be lost should the two German states become fully sovereign again. That the Soviets place much value on this legal nuance was highlighted in the famous incident in 1985 when the SED's newspaper Neuesdeutschland once referred to the "Soviet forces in the German Democratic Republic" only to be promptly rebuked by the Soviet commander of those units, who emphasized that he was the head of the "Soviet forces in Germany". See Kusin, Vladimir: op. cit., p.48, and Wolfgang Pfeiler chapter in this volume.

than similarities between Gorbachev's goals and those which animated Dubcek two decades ago, it is incontrovertible that the perception in Czechoslovakia tends to stress the latter rather than the former.²¹

During his visit to Czechoslovakia in the spring of 1987, Gorbachev praised the accomplishments of the Husak leadership, but prior and during the visit he repeatedly emphasized the need for Czechoslovakia to move on with economic restructuring. On the eve of the visit there was some speculation that he would also meet with Dubcek; the meeting did not eventually take place, but when at the end of the trip a Soviet spokesman was questioned about what he thought of the differences between Dubcek's reforms and the Soviets' own were, he could only reply "nineteen years", perhaps implicitly acknowledging that the timing rather than the substance of reform had been Dubcek's main error.²²

In sum, the Czechoslovak reply to Gorbachev's prompting in the economic sphere has been cautious and the future of the first prospected reforms remains perhaps the most uncertain among the Eastern European countries. The Czechoslovak leadership, soon after the exit from the political scene of the ailing Husak, appears

²¹ To some extent this perception is present also at the apex of the Soviet leadership, as testified by the open consideration which was given in the Fall of 1987 to a re-evaluation of the events which had led to the invasion of 1968. The consequences of the recent dramatic and unprecedented interview granted to the Italian CP's daily l'Unità, in which Dubcek praised Gorbachev's ideas and stressed the similarities with those which his government tried to implement 20 years earlier, remain to be seen. For the text of the interview, see l'Unità, 9 and 10 January, 1988.

²² In November, Georgi Smirnov, Director of the Institute for Marxism-Leninism, went on record saying that the time had come to review the decisions of 1968 about the Czechoslovak intervention. See la Repubblica (Rome), 5 November 1987.

divided. The new leaders Jakes was seen as a supporter of reform, but his first few speeches as party leader have been extremely cautious on the subject.

Ceausescu's Rumania has expressed the stiffest resistance to the new course in the USSR. What used to be Bucharest's maverick behavior in foreign policy is now becoming the norm in domestic policy as well. Ceausescu has repeatedly gone on record with statements about how a truly revolutionary party will under no circumstances give up its role in guiding all the economic entities of the society. He insists that any form of either free enterprise or of self-management is incompatible with such a role because it would allow for conflicts of choices outside of the party's reach. Ceausescu is steadfast in his position against any suggestion of perestrojka, let alone glasnost, in his country.

To make Soviet-Romanian relations worse, he continues to energetically reject any notion of socialist internationalism, no matter how veiled. This is expectedly reducing Soviet propensity to help Rumania at a time when its economic difficulties and its inability to further draw help from the West have produced a rise in the volume of Soviet-Romanian trade.²³

One is left to wonder about why Ceausescu's line continues to be so disharmonious with Moscow on almost anything he cares to talk about.²⁴ Be that as it may, the current course might create serious

²³ Gati, Charles: "Gorbachev and Eastern Europe": op. cit., p.962.

²⁴ Several non-exclusive explanations are possible. First, he might fear that positions closer to those of Moscow might endanger his family rule over the country by facilitating the rise of more reform-minded leaders. Second, he might fear that opening his society, even slightly, through economic reforms and more political openness might

problems for Rumania's dealings with the West as well. While for twenty years Ceausescu was able to woo the West into granting him various kinds of preferential economic treatments thanks to his maverick foreign policy, his being out of tune with the current reforms in the USSR might threaten the continuation of such favorable treatments. It was possible for Western governments to extend credit, trade and other facilitation to Rumania to encourage it to maintain its open dissent from Soviet foreign policy positions. By the same token, it might be difficult to do so if he becomes increasingly identified with neo-stalinist orthodoxy while the prevailing forces in the USSR project an image of increasing openness and reformism.

Such a deterioration could hardly come at a worse time for Rumania. Bucharest is in the process of repaying its massive debt to the West at the cost of Draconian reductions in its standards of living which have produced the first serious social disturbances in a major urban center under Ceausescu's rule.²⁵ Soon Ceausescu will have to begin looking for new capital abroad in order to restart industrial and other investment which is now being cut along with everything else: it is unlikely that he will be able to find this capital without at least some Western help.

produce a dilution of the nationalist cement which has provided him with some badly needed social cohesion through the long times of economic hardships which are seemingly without end. Third, he might fear that even a limited economic liberalization, with the growing nationalization and international division of labor which would come with it, might accelerate the process of CMEA integration which he has resisted for twenty years out of concern for the likely subordinated role which Rumania would play within it.

²⁵ On 15 November 1987 riots broke out in Brasov during local elections, and Ceausescu portraits were burned while crowds sang anti-regime slogans and invaded public offices. See press reports in most Western newspapers of the following days.

To make things worse for him, currently improving Western-Soviet relations might act synergically and become a factor for a further worsening of both Soviet-Romanian and Western-Romanian relations, as both we and the Soviets--as well as other Eastern Europeans--have more and more serious reasons to object to Bucharest's domestic and foreign policies.

III. Prospects in Soviet/Eastern European Relations

Soviet-East European relations are slowly entering uncharted waters. The Soviet leadership is seemingly abandoning some of the old guiding principles in inter-socialist relations, but it is not clear yet that it has formulated new ones to replace them. In particular, past references to the subordination of the national sovereignty of the individual socialist countries to the interests of international socialism--as defined by Moscow--have become increasingly rare. At the same time, open discussion about the importance of, and even the divergences among, national interests of the various socialist countries has expanded. However, it is at this time unclear how such recognition of national interests will, in the long run, be reconciled on the one hand with the ideological guidelines which continue to shape the official policies and positions of the bloc; and on the other with the imperatives of Soviet realpolitik interests in the region.

Except for Rumania, all the Eastern European allies praise Gorbachev's reform attempts,²⁵ but only Poland has shown a determined attempt to follow suit, and even there the outcome is rather in doubt,

²⁵ Gati, Charles: "Gorbachev and Eastern Europe": op. cit., p.959.

particularly after the November 1987 referendum which has confirmed a fundamental distrust by the population of any initiative coming from Jaruzelski's government, even political and economic reforms.

The Eastern Europeans have two main possible motives for being reluctant to follow Gorbachev's line too closely. While the relative importance of each will vary from country to country, they are likely to play a role in all. First, Eastern European leaders must be anxious to see whether and how fast Gorbachev's power and his political line become consolidated at the apex of the Soviet polity. Inner struggles in the Politburo and in the CC of the CPSU continue. As the dismissal of Moscow's Party chief Yeltsin--an erstwhile staunch supporter of Gorbachev's--demonstrates, the General Secretary has won important battles but not yet the war. In light of this uncertainty, Eastern European leaders might want to be cautious about becoming irrevocably committed to his line, lest they become alienated from potential successors, who might well hold different and more conservative views.

Second, Eastern European leaders know full well that in the past economic and political reforms have fuelled social instability, and might therefore fear for their political survival should the reforms result into uncontrollable social transformations.²⁷

²⁷ This concern might be made worse by the fact that most of them are at the end of their political lives, and therefore not interested in restructuring the systems which has served them well for so long. One will recall how Zhivkov has been in power since 1954, Ceausescu since 1965, Honecker since 1971, and Kadar since 1956. Aside from the new Czechoslovak party leader Milos Jakes, who succeeded Husak in December 1987, only Jaruzelski, who assumed power in 1981, is a relative newcomer. He is also the only one to have predecessors upon whom to place the blame for the economic and other shortcomings of their countries: all the others have been in power too long to be able to justify reforms as a needed change with respect to past mistakes. See Luers, William H.: "The U.S. and Eastern Europe" in Foreign Affairs, Vol. 65, No. 5, Summer 1987, p.977.

Thus, Eastern Europe continues to represent a cause of both concern and embarrassment for the Soviets. Concern, both because of its sluggishness to improve economic performance, with the consequent well-known economic burden placed on the USSR; and because of the potential social and political time bomb which any reform would represent.

Embarrassment, because with the last remnants of the myth of socialist internationalism quickly withering away it becomes harder for Moscow to justify its pervasive role in Eastern European affairs. This embarrassment also translates in somewhat of a foreign policy handicap to the extent that it continues to portray an image of the USSR as an imperial power in the eyes of both many neutral and Third World countries and, most importantly, of many Western Europeans.²⁸ This embarrassment is not new. It might however soon become more serious than ever before if continued Soviet overt interference in Eastern Europe disappoints the currently rising Western expectations for a relaxation of tensions in the continent.

One author has suggested that to solve this problem Gorbachev needs to find a "Greek solution", to the Eastern European question, meaning that the junior allies should be allowed more political room for maneuver while remaining associated with the USSR for their security arrangements—which is in the interest of their current leadership to do in any case.²⁹ This would not quite be the "Finlandization" which many—including many in Eastern Europe—see as the ultimate foreign policy goal for Eastern Europe to strive for.

²⁸ Gati, Charles: "Gorbachev and Eastern Europe": op. cit., p.972.

²⁹ Gati, Charles: "Gorbachev and Eastern Europe": op. cit., p.975.

However, according to this view, it would be the minimum requirement for the West to somehow acknowledge the unavoidability of a heavily unequal Soviet/Eastern European relationship and remove it as a permanent obstacle to improved Soviet/Western European relations.

The problem with this parallel with Greece is that the latter is a rather isolated example in Western Europe of a country with strong neo-nationalist feelings, a recent memory of American collusion with an oppressive regime and an on-going conflict with another alliance member who is believed, rightly or wrongly, to enjoy a privileged status vis-a-vis the alliance's superpower. All of these conditions make it possible for Athens to pursue its rather maverick foreign policy without much of a problem for the rest of the alliance. In Eastern Europe, Rumania has been pursuing a somewhat comparably deviant foreign policy course, but it might be difficult to predict, and for the Soviets to control, the synergetic effect that "Greek-type" foreign policies on the part of the other WTO allies might have on the general geopolitical equilibrium in the region.

Be that as it may, there is little reason to believe that the Soviets are at all inclined to underwrite such a "Greek" solution. As Andrej Korbonski has argued in his chapter in this volume, the most likely path for Soviet-East European relations in the future is that of a continuation of the present pattern.

Thus, the status of Eastern Europe will remain an obstacle to the improvement of Soviet-Western relations. Most Western Europeans are not reconciled to what they consider the heritage of Yalta. While they are unable to clearly formulate, let alone credibly propose, a workable alternative, West Europeans are unresigned to the

perpetuation of overt Soviet domination of the region. In fact, to formulate a realistic alternative would be a formidable task, since any workable proposition would have to be one which at the same time: should impede the resurgence, under whatever form, of Germany as a predominant power in Central Europe; should in fact prevent the birth of any German ambition, however veiled, to that effect; should impede the rekindling of the now dormant inter-Eastern European conflicts; should respect Soviet security interests, as perceived by the Soviets; and, last but not least, it should be implemented gradually and peacefully.

IV. Implications for the West

The development of Soviet-Eastern European relations under Gorbachev carries both important economic and political opportunities and potentially serious challenges and risks for the West.

In the economic sphere, the Soviet trend toward greater liberalization and availability for cooperation with the West is widely perceived as a signal to the Eastern Europeans that they, too, can and perhaps should do more themselves. But in light of the huge diversities between the two economic systems, great obstacles will have to be overcome before any positive results will become manifest.

For example, the new Soviet propensity to establish joint ventures is unprecedented and might turn out to be an important path-breaking development, all the more so if imitated throughout Eastern Europe.³⁰ However, several problems must be solved before the joint

³⁰ The Soviet laws with respect to this initiative are still being perfected, but the main points can be summarized as follows. The Soviet partner will retain a quota of 51% or more in the venture; the

venture initiatives will yield concrete results. First, there will be a problem with the organization of the local management, which will not be integrated into the state plan but will not be able to adopt capitalist management criteria either: there is a danger that some sort of a hybrid and unworkable management system will result. In particular, there might arise problems in accounting and in wage differentiations between local and imported personnel, using rubles and convertible currency. Second, the Soviet and Western partners might find themselves moved by contradictory motivations: the main economic rationale for the Soviets is to produce quality products so as to increase exports and raise hard currency revenues, whereas for the Western partners it is to penetrate the potentially enormous Soviet market and repatriate profits.

More broadly, there is a risk that, as in the past, the West, and particularly the United States, will oscillate between a pragmatic "look at economic relations with the East and policies of linkage of this trade with political issues. Without entering into the merits or the desirability of such linkage, it is a potentially disruptive political factor of economic cooperation that must be reckoned with.

In fact, if economic opportunities for East-West cooperation are

president and the director general must be Soviet citizens, as must 51% or more of the work force; profits can be exported if the joint venture still retains residual hard currency after having paid all personnel—they will be taxed at a fixed 20% rate, but will be exempt for the first two years; the amount of the foreign input into the joint venture will be calculated on the basis of international prices at the official Soviet exchange rate; the joint ventures will operate out of the plan, and must therefore be geared to producing for foreign markets. See Salvini, G: "Fare Affari Con Gorbaciov" in Mondo Economico, 20 April 1987; Karpova, Natalia (of the foreign trade commission at the Soviet Council of Ministers): "Compagni Pronti alle Joint Ventures" in Il Sole-24 Ore, 9 September 1987.)

uncertain, political prospects are more volatile and even less clearly definable. In the political sphere, the major issue that confronts the West is whether prospective developments in Soviet-East European relations will lead to a less antagonistic East-West relationship. Most agree that increased relaxation of the Soviet grip over its junior partners, coupled with greater liberalization at home, will indeed contribute to East-West détente. This is because, the argument goes, the Soviet regime's oppression of its own people as well as of Eastern Europe has always been a major political irritant in Western-Soviet relations. Moreover, the argument continues, if liberalization brings about better standards of living, the Soviet government will be less inclined to use foreign policy expansionism to suppress potential social unrest at home.

Yet, there is ground to be skeptical about this line of reasoning. For what a look at the historical record of Russia might be worth in inductive speculations about Soviet behavior, the fact is that Russia was more expansionist, rather than less, at times of greater enlightenment and internal and international openness—such as for example during the reigns of Tsars Peter I and Catherine the Great. Evidence to prove that Soviet enlightenment would have different foreign policy implications than did Tsarist enlightenment is wanting. Be that as it may, and quite aside from speculations about the intentions of the Soviet leadership, opportunities for an expansion of Soviet influence abroad will increase if the domestic reforms succeed, for military, political and economic reasons.

From a military point of view, clearly in the medium and long run the Soviets would have more resources to devote to military purposes

if the performance of their economy improves than if it continues to stagnate or even further deteriorate. It is not surprising that the 1970s witnessed both a Soviet military build-up and a relatively good performance of the Soviet economy. Also Eastern European military spending has in the recent past been closely related to fluctuations in national income.³¹ Again, this does not mean that Soviet leaders have the intention to devote larger economic resources to military purposes, but they would have the capability to do so.

Economically, the Soviets and the Eastern Europeans would be able to resume a more widespread use of economic aid to strengthen their presence in the Third World. In fact, while in the '60s and '70s the Soviet were expanding their influence in the Third World also through economic aid, in the '80s they have been less and less able to continue to do so. The case of Mozambique is a good example of this reversal: this was a revolutionary country which during the seventies had strong Marxist leanings and a growing Soviet and Cuban influence. It gradually began to turn to the West when the leaders in Maputo perceived that the Soviets were unable to provide what they needed far more urgently than ideology or even arms, i.e. development aid. With respect to the latter, as pointed out in Wolfgang Berner's chapter, both the Soviets and the Eastern Europeans have been increasingly wary to make a serious effort.

The inflow of Western aid, though limited for now, has brought Soviet influence in Mozambique to an ebb, and the trend is unlikely to be reversed, despite frequent Western collusion with racist South

³¹ Crane, Keith: Military Spending in Eastern Europe (Santa Monica, CA: Rand Corporation, 1987), passim, and especially p.55.

Africa, which remains Mozambique's main security threat. In the future, however, if the Soviets and the Eastern Europeans were able to resume substantial economic aid, it is not at all inconceivable that Maputo will again move politically closer to them.

Finally, if Gorbachev's glasnost³² restores some of the appeal that the Soviet system once held but which it lost over decades of ideological disillusionment and economic failures, the USSR might recuperate part of its erstwhile ideological and political attractiveness in the eyes of both Eastern Europeans and of the Western left. In particular, the Communist parties of Western Europe--and specifically the more orthodox and pro-Soviet factions within them--might regain some of the dynamism of the mid-1970s, particularly if a revival of the USSR should at some point be accompanied by a serious economic recession in the West.

One other issue which deserves a separate treatment in the context of the political implications for the West of Soviet-East European relations is the German question. Impolitical as it is to explicitly say so, to prevent the resurgence of a predominant German entity in Central Europe remains an imperative for all other European states, in both East and West.³² While this fact of course poses agonizing political and ethical dilemmas for the nations which are friends and allies of the two German states, it will remain nonetheless true for the foreseeable future.

The GDR, on its part, strives for a rather ambiguous policy. As noted in the chapter by Wolfgang Pfeiler, it insists on Abgrenzung

³² This point is discussed in some detail in Bender, Peter: "The Superpower Squeeze", in Foreign Policy, No. 65, Winter 1986-87, passim, and especially p.109.

while pursuing intense economic ties with the Western Europeans in general and, of course, with the FRG in particular.

Recognizing this, one author has recently suggested that the only way to reconcile German aspirations to closer ties without political unity with the concerns which such aspirations generate for the rest of the Europeans is to favor "the gradual emergence of a much less threatening loose confederation of the existing two states".³³ The problem with this view is that for such a confederation to be conceivable, it would have to be preceded by a dramatic change in the two Germanies' relations with their respective military alliances and economic communities. But if this were the case, a formidable political momentum would inevitably be generated, and it is difficult to imagine how the rest of the Europeans—or, for that matter, the two superpowers—could prevent it from developing into a drive toward an ever more complete unification.

In the shorter run, it is probably in the interest of inter-German rapprochement that Gorbachev's drive toward better relations with the West succeed. In particular, good Soviet-West German relations have recently proven to be a pre-condition for good inter-German relations.³⁴ Because of this, many in Western Europe worry about the prospect of Soviet-West German relations becoming too close. But since

³³ Brzezinski, Zbigniew: "The Future of Yalta", in Foreign Affairs, Vol. 63, No. 2, Winter 1984/85, p.296.

³⁴ One will recall how Honecker's long-awaited visit to the FRG was twice postponed during the chill in Soviet-West German relations at the time of the NATO INF deployments in 1983-84, while it finally took place in September of 1987, a few weeks after the Bonn government had acceded to the Soviet request that its Pershing-1 missiles be dismantled as a part of the overall INF settlement, though they would not be in the actual US-Soviet treaty.

improved Soviet-West German relations are unlikely to raise Soviet propensity to accept a reunified German political entity—of whatever kind—a permanent Soviet-West German détente should be welcome by all in the West who look for a lessening of overall East-West tensions in the continent. At the same time, it will be up to the Germans, both in the East but especially in the West, to ensure that inter-German détente fuels sympathy but not suspicion in the West: as Pfeiler has noted in his chapter, the Federal Republic's Ostpolitik is and must remain a part of its Westpolitik.

In conclusion, one notices how the West is sometimes confused over the definition of its political goals in East-West relations: what is it that we are striving to achieve? Most would probably agree that it is first and foremost the preservation of peace, and secondly quantitatively and qualitatively improved political, economic, cultural and human contacts between East and West. The current roughly bipolar political division of the continent has arguably served the former goal well, but not the latter.

As far as the goal of peace is concerned, the division of Europe into two blocs, together with the inception of the nuclear era, has contributed to freeze many actual and potential conflicts among the states and the nations of Europe—particularly of central Europe. It has repressed—though by no means erased—divisive nationalist tendencies across the continent. In this respect, it has served a useful purpose.

However, that same division has prevented all Europeans from taking full advantage of the enormous potential which exists for greater exchanges and integration, which would be to the benefit of

all. For this reason, many in Europe today are uneasy with the division which is commonly referred to as the "heritage of Yalta". French president Mitterrand in 1982 went as far as saying that anything that will contribute to escape from the divisions resulting from Yalta will be welcome.

With all the due respect for the authoritativeness of that position, this author believes it is a rather simplistic one. To move in the direction of an abandonment of the post-Yalta settlement would be desirable only if it resulted into a more united and less conflictive Europe. But there is no guarantee that steps toward overcoming Yalta would, ipso facto, contribute to that goal. They might, instead, result into a more fragmented Europe, reviving the dormant but still creeping and potentially explosive nationalisms. A Europe of fatherlands might well become one where the single East-West divide of our times will yield to a whole net of newly stiffened international borders--with all the undesirable political and economic consequences that would signify.

Another authoritative writer argued that escaping from Yalta is desirable because it would allow for the "spiritual and moral recovery" of Europe.³⁵ Again, this seems a rather blurred goal to strive for. There is no doubt that many Europeans today feel frustrated that they can not overcome a political division whose guarantors are the two superpowers. Yet, one is left to wonder what "spiritual and moral" values Europeans have lost, because of the post-war political division settled at Yalta, which they enjoyed before. Was pre-Yalta Europe a "spiritual and moral" model worth recovering?

³⁵ Brzezinski, Zbigniew: "The Future of Yalta", op. cit., p.295.

In this writer's view, hardly so.

In sum, while all in East and West have an interest in building a safer Europe to live in, a safer Europe does not need to be a Europe without the two blocs. On the contrary, the withering away of the latter might well bring about increasing divisions and dangers for peace. This does not mean that the best we can do is passively accept the status quo. It is by no means true that we should assume a "if it ain't broke don't fix it" attitude. The current arrangement has its merits, but it is certainly perfectible. Moreover, there is no sense in striving to somehow freeze history: the current geopolitical arrangement in Europe, like all others before it, will change. But we in the West should strive to "fix" the division of Europe only if and when we can be reasonably sure that we can do it, and that the unavoidable risks involved are absolutely minimized, for a failure might well have catastrophic results.³⁶

Europeans, both East and West, should strive for the dissolution of the blocs only after sufficient East-West ties have been developed at all levels to ensure that it would indeed result in a less divided continent. For the foreseeable future, however, lingering nationalism makes such a pre-conditions unimaginable, although this might change and it hopefully will.

In this light, Western interests lie in a continuing effort toward concrete improvement in economic, cultural, technological and above all security cooperation both between and within the blocs. In particular, arms control agreements to increase crisis stability,

³⁶ Some identify a less divided Europe with a "safer" one, but no evidence has been provided to prove this thesis. See Luers, William H.: "The U.S. and Eastern Europe", op. cit., p.994.

minimize the possibility of misperceptions and accidental conflicts and redirect precious economic and human resources away from the defence industry should be pursued with energy. Increased economic cooperation between East and West should be developed both for its value per se and as a means to increase East-West interdependence, which, even if somewhat imponderable, remains a stabilizing factor of common interests. Easier human contacts should be favored throughout the continent and in both directions, and recent developments in Eastern Europe seem to indicate an increasing willingness on the part of those governments to lower past barriers to such contacts.

The West should energetically encourage such developments, while however refraining from using human rights in Eastern Europe as an instrument for political rhetoric to be conveniently manipulated in particular political contingencies--as it sometimes did in the past. To this end, as pointed out in my chapter on the Warsaw Pact, a fine balance between overtures and restraint toward Eastern Europe will be required: overtures should help the Eastern European to increase their say vis-a-vis the Soviet Union, while restraint should be aimed at avoiding any process of fundamental change that is not both gradual and peaceful.

These are concrete, realistic and this writer believes unequivocally positive steps. However, to leap to more abstract visions of a post-Yalta transition which ipso facto would unify the continent and somehow eliminate all the conflicts of interests among the various nations and states is unjustified, might possibly be counterproductive, and should therefore be avoided.

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THE COMMON COMMERCIAL POLICY
AND THE PROSPECTS FOR EEC-CMEA TRADE

by

Sheila Chapman

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

First draft

Comments welcome

The Common Commercial Policy
and the prospects for EEC-CMEA trade¹

by

Sheila Chapman

European University Institute - Florence

In June 1985 the Secretary General of the Council for Mutual Economic Assistance (CMEA) put forward an official request for joint talks on trade and cooperation with the European Economic Community (EEC). Negotiations between the two groups had taken place on an intermittent basis since the early 1970s, but, due to the Commission's refusal to discuss trade matters with the CMEA, they had always failed. The EEC opposition to intra-bloc relations derives from an evaluation of the two groups' different spheres of competence. The CMEA, in fact has none of the supra-national

1. Many thanks go to Renzo Daviddi, for helpful suggestions on various points of the paper. The usual disclaimer applies, of course.

2

powers which, on the contrary, the Community has. Brussels also fears that tighter EEC-CMEA relations may be used by the Soviet Union to raise its leverage over the smaller countries². In the Community's view, intra-bloc relations should represent no more than a 'complement' to bilateral agreements held by the Commission with individual Eastern countries³. For this reason, the consensus won by the Community in April 1987, according to which the CMEA Secretariat agreed that intra-bloc accords would not affect EEC ties with individual Eastern states represents a major step towards an agreement. So far however, Western attitude in this respect has been rather cautious. In late 1986 Commissioner de Clercq was reported to have claimed that the Community "will have done very well" if an agreement is signed in 1989.

Even if not totally unexpected, the CMEA initiative comes in a moment of great difficulty for the Community. Overspending to sustain the Common Agricultural Policy (CAP) has grown increasingly out of hand, creating a huge financial crisis and making international relations more difficult. The accession of

2. A brief survey of the major issues in EEC-CMEA relations is in Chapman, 1985. Further references are in the bibliography. See also Marsh, 1984, and, for an Eastern view, Inotai, 1986.

3. So far, the EC has reached an agreement on trade in industrial products with Rumania, in 1980, and, outside Europe, with the People's Republic of China. Recently, Poland and Hungary have manifested a willingness to open negotiations with the Commission for an agreement similar to the Rumanian one.

Spain and Portugal has added to the conflict of interests between member states, rendering the chances for a major reform, in prospect, very dim. Notwithstanding the signing of the Single Act in late 1985, the process of stepping up integration and political cooperation still proceeds at a slow pace. As Europe's centre of gravity is ideally moving South, the Community faces the task of granting full economic integration to its Southern regions. Failure to do so would consolidate the existing dichotomy between an inner circle of rich, industrialised countries and an external one of poorer ones. This would put the Commission under increasing pressure for (often opposing) protectionist measures and could, eventually, lead to a de facto collapse of integration in Western Europe. Protectionism, by no means a new feature of Community policy, is now on the increase, and is supported by growing consensus, both among businessmen, who want to shelter ailing sectors from external competition, and by (mainly European) scholars. The latter claim that, under certain conditions, protectionism can improve a country's record even from the point of view of the macroeconomy. We shall argue, however, that the case for protectionism scarcely applies to Western Europe. Here suffice it to say that the more or less permanent adoption of tighter trade policies which characterises EEC practice, while not sustainable forever, reduces the scope for the economy to adjust to higher competition from abroad, postpones adjustment to an unforeseeable future and shifts the costs to third countries.

Although originating from altogether different factors, the economic problems confronting CMEA countries are somewhat similar to those faced by the EEC. Economic integration, with its inevitable corollary - deeper regional specialisation and mutual economic dependence - could indeed help CMEA countries achieve the sort of economies of scale, the efficiency and possibly also the technology improvements they badly need, but it is strongly opposed on a national basis, for fear of a potential loss of sovereignty. By introducing major differences in the organisation and the management of national economies, the process of economic reforms which is now spreading to individual countries may further limit the scope for future integration. At present, the CMEA economies are plagued by a set of unaccomplished targets in the fields of technology and efficiency improvements. This determines the long record of declining productivity and falling growth rates which, to various degrees, characterises practically all Eastern countries. Oil price rises and growing scarcities of raw materials affect all Eastern economies except, to some extent, the Soviet Union. Due to the lack of hard currency and to the payment crisis of the most indebted countries, the CMEA group has cut down on purchases from the only source that can potentially supply the technology it needs - the West. This has resulted in a rapid readdress of the CMEA balance of payments with the EEC countries,

which, starting in 1980 turned in favour of Eastern Europe⁴. While it may appear that the curtailment of machinery and equipment purchases from the West is likely to damage Eastern economies, leading to lower growth rates and to a fall in hard currency exports, seven years of growing trade surpluses (five if we consider the six smaller countries alone) could point to the fact that, however costly it may be, Eastern economies have in some sense adapted to the fall of trade with the West. In this case, the CMEA surpluses vis a vis the Community could represent a structural, rather than a temporary, element in East-West relations.

This paper discusses EEC-CMEA relations on the background of the issues outlined above. Before addressing the problems of East-West trade per se, two closely related points will be discussed.

A) The first point reflects the theory of economic integration and claims that the creation of a customs union (like the EEC in Western Europe) does not reduce external flows in a meaningful way. On the contrary, by raising growth rates in the integrating area, integration is said to raise import demand as well. However tentative, empirical estimates trying to measure the "EEC effect"

4. CMEA surpluses were due to energy sales from the USSR, who benefited also from the oil price rise. From 1982 on, however, even the six smaller countries recorded a small but growing surplus in their trade with the Community.

on external trade generally agree that, if any, this has been positive. Thus Eastern countries, not differently from those of other groups, could have actually benefited from the creation of the EEC.

B) The second point relates to recent contributions to balance of payments theory, asserting that, under certain conditions, protectionism (even only sectoral) can achieve macroeconomic goals, such as the reduction of unemployment and higher growth rates. This would eventually raise imports as well, making retaliation a useless, when not a counter-productive, policy for third countries. Accordingly, EEC protectionism would represent an inevitable, but tolerable, "evil", as it is a temporary device enabling firms to adjust to external market disturbances, and/or sheltering certain sectors which are important for strategic or political reasons.

2. The Community as a customs union⁵

Even if it does not pertain directly to the sphere of foreign trade, nevertheless the very creation of a customs union is bound

5. This paragraph is drawn from various parts of the doctoral thesis on EEC-CMEA economic relations which I am currently conducting at the European University Institute of Florence.

to affect the economic relations between the integrating area and third countries. At first sight, it might appear that, by abolishing tariffs between member States and by levying a common tariff⁵ on purchases from outsiders, a customs union might divert trade from non-members to integrating countries. However, by focussing also on the substitution of more costly domestic production with the cheaper (post-integration) supplies of partner countries, traditional customs union claims that intra-member trade creation may arise as well. External trade creation, instead, i.e. the transfer of domestic production to external cheaper sources, depends in general on the relative elasticities of demand and supply both within and outside the integrating area, and on the levels of the common external tariff relative to national pre-integration levels. One of the main results of traditional (static) customs union theory is that of having shown how, depending on the relative size of the various effects, integration may have either an overall trade-creating, welfare-augmenting result, or else, if the transfer of trade away from external sources to more costly integrating producers

6. Loosly defined as the average of pre-integration national tariffs.

predominates, overall trade-diverting, welfare-reducing effects⁷. The final impact of a customs union on trade and welfare is therefore a priori indeterminate, and trade flows may rise, shrink or remain unchanged with respect to their pre-integration levels⁸.

Because of the indeterminacy of the theoretical results, empirical estimates attempting to measure the economic effects of the EEC are especially relevant⁹. Despite wide divergences of a methodological character, estimates, however tentative, show an almost complete consensus on the trade-creating, welfare-improving nature of the Community. The majority of estimates fall in the rather narrow range of 5 to 11 billion dollars for trade creation and 0.5 to 3 billion dollars for trade diversion. Moreover, standardisation to a common base-year would probably bring the

7. The core of traditional customs union theory is formed by Viner's pioneering contribution, later developed by Meade and by Lipsey, and challenged by Cooper and Massel, who claim that, from the point of view of the integrating country, unilateral tariff reduction bringing duties to the level of the common tariff is at least as good as membership. The literature on the subject is large and cannot be summarised here. The articles quoted above, together with other important ones, are in Robson, 1971 and Krauss, 1973. See also Krauss, 1972, Curzon, 1974, ch.10, and Pelkmans, 1984, ch.1.

8. A graphical representation of this point is in Pelkmans, 1984, ch. 1.

9. Surveys are to be found, among the others, in Curzon, 1974, ch. 11, Davenport, 1982, Pelkmans, 1984, ch. 1 and Hine, 1985, ch. 4.

estimates even closer (Davenport, 1982). These figures, however, relate to overall trade creation. External trade creation, albeit supposedly non-negative, is much lower. Two authors, namely Truman, 1975 and Balassa, 1975, set the figure for cumulative EEC external trade creation respectively at 2,4 billion dollars for manufactures in 1968 and at 2,5 billion dollars for all goods in 1970. The modest difference between the two figures, apart from differences of a methodological nature, could confirm Balassa's suggestion, according to which "whereas much of trade creation was accomplished in the early part of the post-integration period", later on trade diversion increased (Balassa, 1975, p. 83). By comparing the figures relative to 1953-9 and 1959-70, Balassa further finds that the elasticity of import demand with respect to income, which provides a measure for trade creation and diversion, has risen slightly over time for intra-area flows, but has remained unchanged for external trade. Considerable trade diversion is accepted as having characterised agricultural commerce¹⁰. According to Balassa, external trade creation was manifest in the fields of raw materials (especially fuels), most manufactures and machinery imports (metal products, transport equipment), while trade diversion was observed for chemicals and for a variety of intermediate products and nondurable consumer

10. See Balassa, 1967 and Davenport, 1982.

goods (textiles, leather goods, shoes and clothing) Balassa, 1967 and 1975). Given the different effect of integration on various commodity groups, the relative impact of the Community on commerce depends mainly on the composition of trade. According to Balassa, the countries who gained the largest shares of Community markets were, in decreasing order: the USA and other industrialised countries, including the UK and Japan, but not the EFTA group. Until 1970, it is claimed that the East European centrally planned economies (CPEs) benefited from trade creation as their food and raw materials' exports to the EEC expanded. The remaining countries, instead, suffered from trade diversion.

One element that is not captured by empirical estimates - indeed, that is inherently difficult to quantify - is given by the so-called dynamic effects of integration. These include all the direct and indirect influences produced by a customs union on the rate of growth of member countries and are therefore likely to be much larger than the static effects of trade creation and/or diversion. The idea that integration may have an impact on growth emerged for the first time in the debate that accompanied Britain's membership to the Community. In that occasion it was claimed that exposure to increased foreign competition would compel firms to improve technical efficiency, leading to lower costs per unit of production. From a theoretical point of view,

this requires that, contrary to the standard assumptions of neo-classical theory, prior to integration firms did not follow a cost-minimising rule. Moreover, it is assumed that once integration takes place, the relatively less efficient firms raise their efforts to minimise costs, or reduce 'X-inefficiency'. The argument, although plausible in a general sense, is difficult to prove rigorously. Pelkmans attempts an explanation in terms of modern managerial theories of the firm, according to which managers' skills are an input, and the maintenance of certain working conditions (privileges, 'quiet life' and the such) are part of the desired output mix. In this case, the firm's equilibrium is compatible with what, in neo-classical terms, would be technical inefficiency i.e. in principle further cost reductions are feasible. What is harder to explain, however, is why and to what extent should increased competition stemming from integration push firms to raise efficiency. Given that no plausible explanation has yet been advanced, the so-called "cold shower effect" deriving from integration is far from being proven (Pelkmans, 1984). Another element in favour of the dynamic gains of integration is closely related to the foregoing argument, and is represented by the investment spur that would derive from the exploitation of economies of scale and the impact of higher competition. Even this idea, however, is largely unproven on a theoretical basis. The data relative to investment in Western European countries during 1953-68 show higher-than-expected rates

for some countries (Italy and Belgium), but not for all. Consideration of the British case, moreover, adds the possibility that, depending on the competitiveness of home producers relative to their partners, integration may also result in a "competitive loss" for a member country (Davenport, 1982).

To sum up, trade creation remains: a) unproven from a theoretical point of view, both with respect to its "static" and "dynamic" components; b) small when measured with reference to the EEC in empirical terms, and probably declining over time. Due to the inward-looking nature of the CAP and of other sectoral policies, negative trade creation (i.e. diversion) is suspected to have characterised food commerce and also some manufactures.

To what extent diversion has characterised EEC trade with the CMEA is a tricky question. Until 1970 it is ruled out, even if it is admitted that the growth of Eastern exports to the EEC was due to competitive improvements on the supply side and not to a rise of demand (Balassa, 1967). Unfortunately, empirical estimates of the type produced by Balassa fall short of the 1970s. Even so, there is a general agreement that "the growth of East-West trade has been adversely affected more by...(other factors) than by the

trade diversion...effects of the Western customs unions"¹¹. The elements included among the "other factors" range from the centrally planned nature of CMEA trading systems, which causes rigidities, inadequate supply etc. (Yannopoulos), to the loss of competitiveness of EEC production (Inotai). Even if these considerations may well be relevant (and especially the first one is - at present EEC technology is still competitive for CMEA countries), we shall see that to a large extent they are not supported by adequate evidence. First of all, a good deal of confusion arises from the fact that the trade performance of the six smaller Eastern countries (hereafter: the Six) is not always distinguished from that of the USSR. Being richly endowed in oil and energy, the Soviet Union has increasingly concentrated exports to the West on fuels¹². In 1983 energy sales represented almost 75% of the value of Soviet exports to the EEC, having benefited also from the oil price rises of the 1970s and early 1980s. Taken alone, the trade performance of the six smaller countries was somewhat less successful. Although EEC surpluses vis a vis the Six started to decline in the mid-1970s, and eventually turned in favour of the latter, nevertheless this was due largely to a contraction of Eastern purchases rather than to an expansion of

11. Yannopoulos, 1985, p. 35. See also Inotai, 1986.

12. To some extent, the concentration of sales on fuels could be a manifestation of the growing difficulties faced by the USSR on other markets.

sales to the West. Food, which represented some 35% of the value of total exports to the EEC in 1963, fell below 30% in 1970. Five years later, in 1975, it was down to a mere 20%, and now is around 10%. In view of the crisis of Polish agriculture, it is often contended that the decline was due to supply factors. However, the food/exports ratio of the Six without Poland (the "Five") is only slightly above that of the whole group¹³. During most of the 1970s and 1980s the growth rates of EEC imports of textiles and clothing from the Six were consistently below the average of imports from other areas; the same occurred for iron and steel. While the CMEA share in Community textile purchases fell from 9% to 5.5% between 1975 and 1985, the value of these imports grew by only 2.5 times; those from the Mediterranean area rose seven-fold. Even if it is not possible to input these trends to straightforward trade diversion, it is equally difficult to claim the opposite, i.e. that the building and the consolidation of a customs union in Western Europe had a zero-impact on East-West trade.

13. Until 1979 food exports as a percentage of total sales for the "Five" was actually higher than the corresponding figure for the Six, indicating lower food exports from Poland.

2.1 Community preferences

EEC trade diversion is often ruled out on the basis of the marginal role tariffs have in the Community's Common Commercial Policy (CCP). Whatever may have been the initial redirection of flows caused by the EEC, it is nevertheless accepted that its long-run effect was one of promoting a more generalised liberalisation of trade (Cairncross, 1974). Once a customs union was established in Western Europe, in fact, for non-members, and especially for industrialised countries, it was not expedient to ignore it. A process of reciprocal tariff reductions was therefore undertaken, as external countries tried to keep their shares in the EEC market. Three rounds of multilateral tariff negotiations conducted under the Gatt brought world tariffs in the mid-1980s down to one third of their 1978 levels. In the EEC, nominal tariffs under the common external tariff (CET) are at about 6%. Moreover, the level of Community tariffs is further eroded by the concession of various degrees of preferences in favour of specified country-groups. These range from partial to complete exemption from duties on most manufactures and on some agricultural imports and are extended to practically all suppliers, except for a small group of developed countries, including the Usa, Japan, Australia, South Africa, New Zealand and the CMEA (but not Rumania).

In this respect two points can be made: first, low tariffs in nominal terms can conceal high rates of effective protection, i.e. they can accord substantial protection to the activity producing the value-added of the product concerned. This is due to the fact that a tariff, in practice, allows domestic producers to be less efficient than their foreign competitors to an extent equal to the level of the tariff¹⁴. An often-quoted work on the structure of Italian tariffs in 1975 shows a higher than average degree of effective protection (23%) on imports of low technology, labour-intensive manufactures and semi-manufactures like primary chemicals, plastic products, clothing and knitwear (Grilli La Noce, 1983). Tariffs, in other terms, are still an important element in the common commercial policy. It is not so much the level of nominal tariffs that is relevant, but their structure.

The second point concerns preferences. By raising the number of countries that receive preferential treatment and by widening preference margins, the EEC aims, at least in theory, at increasing the volume of its imports from the preferred areas. Preferences, in fact, either a) allow the recipient countries to compete against EEC production (trade creation), and/or b) give the preferred countries a price advantage in relation to rival

14. See Corden, 1971, and Murray, 1977.

producers facing the full extent of EEC tariffs (trade diversion). In general, authors are rather skeptical on the practical effectiveness of tariff reductions as a means to encourage imports from outsiders¹⁵. From the preferred countries' point of view the main weaknesses of the schemes are: bad product coverage, determining the low level of substitution between domestic and EEC production (agriculture, for instance, is excluded from most schemes), and therefore limiting the impact of trade creation; and the sheer number of the preference-receiving countries, which erodes the potential extent of diversion. From the point of view of the countries excluded from preferences - and the CMEA ones are among these - the impact of diversion in favour of the preferred groups applies instead to its full extent. As a Hungarian author puts it: "preferences granted to some countries necessarily generate dispreferences for others" (Inotai, 1986, p.315). Due to concentration of trade on fuels, the lack of preferences probably affects Soviet exports only marginally. On the other hand, it is likely to constitute a serious obstacle for the Six, whose patterns of sales to the West have come to resemble rather closely - and therefore to compete with - those of developing countries at an intermediate stage of development. These include for instance certain countries of the Mediterranean area, or even EEC

15. See Cairncross, 1974, ch. 7, Murray, 1977, part 1, and Hine.

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"associates" like Turkey, who receive substantial preference margins.

Thus, while the effects of trade diversion and creation are difficult to trace and do not provide a ready explanation to the evolution of East-West flows, in a general sense the creation of the Community and the growing polarisation of the CCP on preferences makes Eastern allegations of a de facto discrimination against their exports more credible.

3. EEC protectionism

In recent years, there has been an intensification of the debate on protectionism. Acceptance of the notion that "real" economies do not work according to the assumptions of neo-classical economic theory has led economists to claim that, in the presence of distortions (such as market rigidities, economies of scale, barriers to entry and so forth), protectionism may represent a Pareto-superior solution with respect to free trade. In other terms, under certain conditions, the protection of domestic sectors may help achieve macroeconomic goals as well, and especially the reduction of unemployment. The literature on the subject is vast, and the full extent of the debate is beyond the scope of this paper. Here suffice it to say that the positive

impact of protection is by no means proved in a general sense, given that it depends on a number of ad hoc assumptions such as real wage rigidity, the independence of domestic prices from international ones and fixed exchange rates¹⁶. Moreover, it has been claimed that whenever wages are indexed on prices, the final effect of protectionism on growth and import demand is small, depending, in general, on the degree of indexation of the economy (Benassy, 1984). In most cases, it may be argued that protectionism is likely to give rise to retaliation and to "beggar-my-neighbour" policies.

The theoretical aspects of the debate are largely missing from the Community's practice. In general, the Commission resorts to specific (i.e. industry-aimed) measures of protection to ease the costs faced by domestic sectors adjusting to increased competition from abroad, or else to allow the development of industries which are important from a political or strategic point of view¹⁷. Protectionism, however, is rapidly growing both in terms of product coverage and in terms of the instruments it uses. One new feature is the diffusion of non-tariff-barriers (NTBs) to trade, such as variable levies, subsidies, quotas, "voluntary" export

16. See Levacic Rebman, 1981, ch.21, and Pierce and Sutton, 1985.

17. A detailed account of the policy debate on protectionism within EEC member states is in Pearce and Sutton, 1985.

restraints, administrative controls and so on. These owe their increasing popularity to the fact that they fall outside the competence of the Gatt and are fixed unilaterally, both at the Community and at the national level.

In general, EEC experience is far from proving the positive effects of protection. "Temporary" measures designed to help import-competing industries adjust to higher competition from abroad have, over time, become practically permanent. Together with factors of a cyclical nature, EEC protectionism derives also from structural elements, such as the loss of its monopoly in the field of technology, the emergence of structural unemployment, large fluctuations in the prices of raw materials and so on (Hager, 1982). Due to the rigidities in-built in European labour and capital markets, the adjustment of domestic sectors has turned out to be more difficult than expected. "Infant industry" measures in favour of R&D-intensive programmes in computer and electronics have, so far, failed to produce notable results. The risk that this type of protection may lead to a form of development which is incomplete, i.e. it cannot survive without shelter, and distorted, in the sense that the protected sectors may easily turn to inward-oriented strategies, is strong (see Pearce and Sutton, 1985, ch.11). Protection of more obsolete, labour-intensive sectors like steel, footwear, textiles, and clothing is a long-standing Community practice. Restrictions were

initially introduced as a temporary measure to regulate third countries' - and especially LDCs' - access to EEC markets, while allowing domestic firms to adjust to competition from abroad. Instead, they have evolved into more or less permanent arrangements. In the case of textiles, the Multi-Fibre Arrangement (MFA), which developed from less restrictive accords in existence since the 1960s, was first concluded in 1973 and since then has been re-negotiated three times. So far, it has been very successful at limiting imports from LDCs, and much less effective for what concerns the imports from other developed countries¹⁸. Although the process is not linked to protection in any direct way, by now some Western industries have indeed switched to more capital-intensive technologies. While these firms could do without the MFA, maintenance of protection does not help the other, inefficient ones step up innovation and creates strains in the Community's relations with third countries.

It is in their trade with the CMEA countries that the EEC member states have retained most restrictions. The importance of tariffs has been already mentioned. Notwithstanding the fact that most CMEA countries de facto receive MFN treatment, nevertheless in 1976 the average tariff rate applied on manufactures' imports

18. See Noeike and Taylor, 1981.

from the CPEs was one third higher than the corresponding one for LDCs, and higher as well than that for industrialised countries - 6% against, respectively, 4 and 4.5% - (Olechowski and Sampson, 1980). In view of the growing importance of NTBs, however, the true extent of Community protectionism is largely understated by the level of nominal tariffs. In 1976, some 60% of socialist countries' exports to the EEC faced NTBs, while still in 1980 some 300 (out of 1020) full tariff positions in the Community's Common Customs Tariff (CCT) were subject to quantitative restrictions by at least one of the EEC member states. Barriers were most frequent in the case of food, covering up to 78% of Eastern foodstuffs sales, 67% of vegetables and 64% of live animals, and of labour-intensive manufactures like shoes (58% of sales), textiles and clothing (78%), machinery and appliances (73%) (Olechowski and Yeats, 1982). Due to the different composition of their trade patterns, the extent of EEC protection faced by each CMEA member varies from country to country. Restrictions were highest in the case of Hungary, where, in 1976, more than 80% of the exports to the Community was subject to barriers, mainly quotas or licensing¹⁹. Other affected countries were the food-exporting

19. See also Inotai, 1986, who claims that in 1983 Hungary's exports to the Community were hindered more than those of any other CPE.

ones: Poland (70% of exports to the EEC) and Bulgaria (60%), followed, at a distance, by Rumania.

4. EEC-CMEA relations: the case for an agreement

Community discrimination against CPEs, even if largely unproven in a rigorous manner, cannot be ruled out in a more general sense. Why such a large proportion of EEC-CMEA trade is subject to Western restrictions is, strictly speaking, unclear. Mutual non-recognition, and the consequent lack of relations between the two organisations may possibly have had a major role in this respect, depriving both parties of a common legal and institutional framework to negotiate trade issues. Given that EEC-CMEA trade represents a larger share of Eastern commerce than the other way round, the lack of an agreement has had a bigger impact on CMEA economies, and especially on the Six, than on the Community. Even though an inter-bloc agreement is now closer to be reached than in any previous moment, nevertheless its actual impact on East-West trade is likely to be, in the short run, very limited. According to the Commission's request, in fact, intra-bloc talks will be largely restricted to the issues raised by the question of reciprocal recognition, possibly allowing for some

degree of distinction to be made between the EEC, who has supra-national powers, and the CMEA, who has none. The agreement between the two organisations is likely to be limited to a common declaration of goodwill, according to which each party acknowledges the importance of trade and cooperation and endeavours to promote future relations. This, however, does not mean that an inter-bloc agreement would be irrelevant for East-West trade; on the contrary, by paving the way to negotiations between individual CMEA countries and the Commission, in the longer run it may in theory represent a stimulus to trade. The extent to which this may happen depends largely on the ability of each Eastern delegation in persuading Western negotiators that the Community's discrimination in its respect is unduly high, and, accordingly, claim adequate concessions. On account of its own economic difficulties, as well as for considerations of a political nature, the Commission is quite unlikely to grant any of the concessions that CPEs would probably demand. A controversial point concerns tariffs. The CCP vis a vis Eastern countries envisages strict non-preferential treatment; the Community's offer is therefore limited to MFN tariffs. The proposal is unlikely to be changed now, more for reasons of political opportunity than for fear that Eastern imports could pose a major threat to Community industries. MFN treatment, however, is practically useless for CMEA countries, given that most of them already receive it, de jure or de facto. More important still, MFN tariffs do not reduce the margins faced

by CMEA products with respect to those of their more direct competitors. To eliminate this bias, CPEs would have to claim a treatment which is at least as good as that faced by competitors for homogeneous products (say, the countries of the Mediterranean area). In turn, they could grant equal tariff treatment to EEC products (which is not done by Mediterranean countries), or, better still, given that in the case of a CPE tariff concessions are largely irrelevant, more direct measures to ensure import growth²⁰. Another controversial point is likely to concern the inclusion of food and "sensitive" manufactures as a subject of negotiations. The Commission has always ruled out this possibility; instead, it is prepared to accord non-preferential access for industrial exports (other than steel or textiles), and abolish or suspend restrictions on a number of manufactures to be decided with each negotiating country. These may even be of some importance for Eastern countries - the Rumanian agreement, for instance, suspended quotas on chemicals, fertilisers, glass and ceramics, which together represent some 20% of CMEA manufactures' exports - but, in general, the practical impact of these concessions on overall flows is likely to be modest.

20. Such measures are, for instance, contained in the protocols of accession to GATT of both Poland and Rumania.

While the Commission will probably oppose CPEs demands on tariffs and product coverage, Eastern countries' ability to put pressure on the Community is likely to be small, in view of their low shares in EEC trade flows. Each CPE, for instance, accounts for no more than 3% of extra-EEC imports, with figures being as low as 0.1% for Bulgaria or 0.5% for Hungary. This is one field, however, where intra-group informal cooperation could possibly help raise CMEA leverage over the Community. Taken together, in fact, trade with the CMEA area is by no means irrelevant from the Western point of view. In 1984 inter-bloc trade accounted for 8% of extra-Community trade, with the CMEA coming well before the 66 preference-receiving ACP countries or even Japan and Australia taken together. Geographical proximity and the large complementarity of the products traded make the two parts of Europe "natural" trading partners for each other (Hager and Taylor, 1982). Taken as a whole, the Community is the largest trading partner of the USSR, accounting for as much as 16% of Soviet imports and 21% of its exports in 1981. Although it is somewhat less important for the Six, nevertheless the EEC still ranks second place, coming at a distance after the CMEA region. Moreover, to a large extent the Six share similar trade structures, which suggests that, at least in theory, some form of coordination in their negotiating position should be possible. So far, however, Eastern diplomacy has practically never resorted to intra-bloc cooperation, not even at an informal level. The Six

have never even tried to coordinate their bargaining positions vis a vis the Commission; moreover, nothing has ever really been done in the field of other types of cooperation, like the re-export of Western technologies, the specialisation of production, the mutual guarantee of creditworthiness and so on. To date, four²¹ (out of seven) CMEA countries have put forward a request for opening talks with the Commission on trade and cooperation. However, nothing so far suggests that these countries will coordinate their efforts in order to enhance their (however limited) negotiating power over the Commission.

A last point must be made, concerning the Commission's likeliness to derogate from its initial bargaining position and accord CMEA countries major concessions in the field of tariffs and product coverage. At first sight, these chances appear to be very dim: negotiations will take place between the Commission and each Eastern country taken individually, on a case-by-case, bilateral basis, allowing the West to exploit the full extent of its market power. In some sense, however, the EEC countries may want to obtain trade "concessions" from the East as well. In the past few years, in fact, the Community's position as the CMEA's

21. These are: Czechoslovakia, Hungary, Poland and Rumania.

principal trading partner in the West has been somewhat fading. The economic crisis of Eastern Europe and the consequent adjustment has led to a redirection of trade away from the Community and towards the CMEA. This has been the case especially for the Six smaller CMEA countries. While, in fact, EEC trade with the Soviet Union has evolved in a fairly predictable manner, with the value of Soviet exports being determined by the evolution of oil prices, and imports growing accordingly, trade with the Six has changed radically, falling from slightly less than a quarter of total Eastern flows in the mid-1970s to less than 10% in 1983. This was essentially due to the curtailment of CMEA imports from the EEC, which fell by a yearly average of some 16% in 1980-83 and were cut by as much as 22% in only one year (1982)²². Given the inconvertibility of CMEA currencies, the main obstacle to the development of trade came from Eastern countries' inability to collect, both through exports to the West and through international credits, enough hard currency to finance purchases. Nevertheless, the Six gave a remarkable proof of their capacity of maintaining central control over their foreign trade sectors. In less than ten years their imports from the EEC fell from almost 16% of total purchases in 1980 to less than 9% in 1985. Commerce was largely re-directed inside the CMEA, especially towards the

22. After 1983, CMEA imports from the West recovered somewhat, but their value in real terms remains low.

USSR, as the rise of intra-bloc trade matched the fall of trade with the Community almost exactly. During 1980-5 the Six's purchases from the Soviet Union rose from 34% to more than 40% of total imports. The economic "dependence" of the Six from the USSR²³ has risen, particularly in the field of machines, plant and vehicles, chemicals, and fuels. Within the CMEA, the so-called "star-like" pattern of trade, featuring the polarisation of exchanges on the Soviet Union, is being reinforced. A major drive towards stepping up intra-CMEA cooperation is currently under way and it envisages a number of joint programmes in the field of research and production. Measured in terms of trade flows, economic integration between the smaller CMEA countries and Western Europe has fallen dramatically; to a large extent it has been substituted by trade with the Soviet Union. The extent to which this change is of a cyclical, i.e. temporary, nature rather than of a structural one is, at this stage, still unclear. However, the trend is not yet being yet entirely consolidated, and EEC countries may feel they have some interest in reverting it. In this sense, negotiations with the CMEA countries could be the provide the opportunity for setting the basis for doing so.

23. Loosly defined as the ratio between imports from the USSR and total purchases in a particular commodity group.

To sum up, we may note that while the Community's commercial policy vis a vis the CMEA has contributed to reduce Western Europe's role as a major trading partner for the East, loosening de facto the economic integration between the two areas, it has on the other hand tightened inter-CMEA links, raising the economic dependence of each smaller country with respect to the Soviet Union. Given that neither of these results are allegedly wanted by the Commission, we argue that a case is set for a radical revision of the commercial policy in this field.

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THE CMEA IN THE EIGHTIES: TENSIONS
AND REFORM EFFORTS

by

Csaki Gyorgy

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

Csáki György^x

The CMEA in the Eighties: Tensions and Reform
Efforts

In the wake of World War II a new situation occurred in several aspects of the world economy. The socialist countries - primarily under the impact of the hostile external, capitalist environment - had been 'torn away' from world economy, their international economic relations were forcibly limited within their own circle. This is how the set of relationships, called 'the system of socialist world economy' developed, and the Council of Mutual Economic Aid was set up as its 'kernel' in 1949.

Although the world economy is an organic entity, which has not been doubled by the birth of the CMEA, yet the member-states of CMEA (and the socialist countries in general) have participated relatively little in the international division of labour until the mid-60s, and the fundamentally autarchic economies have had international economic relations almost exclusively within the socialist community. The CMEA was set up primarily out of political considerations, with the objective of speeding up economic and industrial development first and foremost in the group of neighbouring countries, having an identical social setup and following identical political goals, by a mutually advantageous economic cooperation. However, it was obvious from the outset, that because of the modest (or often lacking) traditions of economic relations among them an efficient cooperation could evolve within the CMEA only after a longer period of time.

In addition, not a collective self-reliance, the system of 'collective autarchy' was born in the CMEA, but the individual, national autarchy (seven autarchies, independent of one another) of the member-states was born. The system of cooperation and of the division of labour established under pressure within a very short period of time has caused still effective

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structural deteriorations and tensions of efficiency. From the angle of the early functioning of the CMEA the specificities and distortions of the building of socialism in the late forties and early fifties should also be taken into consideration, one may recall for instance voluntarism of general effect, the dominance of natural planning, the also general introduction of the closely related system of direct management based on centrally ordered plans, and the vigorous depression of commodity and monetary relations. From these specificities, asserted on the level of national economy, the central significance of bilateral medium-range barter agreements (adjusting to the period of the five-year plans) made on governmental level (and distributed for the companies as compulsory obligations) and of the bilateral clearing accounts should be mentioned about cooperation within the CMEA. In the mean time the CMEA-cooperation has been a bipolar one from the angle of the international division of labour in so far as the Soviet Union has been functioning (and is functioning even now in many respects) as the raw material supplier of the other member-states, and as the market of finished products of the other countries. This system and mechanism of cooperation fitted well into the system of economic management and (five-year) planning of the member-states; it guaranteed and adequate supply of raw materials and energy agents for the (small) member-states to their accelerated programme of industrialization, to the extensive development of the economy, it gave an extremely advantageous security of production to the companies and entire branches of industry in the small CMEA member-states.

The CMEA-cooperation had been burdened by contradictions right from the outset, which was not altered essentially after the pressing situation of the first one, one and a half decades, and the contradictions have become increasingly pressing by the passage of time: the result has been a rigid economic and production structure which has become unambiguously outdated since the mid-sixties; the mechanism of CMEA cooperation

(first and foremost the financial and price mechanism) has ultimately hindered the extension and adequate functioning of commodity and monetary relations in all the member-states; it has limited the interest of producers (companies) in technical and production development; it has produced three, unhealthily separated markets in all the smaller member-states. In the mean time it should be noted, that the division of labour within the CMEA (in other words the basically raw-material exporting position of the Soviet Union) resulted in a massive transfer of capital to the smaller member-states by the Soviet Union until 1976, which became impossible to be maintained any further by the mid-seventies.

From the mid-sixties onwards it has become clear in every member-state that the mechanism of cooperation should be transformed, and progress towards integration began with the development of joint institutions and organizations, which led to a certain coordination of economic policies (as contrasted to the earlier coordination of plans), and subsequently to the realization of joint investments and the setting up of joint companies, to the elaboration of joint development programmes (of economic branches) from the seventies onwards.

Each CMEA-country got confronted with the contradictions of the system of directly ordered plans and of the model of extensive development, of the limitations of maintaining the old type of growth already in the sixties, and the difficulties and problems pointed to the need of profound reforms affecting the entire system of the economy everywhere, but the system of economic management has reformed only in Hungary, though the unfolding of the reform got halted here too by the early seventies. The processes of the seventies were primarily determined by the different impact of the sudden price-rise of raw materials in 1973 upon the various CMEA-countries: the economic situation of raw material exporting Soviet Union, Poland and Rumania improved (by the growing export earnings), whereas the foreign economic position and the possibilities of growth of the raw material im-

porting Czechoslovakia, GDR and Hungary have deteriorated.

One-third of world production is produced in the CMEA, on almost one-fifth of the territory of, and with one-tenth of the total population of the world, however, the share, of the region in world trade is much more modest: it has been 9 per cent of world trade in the 80s. This partly indicates that the association of CMEA-countries with the international division of labour is still not adequate, it is at a lower level than desirable, and partly - and this is the real problem - the share of the CMEA-countries in world trade has been continuously decreasing since the dynamic period of the sixties: the share of the CMEA-countries in world exports grew from 6.8 to 10.1 per cent between 1950 and 1960, and was stabilized practically on that level till 1970, but it has dropped to 8-9 per cent ever since. As far as world imports are concerned, the trend is similar: the share of the CMEA-countries was growing from 1950 till 1965, then it had a slight decrease, and has been stabilized around 8-9 per cent in the 80s. It should be added that the share of the Soviet Union in world trade (in export as well as import) has been stable, and the decline of the 70s and 80s is mainly due to the diminishing weight of the small CMEA-states in world trade.

The conditions of cooperation have been fundamentally changed within the CMEA in the 80s, the reasons of change can be summarized in the following items:^x

1. The Soviet production of commodities and energy carriers cannot be extended because of geological, technical and feasibility reasons.
2. An industrial structure extremely squandering material and energy has developed in all the CMEA-countries by the uncritical adoption of the Soviet

^xSee: Csabai, László: A KGST a változó világban (CMEA in the Changing World) Külpolitika, 1985. No. 3.

policy of industrialization, by the insufficient technical development and by economic mechanisms not encouraging rational energy consumption.

3. The CMEA-countries have lost one, or one and a half decades by not being able to transform the structure and the system of management reducing the requirements of material and energy.

4. Because of the falling prices of fuel the pressure on the regroupment of Soviet commodities has been growing which cannot be counter-balanced by limiting the purchasing power of the small CMEA-countries.

5. The principle of pricing effective since 1976 (that is 'slipping average price' made out of the arithmetic average of world market prices of the preceding five years) - however logical and necessary it appeared when it was introduced - has accentuated the other, financial contradictions of the system of cooperation of the CMEA. "While the system of cooperation within the CMEA has remained by and large unchanged, one element of the mechanism has been modified. This has broken the earlier harmony of the regional financial system, it has raised a number of yet unsolved issues from the angle of monetary techniques, and it had a direct impact on the real processes. The most obvious of all effects was that Eastern European countries have incurred a debt of several thousand million transferable roubles towards the Soviet Union. This is the result of the partial modifications of 1976: while the means of the quantitative regulation of bilateral trade have remained unchanged, an annual pricing was introduced in trade with the Soviet Union without having 'effected' the closely related modifications in the financial system (...) This is manifest in that (...) the East European countries have balanced the estimated gain of about 30 thousand million transferable roubles of the Soviet Union out of the terms of trade to 80 percent by real products, and a long-term credit would be needed only for the debt of about 5 thousand million transferable roubles, which is one-third of their losses from the terms of trade..."

A factor fundamentally effecting the entire CMEA-cooperation is the vigorous transformation of Soviet demand, which has been on the agenda since the late 70s, which requires primarily the growing export of agricultural products and food, and consumer goods of industrial origin from the CMEA-countries. Similarly there is the growing Soviet demand that the small CMEA-countries should take part in the technical reconstruction of the Soviet food and light industry, and in general in the productive units manufacturing consumer goods, whereas the Soviet demands expect mining machinery, means of transport and communications on the highest technical standard ('world level'), and material and energy saving equipment from the suppliers. In addition there is the increasingly costly direct participation in raw material production, which has become a general practice in the 80s.

The bilateral medium-term (five-year plans) intergovernmental trade agreements constitute traditionally the basis of CMEA cooperation. The basic characteristic of the price system has been the 'slipping price base', the assertion of the principle of 'five-year mobile average' ever since January 1, 1976, which means that the prices are determined on the basis of the arithmetic average of the world market prices of the previous five years. This is a more flexible pricing system than the earlier one was (when all the prices were fixed for five years), but all the same, it does not sufficiently encourage additional exports, and since it is basically realized by bilateral agreements, one cannot speak about uniform CMEA prices in the case of a number of goods. The economic development of member states has demanded the elaboration of more up-to-date forms of cooperation than the bilateral supply of goods, and a decisive element of it has been the specialization of production, together with the system of inter-state cooperation agreements. Specialization of production is essentially fitted into the system of medium- and long-term contracts of delivery, it is of bilateral nature and centred upon the final products (in so far as

it is much easier to 'distribute' complete products among the countries than to create the conditions of the international division of labour within the various branches), its regulation takes place on two levels, the agreements are concluded on governmental level, but ultimately they are realized in the civil legal contracts of foreign trading companies. Nowadays 35 to 40 per cent of the mutual shipments of CMEA member-states is realized within the framework of international specialization of production, and it has become a decisive factor of trade relations primarily in manufacturing - today a party not specializing cannot expect the safe satisfication of all demands. Today international manufacturing cooperation is more advanced than specialization, in which the division of labour does not concern the final product, but the international production of the components of certain products, by which they represent an international division of labour within a branch. This kind of cooperation presupposes the coordination of scientific and technical cooperation, and first of all an efficient inter-company cooperation. - And this is precisely the most fundamental obstacle in the way of international manufacturing cooperation.

The earlier means and methods of the cooperative mechanism of CMEA have lost their efficiency by the 80s. The cooperative mechanism of the CMEA has always been growth-oriented, and the integrative trade mechanism has been basically a system of the distribution of growth. The present practice is incapable to coordinate the interests of suppliers and purchasers while trade is stagnant. The extension of trade is hindered by the differentiation between 'soft' and 'hard' goods, which has become particularly sharp in the field of food products at the turn of the 70s and 80s: it is obvious that not every article of short supply is a 'hard' one, only those which head the list of preferences of the planners under the conditions of the economy of shortage. Though the Soviet economic policy has been attributing a special significance to the increase of agricultural

imports within the CMEA since 1984, only the mass products, that can be planned centrally (like wheat, maize, beef), are regarded to be hard, whereas fruit, vegetables and processed foodstuffs, equally missing from the market of the majority of member-states, remain to be soft goods. Hardness only reflects a shortage screened by the subjective and technical considerations of planners. The present mechanism of cooperation does not encourage technical development, it does not prefer changes in production and the renewal of products. The activity of the joint organs of the CMEA requires modernization:^x

The wishes and ideas about the modernization of the mechanism of cooperation of CMEA are not new^{xx} the extensive assertion of commodity and monetary relations, the creation of the conditions of direct inter-company cooperation, the fundamental transformation of the economic conditions of cooperation have been on the agenda for two decades. If in the late 80s all these demands occur more sharply than ever, it has several reasons:

- the traditional base of CMEA-cooperation has been the supply of commodities and energy from common resources, whereas the energy supply on the level of the CMEA has become a problematic one by the eighties (as Soviet production cannot be increased);

- by the second part of the 70s the CMEA-countries have become net food importers, and it has become yet another factor hindering cooperation;

^x Csaba, László: A KGST és a nyolcvanas évek kihívása (The CMEA and the Challenge of the 80s.) I. Külpolitika. 1985. No. 5.

^{xx} The vast majority of the ideas described in the eminent book of Ausch, Sándor: A KGST-együttműködés helyzete, mechanizmusa, távlatai (The Situation, Mechanism and Perspectives of CMEA Cooperation) - published in the late 60s can be regarded as still valid, primarily the recommendations concerning currency and finance, and those suggesting the strengthening of inter-company cooperation.

a number of CMEA-states (Poland, Rumania and Hungary) have got into a heavy debt towards the capitalist countries, but the purchasing power of the Soviet Union in hard currency has also decreased (because of the fall of oil incomes), which further restricts the opportunities of the economic activity of member-states. The joints debt of the seven CMEA-countries in convertible currency was 89.5 billion USD in 1986, whereas it has been 100 billion USD in 1987, the net debt of the Soviet Union has grown to 26 billion USD in 1987, the (net) debt of Hungary exceeds 11, of Poland 30 billion USD. Whereas the credit-worthiness of all the CMEA-countries (with the exception of Hungary) has improved since 1984. A considerable part of the growth of debt is due to the falling exchange rate of the dollar, but the problems of the current balance of payment cannot be neglected either.

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The CMEA held its 43rd (extraordinary) session on October 13-14 1987 in Moscow, where the Heads of Government, leading the delegations of member-states have agreed upon the necessity of organizing economic, scientific and technical cooperation on the three, closely related levels of national economies of the branches and of the companies. Direct inter-company relations should be extended, and relevant changes should be introduced in the organizational system and in the institutions of the CMEA. Inter-company relations, production and scientific-technical cooperation should be developed on contract basis, new joint ventures and international associations, scientific and technical organizations should be established. But to the direct cooperation of companies such an economic mechanism - price system, advanced currency, monetary and credit relations - are needed which encourage the utilization of possibilities offered by integration. There is complete agreement: the present currency and monetary system does not encourage the growth of the turnover of goods, transferable

rouble, the collective currency - in fact an accountancy unit - has not allowed the development of a multilateral accounting system, of economic interestedness in achieving export surpluses. In the mean time the national ideas regarding the realization of an effective, currency and monetary system are quite divergent.

The 43rd session has definitely reflected the realization by the majority of countries that the further development of the cooperative mechanism of CMEA is in their own interest. It is a cause for optimism that the "Soviet Union reassesses her own role in CMEA, and the need for the increase of efficiency, and for lessening the narrow cross-sections of Soviet economy comes to the foreground in the place of delivering commodities and accepting final products as features promoting the industrialization of other countries."^x

Despite of all these facts nobody can expect a greater efficiency of CMEA-cooperation in the short run. Fundamental changes cannot be realized within the international relations, if they do not fit into the national systems of (internal) management: the reform of CMEA-cooperation can be realized only as a function of the modernization of the national systems of management. The Hungarian standpoint - just as in respect of the reform of the pricing of contracts - raises the demand for quick and definite modernization in this respect too, in the mean time calling for an increased consideration of the general conditions and regularities of world economy. "Thus it is not accidental that the Hungarian Premier regretted that the chapter of the draft resolution of the session, dealing with currency and monetary issues, contained few concrete elements."^{xx}

^x Csaba, László:op.cit.

^{xx} A negyvenharmadik (The Fortythird) Heti Világgazdaság. October 24, 1987. p.50.

It is unambiguously clear from the point of the general economic condition of the socialist countries and their position in the power relations of world economy that "the weight of socialism still remains to be far more moderate in world economy, than in world politics. This asymmetry is the natural outcome of the fact that socialism has been victorious and spread on the periphery; therefore its existence can be historically explained, but its extent is already partly the consequence of the mistakes committed in the economic policy of socialist countries and in the development of the socialist international integration."^x

The enhancement of the effectiveness of CMEA-cooperation by leaps is of vital importance in the world economy of the late 80s for every member-states, when technical development is faster than ever, a profound structural transformation and the radical rearrangement of power relations are the characteristic features of the period amidst grave imbalances of trade and finances, and the intensification of commercial tensions.

The CMEA as an integrative organization, and the CMEA member-states partly through integration have to react urgently upon these challenge of the world economy. The CMEA is facing a rather grave alternative. The CMEA has come to a crossroads, the answer to be given to the challenge of world economy by the national economies belonging to the integration is really an alternative, the CMEA either:

1. changes the pace and character of its development, in other words it shifts to a quicker and totally intensive track while retaining its socialist features by guaranteeing the existential, social and cultural security of people; or:

^x Kozma, Ferenc: A szocializmus továbbfejlődésének világgazdasági alternatívái (Alternatives of the Further Development of Socialism in World Economy), Politikatudomány, 1982. No. 2.

2. by some reason or other it fails to change its pace, intensification and acceleration suffers delay in its industrialized section, and its pre-industrial section cannot evolve the 'model' of the harmonious development of the Third World. In this case it may drift towards two adverse solutions it would be forced to adopt:

- it would gradually get under the influence of the advanced capitalist power centres, in other words it would have to accept unilinear relations of dependency;

- it may try to get out of the undesirable influences of these power centres, but this objective cannot be achieved otherwise than by reducing (or even eliminating in an extreme case) the economic relations. By a forced isolation direct dependence can be avoided, however, dropping out of the technical and commercial streams of the world will definitely bring about a lagging behind even if socialism makes extraordinary and effective efforts to speed up technical and economic development, to massively strengthen the interests existing in this field. Isolation ultimately leads exactly to the same result like the evolution of unilateral dependency relations: to backwardness and a peripheral position. Economic independence preserved at the cost of great sacrifices ultimately would turn into its own opposite: to total exposition due to backwardness.^x

^x Ibid.

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WHAT HAS BEEN WRONG WITH THE SOCIALIST
ECONOMIC REFORMS?

by

Kalman Mizsei

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

DRAFT

Conference on ALTERNATIVE MODELS OF
SOCIALIST ECONOMIC SYSTEMS
March 18-22, 1988, Győr, Hungary

WHAT HAS BEEN WRONG WITH THE SOCIALIST ECONOMIC REFORMS?

(Summary)

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In the 1980s we have witnessed increasing crises of the East European socialist economies, more broadly, the Soviet (Stalinist) type of economic system. Having exhausted the natural and human resources of the societies, the countries of the region have dramatically lagged behind in international cooperation, the majority having accumulated huge external debts, while the level and pattern of consumption have also fell behind and become obsolete. The quality of life and social morals have painfully diminished. Those phenomena, against the expectations of many economists, concern not only the countries which have not yet introduced major reforms but also the ones, like Hungary, Yugoslavia, and Poland, which in different times accomplished substantial changes in the working of the national economy. In this essay I will focus on those countries: why have they failed to originate economic systems substantially more efficient than the ones run by more orthodox socialist countries?

The Hungarian reformers in 1968 were hoping quick and relatively painless solutions to the illnesses of the then existing economic system. At the same time they wanted to maintain the fundamental principles of the past economic order: the hegemony and privileged treatment of state ownership of capital, achieving the efficiency of the market-type economies. For tactical reasons they convinced themselves egalitarian values of socialism (although never seriously realized) and effectiveness of market competition were reconcilable without major contradictions and without consequences for property rights. They also neglected, for the same reasons, the significance of the different rules of game on the CMEA-market. The explanation for these failures of the reform movement lies in the feature of the political system and the roots of the movement.

The reform debates first occurred in the press of some socialist countries (notably in that of the Soviet Union, the GDR, Hungary, and Poland) when the internal and external circumstances were appropriate for them: domestic economic difficulties, social tensions accompanied by temporary Soviet political divisions in the course of de-Stalinization. Because the events, however, were always within the control of the political elites, the limitations of economic debates were also defined by them. It means, that neither the public discussions nor the more confidential ones in ad hoc reform commissions were democratic: only a narrow part of alternative views could gain publicity. This type of selection was twofold: prevailed in the choice of the participants and also in their self-imposed limitations concerning the radicalism of presented views. Because of those circumstances, the early reform debates never offered 'independent' alternatives but only broadened the scope of what was acceptable, i.e. only a limited difference from the existing solutions.

Hence the 'dynamism' of the reformist views: in the consecutive crises the 're-

form party' could inch by inch expand the borders of the 'still socialist' proposals. This ideal-typical way of spreading of reform ideas fits most in the case of Hungary, but is more or less valid concerning the Soviet Union, and Poland as well. The additional element in all of these cases have been different types of 'social energy'. In the case of Hungary and Poland it has been the social pressure exerted on the ruling elites in times of major unrest with durable effects on the behaviour of the governing strata. In the case of the Soviet Union this role has been filled by the necessity of keeping the pace in the international competition. Finally, the autonomy of domestic political struggles surrounding the reforms have gradually increased through the last 35 years.

These political processes have been accompanied with another crucial one: in the stage of political decisions on the final reform-draft the decision-makers had to consider not only the reformist ideas but also the desires of the ruling apparatuses: that of the party apparatus, the government bodies, ministries, politically strongly situated large firms and territorial administrative organs. In one way or the other, all of them were able to blackmail the top leaderships in every country of the region. As a very natural consequence, the politicians have not realized a logical set of measures but have taken only the politically feasible components of the concepts. So the reformers could claim that this way their proposals had been prevented their necessary coherence. In fact, however, for the above mentioned reasons, those 'scientific' projects were also major intellectual compromises and not fully feasible in practical terms.

Many scholars have already analysed and sufficiently proved that neither the Yugoslav reform nor the Hungarian system modifications in the sixties introduced market mechanisms as a dominant integration pattern of the economy. The Yugoslav reform ideologues even denied that although in fact the economy of this country was more liberalized in general than the economic life in Hungary at least from the mid-1960s. The most fundamental problem was that of the ownership relations. The Hungarian reformers did not touch upon this question while the Yugoslavs found a 'socialist' alternative, even more destructive in the long run than the Hungarian 'pragmatism'. No scientific discussion preceded the introduction and completion of the self-management system and could not be questioned later.

The lack of changes in this field prevented the Hungarian reformers of the sixties from elaborating concepts regarding the treatment of loss-making units, or concerning the necessity of re-establishing the capital-market. Almost no attention was paid to the problems of the monetary sphere: for the reform-ideologues of the sixties the financial regulation based on separate balancing of the different parts of aggregate demand was an obvious and satisfactory solution. They finally did not pay much attention to the problems of economic connections with the outside world: their model worked in a closed economy. Hence, they could not establish the conditions for import-competition so crucial for small countries with highly monopolized organizational structures, neither could they solve intellectually the effects of the traditional CMEA-trade on the reformed domestic economy.

The half-hearted systemic changes were responsible primarily for the fact that the two reform-economies were not exceptions from the general tendency of the East European economies in the 1970s. By that time the sources of statist expansionism were exhausted and the reserves laid only in either international indebtedness (like the example of Poland and Romania) or in macroeconomic depression (like Czechoslovakia). Though the microeconomic adaptation of the reform-economies was undoubtedly better than that of the unreformed countries (due to more flexible prices, greater profit-motivation and a considerably liberal treatment of the shadow economy) their macroeconomic positions in the international storms of the 1970s considerably deteriorated. This deterioration was more moderate than in

the socialist countries without indebtedness, but together with the fast growing external debts it became a major reason that Hungary and Yugoslavia could not avoid the general systemic crisis of the 1980s either.

With the Polish crisis it became obvious, among other things, that even the period of sustained growth based on involvement of external resources had finished. The only way to maintain the political continuity was that of system-reforms. This realization caused the Polish party-leadership to continue, in the final account, its Hungarian-type economic reform, while the Hungarian political establishment showed more eagerness to accept some demands of the influential reform economists. Why did not the Polish specialists recognize the limits of the Hungarian reform by the time of their own major system-debates in 1980-1981?

The views of the Polish reformists were also primarily determined by their traditions: they strongly accentuated the necessity of self-management-type solutions. On the other hand, in this period the Hungarian example could still seem a success-story, especially with such weak knowledge of its details as it was the case in Poland. Here, too, the politico-ideological dynamism of expansion of tolerance was present: even in this period it seemed to be less dangerous to look for solutions which fit into the general dogmas of the existing socialism. The supporters of 'socialist solution' i.e. of workers' self-management were also more organized (mainly because of the long traditions) and politically stronger than the free-market radicals in the time of the major reform debates in 1980-1981. As a result of the political compromise between the reform projects and the political logics of the martial law the unintended solution was the Hungarian formula; in which the employees' councils had a minor role.

In Hungary the reform-ideologues went further in this time after the experiences of the 1970s. However, because of the repeatedly mentioned political process of reformism, they exerted their pressure not necessarily on the most effective solutions in the first half of the 1980s: the most typical example of this was the enforcement of self-management type solutions in a period of absence of workers' concern in them. This situation yielded two poor results: the establishment of employees' councils did not, as they promised, strengthen the economy of the firms, while lacking spontaneous movements the councils could easily be manipulated by other, more organized actors in the firms.

On the other hand, the economists did not really elaborate sufficiently detailed proposals on the real shortcomings of the Hungarian system listed above. It was also a hard task to organize social pressure behind changes which would have resulted economic improvement but also greater individual risks, stronger competition and market-selection.

Under the pressure of the situation the Hungarian political leadership initiated somewhat spontaneously the extension of private economy and legalization of parts of the grey and black economy. On the other hand, reform efforts have in the whole period been overshadowed by another spontaneous behaviour of the ruling centre: to tighten the control over the increasingly scarce resources. It was very obvious in 1982-1983 for example in the distribution of hard-currency imports and this growing regulation (control) has also been reflected in the fast growing share of the budget in the GDP. The budgetary interventions have usually exceeded the rules established by the same centre. This decreased to an extremely low level the confidence of the enterprise managers in the stability of regulation as well as in the seriousness of the reform efforts. The first major humiliation of this kind was the introduction of the new price system in 1980. It was only too clear for the managers that the intention of the price reform was not the establishment of close connections between the domestic and international economies but to put the price increases under bureaucratic control. On the other hand, the

execution of price reform was dilettant, the controlling apparatus proved unable to elaborate a solid practical solution. This pattern has become typical in the partial systemic changes in Hungary in the 1980s.

The answer of the enterprises on the repeated efforts of the centre to sell changes aiming at the limitation of purchasing power of the firms or the population was the radical extension of their blackmailing efforts: in the still highly monopolized domestic market they always could argue with their responsibility for supply in the given field. These kind of fights between the financial centre and enterprises had increasingly disorganized the normality of regulation.

This type of crisis has been accompanied by growing inflation: the intensifying social tensions activated the lobbying of workers for keeping up the wage-rises with prices; extension of enterprise-lobbying had the same final effect. The debt-management also meant selling more abroad than in the domestic market, i.e. narrowing aggregate supply vs. demand. These factors activated inflation in every reform-country, i.e. in Poland, and Yugoslavia as well. While the former has also been unable to introduce monetary policy for the same reason as Hungary (i.e. partial regulation of different parts of the aggregate demand), Yugoslavia had to sacrifice its otherwise more sophisticated monetary rules for on the altar of short-term political goals during a threatened situation.

Under the pressure of the economic crisis the pluralism in these countries has rapidly increased. But without real consensus and confidence between ruling elites and societies it could so far increase the bargaining features of the economic process. At the same time, other East European countries, especially the Soviet Union and Bulgaria, for the same logic, have entered the Hungarian road recently. Because of their delay, one cannot expect the positive effects of it what Hungary enjoyed in the first period of its reform.

Obviously, more than forty years of mismanagement of the economy (and society) cannot be annulled by a proper economic policy adopted by the centre in the short run. Still, it seems to be likely that from the second half of the 1980s the recognition is only occurring that only a total revision of the dogma about superiority of state property can initiate healthier economic (and social) processes in Eastern Europe. The question is will the societies of the region have the time to digest and accomplish their major transformation?

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IL COORDINAMENTO INTERNAZIONALE DELLE POLITICHE MACROECONOMICHE:
UN APPROCCIO DI "POLITICAL ECONOMY"

by

Pietro Carlo Padoan

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

In questo ultimo decennio il consolidarsi di una struttura delle relazioni internazionali caratterizzata ad un tempo da rapporti oligopolistici e fortemente interdipendenti tra paesi, ha reso ancor più necessario il coordinamento delle politiche economiche nazionali e ha aumentato allo stesso tempo i vantaggi potenziali della cooperazione, soprattutto nel campo delle relazioni macroeconomiche. Ma i progressi di fatto conseguiti su questo fronte, come provano anche le ultime vicende, sono stati assai scarsi. E' allora necessario cercare di spiegarne le ragioni.

Un primo punto da chiarire è quale definizione dare della cooperazione internazionale, dal momento che essa può assumere e ha assunto, come dimostrano esperienze del passato, forme e contenuti diversi, anche se non necessariamente alternativi.

In primo luogo la cooperazione può prevedere un continuo scambio di informazioni sulle politiche nazionali, senza particolari vincoli alle scelte dei singoli paesi. L'informazione svolge certamente un ruolo di primaria importanza nell'influenzare il comportamento dei paesi, ma va considerata più che altro un presupposto necessario di politiche cooperative.

Ancora la cooperazione può essere intesa nel senso di uno stretto coordinamento delle politiche nazionali, attraverso un processo continuo di decisioni comuni sulla definizione, anche quantitativa degli obiettivi e/o degli strumenti di politica economica. Ciò che si richiede in questo caso è il raggiungimento ogni volta di un accordo tra le autorità nazionali sulle singole scelte da effettuare. Questa forma di cooperazione, per quanto sia quella più di frequente invocata dai policy makers, è anche la più difficile da realizzare, per i forti vincoli che essa impone alle autonomie nazionali.

Un terzo modo di intendere la cooperazione è nel senso della definizione di un insieme di norme e di regole che i paesi si impegnano a rispettare nelle loro strategie di politica economica, pur conservando una sostanziale autonomia nelle singole scelte. Il quadro di riferimento che viene così tracciato induce i paesi, nel formulare le loro politiche, a tener conto dei legami di interdipendenza esistenti e di conseguenza ad orientare e modificare i comportamenti in direzione di una maggiore stabilità a livello di sistema. La lunga fase di cooperazione che si è sviluppata nel dopoguerra a partire da Bretton Woods, rappresenta l'esempio più rilevante di questo tipo di accordo cooperativo tra paesi.

L'analisi economica della cooperazione internazionale ha compiuto notevoli progressi sul piano teorico ed empirico in questi ultimi anni. Uno dei maggiori risultati raggiunti è la dimostrazione del fatto che in generale soluzioni cooperative, che contemplano accordi tra paesi nel raggiungimento dei diversi obiettivi nazionali, sono superiori in termini Paretiani di benessere ed efficienza a soluzioni non cooperative, in cui i paesi agiscono in base a scelte effettuate in modo autonomo ed indipendente. Va messo in rilievo tuttavia che l'opportunità di adottare politiche cooperative può essere valutata differentemente a seconda del modello teorico a cui si fa riferimento. Le posizioni neoclassiche più estreme sostengono ad esempio che i governi nazionali non dovrebbero interferire nei meccanismi di mercato, in quanto la loro azione spontanea sarebbe in grado di assicurare risultati ottimali sul piano degli andamenti macroeconomici. Ma anche in uno schema neoclassico si può dimostrare l'opportunità di un esplicito intervento delle istituzioni per favorire la cooperazione, se si assume realisticamente che non esistono per tutti i beni mercati perfettamente concorrenziali e che l'incertezza sul futuro rappresenta una caratteristica rilevante del sistema.

In un contesto teorico keynesiano l'esigenza della cooperazione è ancora più evidente. Si può dimostrare ad esempio che se i paesi perseguono politiche macroeconomiche mercantilistiche (surplus commerciali) e di conseguenza non cooperano nella generazione della domanda effettiva internazionale, il livello della produzione mondiale subirà una severa penalizzazione. Ciò può produrre effetti negativi sulle relazioni monetarie, finanziarie e commerciali oltrechè macroeconomiche a livello internazionale.

L'analisi economica non ha tuttavia fornito, almeno fino ad ora, soddisfacenti risposte sul problema chiave del perchè sia così difficile raggiungere forme di cooperazione nelle relazioni tra paesi, nonostante i vantaggi da essa derivanti. Contributi rilevanti in questa direzione sono stati forniti, viceversa, dall'analisi teorica ed empirica degli studiosi di relazioni internazionali, ed in particolare da un campo di indagine relativamente giovane, l'"International Political Economy" (IPE), che studia i fenomeni internazionali utilizzando congiuntamente schemi concettuali e tecniche di analisi dell'economia e della scienza politica. L'approccio dell'IPE ai problemi della cooperazione internazionale può essere sinteticamente riassunto nei seguenti quattro punti. 1) L'ammontare di cooperazione internazionale, ovvero la produzione di meccanismi di regolazione internazionali ("regimes"), è influenzato dalla distribuzione del potere tra i paesi. Differenti distribuzioni del potere internazionale condurranno a regimi di regolazione diversi per qualità (tipo di regole fissate) e quantità (estensione di applicazione di tali regole). 2) Le politiche nazionali riflettono le preferenze delle coalizioni dominanti, che, a loro volta, sono il risultato dell'interazione tra gruppi di interesse e policy makers. 3) In un mondo caratterizzato da 'incertezza' il ruolo delle istituzioni è fondamentale nella produzione e distribuzione delle informazioni sulle condizioni del sistema, e in particolare sul comportamento dei diversi attori. 4) Il processo di cooperazione può essere analizzato in termini di 'economia delle scelte pubbliche' sotto due aspetti; a) il sistema economico produce "esternalità" che vanno ripartite; b) il comportamento del sistema è il risultato di un'azione collettiva, tra e all'interno dei differenti gruppi e paesi. In questo contesto si possono allora definire le condizioni di produzione del 'bene pubblico' cooperazione nell'ambito di rapporti oligopolistici tra paesi, individuando i fattori determinanti la propensione alla cooperazione dei singoli paesi.

Va sottolineato come l'approccio dell'International Political Economy ai problemi della cooperazione internazionale non sia affatto in contrasto con

l'approccio dell'analisi economica. Vi è al contrario una potenziale fruttuosa integrazione tra i due, che è tuttavia ancora da realizzare.

La conferenza organizzata dallo IAI, dall'Università di Harvard e dal NBER che ha riunito economisti e politologi americani ed europei per analizzare i problemi della cooperazione macroeconomica internazionale, ha voluto essere un primo passo in questa direzione.

Qui di seguito vengono riassunti sinteticamente i contenuti dei papers presentati alla conferenza.

Il coordinamento delle politiche macroeconomiche nell'area europea.

L. Katseli analizza i fattori economici, politici ed istituzionali che hanno determinato le politiche macroeconomiche dei paesi europei negli anni '80.

Per spiegare tali politiche è necessario innanzi tutto guardare, secondo l'autrice, all'evoluzione delle relazioni monetarie e finanziarie internazionali in questi anni. La crescente interdipendenza finanziaria internazionale e il ruolo dominante di alcune valute forti nelle transazioni internazionali hanno finito per influenzare, in modo più o meno diretto, il potere relativo dei diversi paesi nella determinazione delle politiche macroeconomiche.

A livello internazionale ha preso forma e si è sempre più consolidato un sistema decisionale che è organizzato in forma oligopolistica e gerarchica. Stati Uniti, Germania occidentale e Giappone sono gli attori chiave di tale sistema, che si è sviluppato al di fuori del tradizionale quadro istituzionale delle Nazioni Unite o della Comunità Europea e che, di fatto, ha finito per assumere un ruolo di supervisione sul funzionamento del sistema, monetario internazionale. In tale contesto la negoziazione tra i paesi sulle politiche macroeconomiche si è concentrata soprattutto sulla gestione dei tassi di cambio. Così, mentre il potere di decisione veniva concentrato nelle mani di pochi attori, è cresciuta anche l'influenza delle banche centrali sulla conduzione delle politiche economiche.

La Katseli sostiene che 'a parità di altre condizioni' queste due tendenze di fondo, interagendo, hanno determinato un 'bias' deflazionistico delle politiche macroeconomiche.

La formazione di questo 'club monetario sovranazionale', in risposta al ruolo crescente degli investitori finanziari internazionali, offre da un lato sufficienti prove dell'affermarsi di un 'paradigma politico transnazionale' che trascende una visione delle relazioni internazionali basata esclusivamente sullo stato-nazione. Dall'altro, queste asimmetrie nell'interdipendenza finanziaria dei paesi e l'organizzazione oligopolistica delle relazioni finanziarie internazionali rendono necessaria l'introduzione nell'analisi dei fattori politici. Dal fatto che pochi attori esercitano un elevato grado di controllo sugli andamenti dell'economia internazionale derivano, infatti, un insieme di problemi legati a fenomeni di strategia, negoziazione, influenza e leadership.

Il 'bias' deflazionistico, secondo l'autrice, è reso ancora più marcato dai costi crescenti legati alla formazione di coalizioni per contrastare le politiche dominanti. La complessità dei temi al centro del 'management' macroeconomico e le asimmetrie strutturali tra paesi nelle loro risposte agli shocks e/o alle politiche esterne, ostacolano fortemente la costruzione di alleanze politiche tra i gruppi sociali più direttamente colpiti.

L'internazionalizzazione della politica macroeconomica ha finito così per ridurre ancor più il peso politico dei gruppi più deboli nel processo di formazione delle decisioni all'interno dei singoli paesi.

La tesi dominante dell'autrice è che il quadro internazionale sopradelineato ha esercitato una influenza determinante sulle politiche macroeconomiche dei paesi europei negli anni '80. La scelta sia degli obiettivi che degli strumenti è stata dettata in Europa, in questa prima parte del decennio in corso, dai benefici netti degli attori chiave del sistema. Nei primi anni '80 una espansione fiscale coordinata a livello europeo, per quanto realizzabile, fu avversata dalla Germania e dai suoi 'interessi costituiti' che in larga misura coincidevano con gli interessi delle banche centrali europee. Per converso, vennero perseguite politiche fiscali deflazionistiche, politiche monetarie restrittive e forti contenimenti salariali. Oggi è tiepidamente appoggiata da parte della Germania una politica fiscale espansiva unilaterale.

Da fattori politici e istituzionali dipendono in larga misura anche le modalità di attuazione delle strategie di espansione o di deflazione. I governi conservatori preferiranno dei tagli fiscali per espandere l'economia e delle riduzioni di programmi e servizi pubblici per raffreddare la congiuntura. Preferenze opposte caratterizzeranno i governi progressisti.

Se le politiche conservatrici si rafforzeranno e si istituzionalizzeranno a livello internazionale, grazie all'azione del 'club monetario sovranazionale', il bias deflazionistico in Europa, sostiene la Katseli, tenderà a perpetuarsi, indipendentemente dai cambiamenti di governo dei singoli paesi.

La conclusione dell'autrice è che la disoccupazione in Europa rappresenta oggi un problema che ha natura tanto politica ed istituzionale quanto economica.

Preferenze nazionali e coordinamento internazionale delle politiche macroeconomiche.

Il contributo di Thomas Willet "National Macroeconomic Policy Preferences and International Coordination Issues" passa in rassegna la letteratura della political economy e della sua influenza sul dibattito sul problema del coordinamento delle politiche macroeconomiche. In particolare vengono analizzate le fonti di determinazione delle preferenze nazionali in tema di politiche macroeconomiche. Viene preso in considerazione il dibattito relativo ai trade-offs tra inflazione e crescita, ma non solo tra questi, esistenti nei diversi paesi.

Nel passare in rassegna la letteratura l'autore cerca di individuare le determinanti politiche economiche che portano a differenti bias inflazionistici nei vari paesi. Il dibattito teorico viene analizzato sullo sfondo delle vicende dell'economia internazionale dopo lo shock petrolifero. E' infatti a partire dai primi anni settanta che il problema della risposta ottimale delle politiche economiche a shocks provenienti dall'esterno delle economie dei paesi industrializzati si pone esplicitamente. Sulla base delle esperienze di quegli anni, si sviluppa il dibattito sulla desiderabilità del coordinamento macroeconomico (basti pensare al cosiddetto approccio delle locomotive che anche recentemente è tornato al centro del dibattito).

Uno dei temi affrontati riguarda il dibattito tra cambi fissi e flessibili. L'autore fa notare che se negli ultimi tempi si è accresciuto il consenso verso un ritorno a qualche forma di fissità dei tassi di cambio,

ancora molto si deve indagare sulle condizioni macroeconomiche che devono essere soddisfatte per rendere una struttura di tassi di cambio fissi mutualmente compatibili. Accordi sui tassi di cambio infatti non comportano automaticamente il coordinamento nelle politiche monetarie.

E' centrale in questo quadro il problema del grado di discrezionalità delle politiche nazionali e le implicazioni politiche, o di political economy, del dibattito regole fisse-discrezionalità che si è sviluppato a partire dalla seconda metà degli anni 70. A questo proposito l'autore suggerisce di approfondire lo studio dei sistemi istituzionali e politici che limitino la discrezionalità delle autorità di politica economica piuttosto che la ricerca di regole ottimali.

Secondo l'autore questo approccio, diverso da quello tradizionalmente seguito dagli economisti, dovrebbe permettere maggiore spazio per rendere compatibili politiche nazionali basate su preferenze dei policy-maker tra loro molto distanti. Rimane aperto il problema se un tale sistema istituzionale potrebbe conciliare le opposte esigenze di rendere compatibili diverse preferenze nazionali e di generare un quadro di riferimento sufficientemente rigido così da evitare quelle che l'autore ritiene essere le instabilità generate dai policy makers.

Teoria dei giochi e coordinamento

Il paper di J. Alt e B. Eichengreen, "Overlapping and Simultaneous Games: Theory and Applications", contiene sia aspetti teorici che applicazioni di questi a problemi di relazioni internazionali. Il campo di applicazione non è propriamente quello delle relazioni macroeconomiche, riguarda infatti il commercio di gas naturale in Europa. Si tratta in ogni caso di un paper assai stimolante che presenta implicazioni di carattere più generale.

Gli autori sviluppano il tema, ben noto nell'ambito della international political economy, del issue-linkage (in base al quale nelle relazioni internazionali gli attori tendono a stabilire legami tra diversi campi di contenzioso o contrattazione tra due diverse parti allo scopo di migliorare le possibilità di accordi). Essi inoltre sviluppano il concetto di giochi simultanei e sovrapposti arricchendo così il filone, in rapida espansione, della applicazione della teoria dei giochi alla problematica della international political economy.

Gli autori ricordano che sia i giochi simultanei che quelli sovrapposti sono semplificazioni del gioco più complesso che si svolge nelle relazioni che intercorrono sul mercato del gas naturale. Il gioco "vero" infatti risulta essere troppo complesso per essere trattato analiticamente. Nei giochi simultanei i giocatori giocano simultaneamente tra di loro su più terreni. Nei giochi sovrapposti un giocatore gioca due giochi distinti (nel caso di tre giocatori) con due diversi soggetti.

Nel caso del mercato del gas europeo il gioco coinvolge cinque giocatori, Usa, Urss, Europa Continentale, Norvegia, Medio Oriente ed è giocato su due terreni diversi, la difesa e l'energia, uno dei quali, quello sull'energia, è a sua volta giocato su due beni, il gas e il petrolio. Una struttura formale che incorporasse questo grado di dettaglio sarebbe però eccessivamente complessa ed è quindi stata semplificata. Vengono adottate le seguenti ipotesi. Si assume assenza di interazione sul piano della difesa tra il Medio Oriente da una parte e la Norvegia e l'Europa Continentale dall'altra e si utilizza il concetto di giochi sovrapposti. Analogamente nel gioco energetico relativo al gas naturale

non c'è relazione diretta tra gli Usa e gli altri giocatori (anche se una tale relazione dovrebbe essere presente nel caso del petrolio), e possibilmente non vi è relazione neanche tra il Medio Oriente e la Norvegia.

Grazie a queste semplificazioni le relazioni possono essere modellate come giochi ristretti con tre o quattro giocatori. I concetti di giochi simultanei e sovrapposti rendono possibili tali semplificazioni.

In questo contesto i legami (linkages) possono essere considerati come punti di osservazione. Le mosse di un giocatore in una area possono essere osservate da giocatori al di fuori. L'apprendimento delle strategie reciproche avviene gradualmente in presenza di asimmetrie di informazioni e di osservabilità.

Gli autori mostrano come giochi di questo tipo possano essere applicati anche ad altre aree delle relazioni internazionali come quelle macroeconomiche in cui sono centrali problemi di "reputazione" dei policy makers o di leadership (basti pensare alle implicazioni derivanti dalla teoria della stabilità egemonica che sostiene che la condizione necessaria per la cooperazione internazionale è la presenza di un paese leader nel sistema internazionale).

Secondo gli autori i modelli basati sui concetti di giochi simultanei e sovrapposti possono gettare nuova luce sulle implicazioni dei vantaggi strutturali nei confronti delle alleanze politiche nella produzione e distribuzione del gas naturale.

Condizionamenti internazionali delle politiche macroeconomiche.

Nel loro paper "International Influences on Macroeconomic Policies: Japan and the United States" S. Weatherford and H. Fukui combinano aspetti teorici ed applicati in chiave comparata. Il punto di partenza dell'analisi è la risposta delle due economie considerate al secondo shock petrolifero, e in particolare ci si chiede come mai l'impatto del secondo shock sia stato molto meno violento del primo.

Secondo gli autori una ragione principale va individuata nel fatto che nel secondo caso, le economie considerate si trovavano in punti del ciclo diversi rispetto al primo shock. Nel 1973 i trends di (praticamente) tutte le economie industrializzate erano altamente sincronizzati e, allo stesso tempo si trovavano al punto di svolta superiore del ciclo. Al contrario nel 1979 la presenza di capacità inutilizzata in Giappone e nelle economie europee rese possibile attivare politiche di reflazione senza rischiare di imprimere accelerazioni all'inflazione ma rese anche possibile che la crescita della domanda sostenesse l'occupazione negli Usa dove la ripresa era già a livello massimo.

La performance commerciale degli Usa durante la seconda crisi del petrolio fu uno dei punti di forza della amministrazione Carter. Le esportazioni crebbero fortemente in conseguenza della crescita delle altre economie nel 1978 e 1979 e le importazioni diminuirono con il rallentamento della crescita all'interno riportando il conto capitale in equilibrio nel 1979.

Altre differenze tra i due episodi (1973 e 1979) si possono notare per quel che riguarda l'interazione tra i governi e i principali gruppi di interesse nel determinare gli obiettivi della politica economica. La differenza è particolarmente rilevante nei rapporti tra il governo e le organizzazioni sindacali nella fissazione dei salari la cui moderazione permise di limitare gli effetti inflazionistici dell'aumento dei prezzi dell'energia.

Negli Usa e in Giappone il governo e i consulenti economici presero decisa posizione a favore di una politica di contenimento degli shocks inflazionistici e cercarono di convincere sia i sindacati che il mondo imprenditoriale della inutilità di cercare di ottenere aumenti nominali di prezzi e salari per recuperare la perdita dovuta alla tassa petrolifera. Nei paesi con meccanismi di tipo corporatista, cioè a contrattazione centralizzata questo dialogo fu più facile mentre negli Usa dove il mercato del lavoro è invece fortemente decentralizzato ciò fu assai più difficile.

Dopo una analisi dettagliata delle vicende successive alla seconda crisi petrolifera gli autori interpretano i fatti confrontando due modelli alternativi.

Un primo modello ispirato dagli studiosi di scienze politiche, mette l'accento sulla complessità delle interazioni tra fattori economici e politici e vincoli istituzionali nel determinare la condotta di politica macroeconomica nel contesto di una distribuzione frammentata della autorità politica (come nel caso degli Usa). Il principale messaggio che questo modello è in grado di trasmettere è la chiarezza e la unanimità con cui la politica economica emerge come risultato di un processo politico in cui gli incentivi istituzionali tradizionali (struttura delle istituzioni) e i rapporti tra parti (e partiti) politiche forniscono i principali canali esplicativi. Il modello politico inoltre non fornisce evidenza che il comportamento delle nazioni industrializzate sia da attribuirsi alla volontà di coordinare le rispettive politiche macroeconomiche. In altri termini gli eventuali benefici impliciti in un processo di coordinamento non sembravano sufficienti, dal punto di vista dei politologi, a controbilanciare i costi di contrattazione che sarebbero stati necessari.

Il modello adottato dagli economisti per spiegare queste situazioni, cioè il modello basato sulla interazione strategica (nel senso della teoria dei giochi) presuppone invece che gli stati siano considerati come attori unitari e che la politica macroeconomica sia decisa essenzialmente in relazione all'ambiente internazionale. La struttura analitica normalmente adottata è quella del dilemma del prigioniero.

In realtà i governi normalmente sono restii ad adottare politiche esplicitamente coordinate perchè i benefici di tali politiche sono incerti o comunque comportano elevati costi politici.

Secondo gli autori l'approccio degli economisti sottostima tali costi politici e, nel concentrarsi sugli aspetti strettamente economici, porta a commettere due errori: appunto, ignora i costi che il policy maker deve sostenere nelle contrattazioni a livello interno e non considera che i medesimi risultati, in termini di aggiustamento, possono essere ottenuti con strategie politicamente meno costose.

Politiche fiscali e cooperazione internazionale

Il paper di G. Tabellini analizza la convenienza di un coordinamento internazionale delle politiche fiscali in presenza di 'distorsioni' di natura politica all'interno dei singoli paesi. Le 'distorsioni' all'interno discendono dalla incapacità dei governi in carica di vincolare anche le scelte dei governi che li seguiranno sulla composizione della spesa pubblica. E' questo genere di distorsioni a generare un 'bias' in favore di disavanzi del bilancio pubblico.

Ora il coordinamento internazionale delle politiche fiscali, sostiene l'Autore, può accentuare questa propensione dei governi verso i deficits pubblici, e ridurre così il livello di benessere sia all'interno che

all'estero. Ciò è imputabile al fatto che il coordinamento internazionale consente ai governi nazionali di formare tra loro delle coalizioni che tendono ad escludere le future compagini governative. Tali coalizioni internazionali finiscono per ridurre i costi associati ai deficits pubblici e accentuare così gli effetti negativi delle distorsioni politiche interne.

I risultati del paper di Tabellini, così sinteticamente riassunti, sono facilmente comparabili con quelli raggiunti da un insieme di lavori, relativamente recenti, che hanno sviluppato il tema della incoerenza temporale di politiche monetarie e fiscali ottimali e della non convenienza, in questi casi, della cooperazione internazionale.

Un punto interessante sollevato nel paper concerne il tipo di regime o istituzione internazionale che potrebbe meglio affrontare e risolvere la distorsione politica su cui si concentra l'analisi dell'autore. Al riguardo, sarebbe necessario un meccanismo istituzionale in grado di interessare anche le scelte dei futuri governi e sostenere allo stesso tempo il coordinamento internazionale delle politiche. Solo in questo caso si potrebbe evitare l'esclusione di alcuni giocatori e la cooperazione, di conseguenza, potrebbe determinare incrementi del benessere collettivo. Secondo l'Autore regimi o istituzioni internazionali quali il Gatt o il sistema monetario di Bretton Woods si avvicinano al tipo di accordi internazionali qui auspicato dal momento che le politiche incorporate in tali accordi tendono ad impegnare anche i futuri governi.

In conclusione, sostiene l'Autore, il coordinamento può avere effetti sia positivi che negativi. I primi tendono a prevalere nei casi in cui la cooperazione assume la forma di 'regole di condotta' che vincolano sia i governi in carica che quelli futuri. Questa forma di cooperazione in effetti è in grado di risolvere sia il problema della incoerenza temporale delle scelte politiche, che quello delle distorsioni politiche derivanti dal comportamento dei governi in tema di bilancio pubblico.

Il Sistema Monetario Europeo

Nel paper di L. Tsoukalis, dedicato ad un'analisi dell'evoluzione e delle prospettive del Sistema Monetario Europeo, vengono sottolineati innanzi tutto i risultati positivi che sono stati conseguiti dai paesi europei con la realizzazione dello Sme. In un mondo di flessibilità generalizzata, caratterizzata da un'elevata instabilità dei tassi di cambio, lo Sme ha contribuito ad evitare lunghi periodi di sovra-sottovalutazioni delle monete dei paesi partecipanti. Lo Sme ha altresì rappresentato uno strumento importante nella lotta all'inflazione, dal momento che ha costituito un elemento di disciplina esterna che ha indubbiamente sostenuto la determinazione delle autorità nazionali nel perseguire politiche antinflazionistiche. Lo Sme può essere altresì considerato come un passo avanti importante verso la creazione di un'area valutaria regionale e di un sistema istituzionale di decisioni collettive in Europa. Progressi significativi sono stati compiuti anche in direzione di un coordinamento più stretto delle politiche monetarie e di un utilizzo più vasto dell'Ecu, soprattutto nelle transazioni tra privati.

Il consolidamento dello Sme ha coinciso, tuttavia, con un periodo prolungato di bassa crescita e di elevata disoccupazione dell'area europea. La domanda da porsi è se vi sia o meno una qualche correlazione tra i due fenomeni.

E' certamente vero, sostiene l'autore, che in presenza di un ampio spazio in Europa per una espansione non inflazionistica della domanda aggregata, il

persistente rifiuto della Germania di mettere in atto tali politiche ha rappresentato un vincolo rilevante alla crescita degli altri paesi europei.

Non è facile tuttavia stabilire se l'accettazione di un tale vincolo esterno da parte degli altri paesi europei sia effetto della loro partecipazione allo Sme o sia semplicemente il risultato della posizione dominante della economia tedesca nell'area europea.

Tsoukalis sostiene che il ruolo della Germania di paese guida dello Sme differisce per molti aspetti da precedenti esempi storici di leadership di un paese. In primo luogo il paese guida dello Sme non costituisce il centro finanziario della regione europea nel suo complesso. In secondo luogo, e ancora più importante, a differenza della Gran Bretagna e degli Stati Uniti nel passato, la Repubblica Federale non ha adottato una politica di 'benevolo disinteresse' nei confronti della sua bilancia dei pagamenti, perseguendo per converso una politica per molti aspetti nemercantilistica, con effetti deflazionistici sugli altri paesi europei. In ultimo la posizione dominante della Germania nella sfera economica e monetaria non corrisponde affatto ad un analogo potere nell'area europea a livello politico.

Il carattere del tutto peculiare della posizione di forza dell'economia tedesca nell'area europea oltre ad aver marcato l'evoluzione dello Sme nei suoi primi otto anni di vita, condiziona da vicino anche le prospettive future dell'accordo monetario europeo. Il passaggio alla fase due dello Sme, che doveva avvenire due anni dopo la sua costituzione, è ancora tutto da realizzare. Vi è una abbondanza di proposte di riforma dello Sme, ma un accordo politico per attuarle sembra assai difficile da raggiungere.

Le difficoltà e i contrasti investono sia il problema della distribuzione dei costi degli interventi che quello della ripartizione degli oneri di aggiustamento tra paesi/monete forti e paesi/monete deboli.

Le proposte di alcuni paesi, ad esempio la Francia, sono in favore dell'introduzione di regole che garantiscano una maggiore simmetria nella distribuzione di tali costi ed oneri. Molto diverse al riguardo sono le posizioni di altri paesi, in primo luogo della Germania, che condiziona eventuali lievi riforme alla realizzazione di una maggiore convergenza delle politiche europee, nel senso di una accettazione anche da parte degli altri paesi degli standards della politica economica tedesca, ed all'abolizione di condizioni speciali (più ampi margini di fluttuazione della lira) nella partecipazione allo Sme. I cambiamenti introdotti nel funzionamento dello Sme nel settembre 1987 vanno letti come un primo timido compromesso tra queste due visioni, avendo introdotto nel sistema una maggiore simmetria nei meccanismi di intervento.

Lo Sme, secondo l'Autore, necessita tuttavia di riforme ben più consistenti. Una spinta in tale direzione potrebbe venire, come è già avvenuto in passato, dall'esterno del sistema, con l'accrescersi dell'instabilità monetaria e finanziaria internazionale, in conseguenza della fase di caduta del dollaro. Il ruolo e l'azione della Germania, per il suo peso economico all'interno dell'area europea, resta comunque decisivo ai fini di uno sviluppo futuro dello Sme.

Fattori politici, istituzionali e differenziali inflazionistici

A. Hanson analizza alcuni possibili legami che a livello teorico ed empirico si possono stabilire tra fattori politici ed istituzionali, da un lato, e le performances inflazionistiche dei diversi paesi, dall'altro. Nella prima parte del paper l'Autore sviluppa uno schema teorico per descrivere come

le istituzioni e la politica influenzino il processo di aggregazione delle preferenze individuali e la formazione di preferenze collettive. Queste ultime a loro volta esercitano un'influenza sulle politiche che verranno adottate, nell'ipotesi che la loro scelta risponda a criteri di ottimizzazione. L'autore si sofferma altresì nell'analisi di un insieme di variabili istituzionali che pesano sulle decisioni di politica economica.

Ma formidabili ostacoli, secondo l'autore, presenta la verifica empirica di un tale modello teorico. E' necessario di conseguenza ridimensionare fortemente numero e portata dei fenomeni da verificare. Sul piano dei dati, infatti, l'analisi empirica richiede la traduzione di fattori istituzionali assai articolati e complessi in singole variabile quantitative. Allo stesso tempo le modeste dimensioni dei campioni statistici disponibili indeboliscono la forza delle ipotesi da sottoporre a verifica.

Per quanto questi vincoli rendano certamente più incerte le conclusioni dell'analisi, non impediscono affatto di poter realizzare studi empirici anche di rilevante interesse.

I risultati più importanti che emergono dallo studio di Hanson si possono così sintetizzare:

- a livello di semplici correlazioni tra tassi medi di inflazione e valori medi delle variabili politico-istituzionali emerge come una minore inflazione sia associata con un più elevato grado di indipendenza della banca centrale, con un più alto tasso di 'corporatismo' del mercato del lavoro, con una bassa conflittualità delle relazioni industriali (elevato 'consenso sociale'). I più alti coefficienti di correlazione sono quelli delle variabili politico-istituzionali rappresentate dall'indipendenza della banca centrale e dal grado di conflittualità delle relazioni industriali.

- a livello di regressioni multiple oltre ad una conferma dell'influenza sopraricordata sul tasso di inflazione delle variabili politico-istituzionali, viene messo in luce come nessuna di tali variabili, se presa singolarmente, è in grado di spiegare i differenziali di inflazione dei paesi. Un dato interessante è il legame assai debole che emerge tra inflazione di medio periodo e dipendenza di un paese dalle importazioni di energia, soprattutto relativamente all'influenza dei fattori istituzionali.

Il paper di Hanson contiene altresì una serie di spunti interessanti per futuri lavori di ricerca in questo campo.

In primo luogo su molti dei legami descritti nel paper esistono solo spiegazioni di natura euristica. Analisi più formalizzate sarebbero di estrema utilità, soprattutto per suggerire relazioni funzionali da impiegare nei lavori empirici.

In secondo luogo è importante in generale sviluppare proxies quantitativamente migliori e più facilmente interpretabili per tutto un insieme di fenomeni politico-istituzionali che hanno prevalentemente natura quantitativa.

Le basi nazionali della politica economica estera: il caso della Francia

P. Petit ha analizzato la politica economica estera della Francia seguendo un approccio originale che si basa sulla considerazione di due punti di vista. Il primo è che il problema del vincolo esterno alle politiche macroeconomiche viene collocato nella prospettiva più ampia della politica estera dello stato francese in una prospettiva di lungo periodo. Il secondo è l'idea che lo stato sia un soggetto a più dimensioni e che è fortemente condizionato dalle eredità della storia. Il ruolo dello stato è considerato relativamente alle relazioni

monetarie, alle relazioni commerciali, ai rapporti di potenza (militari e strategiche).

Questa prospettiva deve essere collocata in uno scenario di bassa crescita. Il periodo "glorioso" di crescita successivo alla seconda guerra mondiale rappresenta una fortunata combinazione di politiche nazionali nelle aree sopra menzionate che ha prodotto un risultato unico dal punto di vista della crescita e della prosperità.

Gli ultimi quindici anni, invece, hanno dato vita a una situazione in cui l'integrazione interstatale è divenuta un ostacolo a politiche più espansive.

Se ci si colloca in una prospettiva di lungo (o lunghissimo) periodo emergono due elementi che attualmente condizionano la politica economica estera della Francia. Un elemento è rappresentato dalla serie di "sfortunati" episodi che l'economia francese ha dovuto sopportare nel 18° e 19° secolo in campo monetario e commerciale. Ciò ha condotto a sentimenti di "ostilità" nei confronti del libero commercio e dei mercati esteri che emerge occasionalmente nella politica economica estera francese (come nel periodo tra le due guerre). Il secondo elemento, legato al primo, è che ne sono derivati (anche di recente) rigurgiti nazionalistici nelle relazioni economiche come in quelle strategiche.

Questi elementi possono essere di aiuto nel comprendere i diversi modi in cui la economia francese si è adattata al mutamento dell'ambiente internazionale. Nel periodo espansivo della stabilità egemonica (Bretton Woods) la politica estera francese è stata caratterizzata da a) relazioni politiche e militari che tendevano a smantellare l'impero coloniale e a ritirarsi da coinvolgimenti strategici nella politica di difesa; b) nelle relazioni monetarie da una politica di svalutazioni competitive; c) nelle relazioni commerciali dal sostegno delle politiche liberiste e all'entrata in nuovi mercati. Questo periodo è contrassegnato da una forte interazione di relazioni politiche ed economiche.

Negli anni '70 il processo di integrazione della Francia nell'economia internazionale è completamente cambiato come conseguenza della fluttuazione dei cambi e del rallentamento della crescita. In un simile ambiente i margini per una politica di potenza sono diminuiti. La strategia di "grandeur" è svanita come conseguenza dei problemi commerciali che minacciano una struttura del commercio più favorevole che si era consolidata nel periodo precedente.

La fragilità della struttura commerciale emerge da fatti sintomatici come lo sviluppo del commercio triangolare e la scomparsa di "punti forti" negli scambi. La crescente integrazione commerciale nella Comunità europea impedisce o comunque limita fortemente il ricorso a politiche protezionistiche non solo a causa delle possibili ritorsioni ma soprattutto a causa della reciproca integrazione delle industrie dei vari paesi. Ciò riduce i margini per una politica industriale autonoma soprattutto nei settori meno concentrati.

Ciononostante una politica industriale autonoma, basata su un programma di nazionalizzazioni fu tentata nel periodo 1981-83. Quella esperienza ha però mostrato che qualsiasi strategia, imperniata su grandi imprese pubbliche avrebbe creato difficoltà relativamente all'equilibrio esterno e alle relazioni industriali e non può rappresentare una soluzione al problema della disoccupazione, quantomeno nel breve periodo.

Le basi nazionali della politica economica estera: il caso tedesco

E. Thiel ha analizzato, nella sua relazione, le basi nazionali della politica economica estera e l'attitudine nei confronti della cooperazione internazionale nel caso della Germania Federale.

Poichè la Germania ha attraversato due periodi di forte inflazione dopo la prima e la seconda guerra mondiale, la stabilità dei prezzi ha sempre rappresentato l'obiettivo prioritario della politica economica. La stabilità dei prezzi è anche considerata indispensabile per assicurare il consenso sociale sulla distribuzione del reddito, per proteggere il risparmio privato e non danneggiare i creditori. Questo obiettivo ha sempre goduto del sostegno di tutti i gruppi di interesse compresi i sindacati.

La Bundesbank deve, per obbligo statutario difendere la stabilità dei prezzi e la sua autonomia le fornisce la indipendenza politica necessaria per raggiungere tale obiettivo. Tutti i governi tedeschi sono stati molto cauti nell'evitare di entrare in conflitto con la banca centrale sulle questioni relative alla politica monetaria. Inoltre i governi sono sempre ben consapevoli che un'inflazione crescente avrebbe eroso la fiducia nella coalizione al potere e avrebbe perciò messo in pericolo la rielezione.

Secondo l'autrice l'esistenza di un trade-off tra inflazione e disoccupazione è considerata inesistente dall'opinione pubblica tedesca. Si ritiene invece che l'inflazione non accresca l'occupazione ma costituisca un ostacolo alla crescita nel medio periodo. Nell'esperienza della Repubblica Federale se la politica monetaria non contribuisce ad alimentare le aspettative inflazionistiche le contrattazioni salariali si possono mantenere in linea con l'obiettivo della stabilità dei prezzi;

Più che in altri paesi in Germania si è posto il problema di ottenere simultaneamente la stabilità dei prezzi e del tasso di cambio. Interventi sui mercati dei cambi allo scopo di mantenere il marco agganciato al dollaro hanno provocato espansioni dell'offerta di moneta che sono sfuggite al controllo della Bundesbank. Una alternativa sarebbe stata la rivalutazione? ma la decisione di aggiustare la parità sono state prese sempre troppo tardi per prevenire pressioni inflazionistiche.

A causa della elevata specializzazione nei settori avanzati dell'industria e di un mercato relativamente limitato le imprese tedesche devono poter contare sui mercati esteri per poter sfruttare le economie di scala. Un posto di lavoro su cinque dipende dalle esportazioni e le industrie produttrici di beni di investimento vendono all'estero il 40 per cento della propria produzione. Una rivalutazione del marco costituisce perciò una minaccia alla produzione e alla occupazione nazionale. Una larga parte delle importazioni è rappresentata dal commercio intra-industriale. Le imprese tedesche devono perciò essere competitive sia sui mercati esteri che su quelli nazionali.

La produzione tedesca, d'altra parte, soffrirebbe grandemente se non potesse contare su adeguate forniture energetiche e di semi-lavorati. Una caduta del valore esterno del marco avrebbe perciò immediate conseguenze sull'inflazione interna. Ciò può chiarire la convinzione dei policy maker della Repubblica Federale secondo i quali la crescita internazionale è minacciata soprattutto dalla instabilità valutaria e non dalla mancata espansione né dal mancato coordinamento delle politiche macroeconomiche.

In regime di fluttuazione dei cambi la Bundesbank ha dovuto fronteggiare il dilemma tra la difesa della stabilità dei prezzi e la simultanea minimizzazione della fluttuazione del cambio. Si è seguita una via tesa a mantenere in equilibrio ambedue le grandezze ma la maggiore preoccupazione è stata quella di prevenire l'inflazione.

A livello internazionale si è assistito al dibattito sull'approccio delle locomotive in base al quale si richiedeva alla Repubblica Federale e al Giappone di perseguire politiche espansive per prevenire una recessione mondiale. Il concetto di locomotiva rimane fortemente osteggiato dalla maggioranza degli istituti di ricerca come dalle autorità di politica

economica. Le obiezioni riguardano principalmente l'aspetto di sostegno della domanda della strategia e le assunzioni sottostanti relative alla trasmissione internazionale degli effetti espansivi.

Il governo tedesco e la Bundesbank sostengono il Sistema Monetario Europeo come fattore complementare allo sviluppo del mercato interno. Le transazioni intracomunitarie che rappresentano circa il 50 per cento del commercio tedesco trarranno beneficio dalla stabilità monetaria anche se ci sono dubbi sulla possibilità che la Germania possa continuare a svolgere la funzione di leader degli accordi.

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AN "INHERENTLY SAFE NUCLEAR REACTOR" FOR EUROPE

by

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AN INEHERENTLY SAFE NUCLEAR REACTOR FOR EUROPE

The economic and technological gap between Eastern¹ and Western Europe is widening and may seriously affect the chances for stability in Europe. One way to arrest and reverse this trend is to foster cooperation between East and West European countries in the development and use of advanced technologies as part of a comprehensive strategy to further integrate the main European economic and technological infrastructures. While constrained for years by the political hostility and military competition between the superpowers, such East-West European cooperation seems today a more realistic proposition than in the past mainly due to signs of improving East-West relations, above all the ongoing arms control negotiations. This presentation is intended to examine the main aspects of this proposition through an analysis of potential cooperation in one area of particular significance: nuclear power.

The central thesis of this paper is that cooperation in nuclear power could help to establish a network of contacts between Eastern and Western Europe in advanced technologies, with both short- and long-term implications. In fact, nuclear power in all of Europe has been adversely affected by the Chernobyl accident of 1986 and can only benefit from pan-European cooperation that addresses the specific needs of Europe. Due to its highly symbolic meaning, collaboration in the nuclear sector could foster mutual political confidence and initiate other economic and technological relationships.

In the following, the main aspects and reasons related to this possible cooperation are briefly presented, starting

1. - Eastern Europe: the Soviet Union's six allies

from the development status of nuclear power in both Eastern and Western Europe.

After Chernobyl, the safety of nuclear power plants has gained new significance worldwide. Parallel to the efforts to improve the safety of the present nuclear reactor generation, several countries are exploring the development of "inherently safe" nuclear reactors. These reactors should be in use in the next century. The development of a new reactor could well be of particular interest to Europe, East and West. The specific attributes of the European nuclear scene, which have been underscored by the Chernobyl accident, call for cooperation between East and West on this key element of future nuclear power development. These characteristics can be summarized in five points.

- a) Nuclear power in Europe has developed on a national basis in Western Europe. In Eastern Europe, it has developed in the framework of COMECON, under the leadership of the Soviet Union. East and West European nuclear power development has, therefore, been parallel but separate. This way of development is no longer possible after Chernobyl. Long term goals are needed to facilitate a transition toward the broader integration of all European nuclear programs.

- b) The degree of nuclear power development in Europe today is very diverse from country to country, and from East to West. In Western Europe there are countries which are highly dependent on nuclear power, such as France, which gets more than 70 percent of its electricity from nuclear power; and countries which have not yet embarked on nuclear programs, such as Greece, Portugal and Ireland; some have renounced them altogether, like Austria; others, like Italy, has recently abandoned the present-day nuclear

technologies for electricity production. In Eastern Europe, as well, nuclear power has developed differently from country to country. Bulgaria gets 30 percent of its electricity from nuclear power, while Poland is now building its first nuclear power plant. Furthermore, Eastern Europe as a whole lags behind Western Europe in the development of nuclear power. Nuclear power provides 10 percent of the total electricity power in Eastern Europe, in contrast to ~ 30 percent in Western Europe.

- c) In the post-Chernobyl period, such diversities are more likely to put severe constraints on the management of existing, and the development of future, nuclear power in Europe. In fact, the Chernobyl accident has shown the intrinsic continental nature of nuclear power and has stimulated different reactions of European states in relation to their nuclear interests. For the first time, some governments -- but only of states which have no nuclear power -- have begun to take clear anti-nuclear stands in international meetings. This new attitude in the international sphere is likely to affect the future of nuclear power development even in those countries already advanced in nuclear energy. However, it is possible for countries without nuclear power to renounce its development forever, when nuclear energy is already a significant reality in Europe and when everything suggests its further growth both in Europe and in the rest of the world? Although several less advanced countries have renounced nuclear power in the short term, it would appear very difficult for them to avoid its development in the long-term. Indeed, their proximity to other nuclear states compels them to develop some degree of capability and involvement in nuclear power, if they wish to continue

to have a voice in international fora and to keep the option of nuclear energy open.

d) In both Eastern and Western Europe the same concept of nuclear technology predominates: Nuclear Pressurized Water Reactor technology. Approximately 150 nuclear reactors of this type are projected to be in operation in Europe by the year 2000. The European reliance primarily on one line of technology could be a significant shortcoming for the future development and credibility of nuclear power as an energy resources for Europe. Europe cannot rely only on the development and improvement of the technologies used so far, while in other non-European countries, like Japan and the United States, the development of new reactor concepts, such as the "inherently safe" nuclear reactor, are under consideration.

e) At the European level, we are witnessing a trend made possible by nuclear technology: the centralization of nuclear power in the most advanced countries and the export of electricity produced. It makes no economic sense to transport fossil fuel in one country in order to produce electricity, when it is intended for export afterwards. It does, however, make sense to do this with nuclear fuels. Even if the centralization of nuclear power is possible in technological terms at the European level, it cannot be viable, after a certain level of development, in political terms. Therefore, an all-European cooperation designed to facilitate the active participation of all countries in the development of nuclear power should be of interest both to advanced and less advanced countries, thus enabling a greater sharing of the responsibility of European nuclear power.

In sum, given the nature of nuclear development in Europe, and the political and economic context of the continent, one must keep in mind certain key questions for the future. Can we continue to think of nuclear power in Europe only in national terms? Can nuclear power continue to be highly developed in some countries, while other countries are less developed or excluded from nuclear development? Can we foresee a European continent in which nuclear power in East and West continues to be developed along separate paths?

Nuclear power is a complex technology with great impact over the long-term. In Europe, this impact is likely to be larger than anywhere else in the world, because:

- nuclear power is already extensively developed more than other region of the world, necessitating safe management and the guarantee of the huge investments made so far;
- there is a lack of sizeable energy resources, making nuclear power a more critical energy resource for Europe;
- the high density of population means both high energy demand, and limitations on siting, construction, and operation of nuclear power plants; and
- the differences and the fragmentation of the economic, social, and political systems mean that most European nations cannot develop continental scale technologies except in the framework of international cooperation.

It is argued, therefore, that all European countries should face the challenges posed to them by nuclear energy

through cooperation in the development of a new "inherently safe" nuclear reactor, suitable for the European environment. Such a reactor could be designed on the basis of new economic and safety criteria; these could include, for example, providing the decommissioning design with the construction design.

In Europe, several concepts of inherently safe reactors are under study and development. But the European scientific and technological community as a whole has never been called upon for a broader effort in that development, and therefore has not taken advantage of the collective experience of the individual European nations. Further, the European community could benefit from the latest technological advances through its cooperative efforts. A program for the development of a new type of reactor could be launched by Western European countries and opened to the participation of Eastern European countries. A first move toward East-West cooperation seems more feasible within a European context than within a broader one including the two superpowers, with their global strategic preoccupations.

Cooperation between Eastern and Western Europe in nuclear power today appears more realistic than in the past, mainly due to four factors:

- the emphasis put on international cooperation in nuclear power after Chernobyl;
- the suggestion of an improvement in East-West relations, above all the ongoing arms control negotiations;
- the economic reforms fostered by the new leadership in Moscow, which could lead to the opening of Eastern economic systems to the world

economy; and

- the decreasing military importance of nuclear power technologies in East-West relations; East-West cooperation would not change the present day capabilities of both sides to provide fissionable materials.

The successful model of Western European cooperation in the space field, where national programs are flanked by the European Space Agency initiatives, could be adjusted and adopted in launching an European nuclear power cooperation.

Through this cooperation all European countries could further enhance the safety and the economic performance of nuclear power in both the short and long-term. Indeed, a project of this kind could reopen nuclear prospects in Western Europe even for those less advanced countries, which now, under the pressure of public opinion and/or the lack of energy needs, are not interested in nuclear power. A revitalized interest on the part of less advanced countries in nuclear power over the long-term is likely to reconcile differences between European countries even in the short-terms, and strengthen their joint commitment to the safety of existing nuclear power.

This initiative could be an important step in East-West technological cooperation. It could be a technological bridge between East and West, with the potential of future superpower involvement. Considering the complex and demanding technology represented by nuclear power, linking Eastern Europe's nuclear power capabilities to Western Europe in addition to the Soviet Union may well contribute to an easier management of nuclear power in Europe, particularly during periods of crisis.

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DIMENSIONS AND LEVELS OF SECURITY IN THE
INTERNATIONAL SYSTEM OF THE EIGHTIES
AND BEYOND

by

Mihaly Simai

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

DIMENSIONS AND LEVELS OF SECURITY IN THE INTERNATIONAL SYSTEM OF THE EIGHTIES AND BEYOND

MIHÁLY SIMAI

Concepts and Dimensions

The debates among social scientists about the concept of security are far from being of an abstract nature or of theoretical importance only. They are reflecting the needs and problems of the countries and the norms of international relations in the given era. Since the concept of security is widely used by different ideologies in different societies by people, governments, international organizations and different scientific disciplines, the approaches are naturally diverse. Historians would say that the efforts of achieving greater security are as old as humankind. Humankind as a part of the nature during its long struggle for survival has always been in an insecure position. Development of societies, while reduced certain threats to security, added "man-made" sources of insecurity to the existing ones.

In the more recent history of humankind the issue of security has been tied closely to external dangers and especially to the issues of war and peace. Increasingly sophisticated weapons were developed, walls and towers, fortresses, defence lines were built under the justification of achieving greater security by the given community, a clan, a tribe, a city or a country. The norms of international law were also tied to national security issues. While the concept of achieving security was a defensive one, under the pretext of security interests, with the slogan "the dead enemy is the best enemy", large-scale aggressive wars have been launched which especially during the last two centuries were extended to other continents. The present arms race is also fueled by those who initiated it with the ideas that the best instrument of military security is military superiority.

The Webster's dictionary defines security as "freedom from risk or danger" or "freedom from doubt, anxiety, fear". Trager and Simoniex, two American authors, define the purpose of the national security policy as "creation of national and international political conditions favorable to the protection or extension of vital national values against existing and potential adversaries".¹ This definition is in fact justifying any action against other nations in the interest of national security.

Two other American political scientists L. B. Krause and J. S. Nye emphasize that security usually involves much more than mere survival. What people really want is the security for the continued enjoyment of a number of different basic values. They define security as "the absence of acute threats to the minimal acceptable level of basic values that a people consider essential to its survival" and they identify three basic clusters of values: welfare, independence and prestige.²

In the political literature of the socialist countries the concept of security has been usually defined in relation to external military threat, which was considered as a permanent danger since the establishment of the first socialist state. Among the national

priorities, the defence of national security was a very important one in all the socialist countries as a consequence of external pressure.

The notion of security could be widely used and interpreted. Security is a multi-dimensional category. The dimensions and the levels on which the concept and the respective policies are based, can be specified as political and military; external and internal; and economic and social.

The three dimensions can be identified in four interrelated circles: the security of the social systems; the security of the countries (or of their regional communities), the security of individuals; the security of humankind (global security).

Each of these circles represent a different level with different implications, and they indicate that the security must be dealt with in a dynamic framework, taking also into account the interrelations between the different levels and dimensions.

Is the Concept of Security Relevant for the Social Systems?

In the present world, political sciences are dealing with the systemic aspects of international relations as fundamental factors determining the interests and values. The systems cannot be easily defined. Therefore, the security of the existing socio-economic systems must be considered as the interaction of several extremely complex factors (including the problems of national security) and there is a wide disagreement about its meaning. When the USSR was the only socialist country, the security of the socialist system was identical with that of the Soviet Union. The two systems characterizing the present world order, the socialist and capitalist systems, are first of all composed of states with different power potentials. While both systems are heterogeneous, the countries belonging to them have common characteristics and interests. Their concrete problems, the tasks of socio-economic development, their geo-strategic position, their specific interests, etc. are not necessarily the same. There can be important controversies and conflicts between them which may weaken their common interests in defending their system of common values. Hence the "security of the economic and social system" cannot be defined and interpreted without the concrete environment. Factors endangering the security of the given systems can be internal and external. In the present world, the two aspects are more strongly interrelated. It is evident, however, that changes in the systems are taking place basically as changes within countries. Those requirements which are often emphasized by the socialist countries, that no armed export of revolutions or counterrevolutions should be carried out and the people of the different countries should decide about the system in which they want to live, correspond to this reality, and it does not exclude the peaceful competition between the two systems. It is therefore not a static approach to inter-systemic relations.

The countries of the two different systems have not only contrasting but also common interests, especially in maintaining global peace and in avoiding global political and economic chaos. There are also common interests in economic, scientific and cultural cooperation. It is often questioned by the protagonists of the two systems to what extent cooperation is in harmony with the security interests of the respective systems. Those who deny it are not taking into account the political and military realities of the present world and disregard the global problems, and the security interests of humankind.

The ideas of peaceful coexistence between the countries of the two systems which were put forward by the Soviet Union from the very beginning of her existence are

representing today important principle to guide the relations among more than 160 states of different peoples, languages, cultures, customs, ideologies, political institutions and socio-economic systems. The concept is not a passive one but presupposes competition as well as active cooperation, understanding and confidence among all states on the basis of equality and mutual benefits.

Security of States

The political and military dimension of security are vital factors on national and regional level with important implications for the individuals and for global security issues.

The nation state is, and will remain in the foreseeable future, the principal political actor in world affairs. There are more than 160 states in the present world. They are divided by many important factors, which are sources of confrontation and conflicts, which may endanger their present and future development. There are of course countries which have similar or identical interests which comprise the foundations for alliances.

There are of course great differences among countries concerning the possibilities of implementing policies aiming at maintaining their national security. It is correct to state that the security of the Soviet Union cannot be interpreted without taking into account the problems, interests and policies of the United States and *vice versa*. The changing security position of one global power is automatically influencing the security of the other. The security interests and problems of the two global powers are of course broader than their mutual adversary partnership relations.

In the present world system, the security interest of the developing countries are determined by special factors. In the literature the basic source of insecurity of these countries is often limited to the consequences of underdevelopment and dependence. In practice, however, a number of other factors are also playing a substantial role, like territorial disputes stemming from the arbitrarily drawn colonial borders, internal conflicts resulting from competing ethnic, religious and tribal forces, destabilizing policies of external powers by propaganda, covert or open military operations.

The security of smaller states is often tied to alliance systems and to such guarantees as the UN Charter or other factors which determine the nature and norms of interstate relations. Militarily they cannot defend themselves if they are exposed to military interventions especially when they are located in a strategic area claimed by an aggressive great power. The international community has a special responsibility in helping to maintain their integrity and secure their existence.

Military power is playing and will continue to play for some time an important role in the national efforts to achieve and maintain national security. Debates about interrelations between military equilibrium and national security or the possibilities of developing military balance of defensive nature are reflecting however that in the present world there are important problems with the traditional concepts. Under the present condition of nuclear and other mass destructive weapons, the role of military power as an effective instrument of national security policies is questioned by many experts. There are views which state that the use of military power in the present world has historically unprecedented limitations. This does not mean that it has become useless but as a result of the existence of mass destructive weapons, relationships between politics and military power have changed fundamentally. The size

and possible consequences of military operations have undermined their usefulness in pursuing national security goals. The perspectives of the nuclear winter indicate the possible outcome of even a "limited" nuclear war.

There are other views which indicate that especially as a result of some recent changes in international life, military interventionism has made a remarkable recovery and states might begin to behave in ways that are very much more brutal than what we experienced in the recent decades.³

In fact, the use of force did not disappear from the international relations as a policy instrument. During the years which followed the second world war there were more than 100 "small wars". The direct use of force as an instrument to maintain or achieve goals of national security in the present world system is much more dangerous and counter-productive than during the previous parts of the 20th century.

The fact that in a divided world of two contrasting social systems the different regional or local conflicts may indirectly and sometimes directly involve the two global powers, which have the capacity to destroy each other and eliminate all human or even biological life from this globe, the local and regional security problems with the security of the globe, with the issue of survival of humankind. This is a fundamental factor in limiting the use of force and the extension of conflicts.

In the absence of firm international agreements on disarmament in an era when in certain countries there are strong political and economic interests tied to the arms race, it is the balance of power which brings a certain level of stability into the system. The military equilibrium for example, which was achieved between the Soviet Union and the United States in the second half of the 1960s played an important role in the *détente* process and in achieving agreements on arms limitation.

National security goals could have been and can be achieved in a framework of mutual arms reduction as well. This would still permit the countries to maintain military power, but on a much lower level than it was suggested for example by the first and second special session of the UN General Assembly on disarmament.

The Socio-Economic Factors

National political and military security concepts included always a very important economic component: the economic potential of a given country to maintain its defence capabilities. The significance of the economic component of military security was different in peaceful periods, when national resources could be supplemented by external sources, from that of the period of war, when countries had to rely completely or predominantly on their national resources. The greater economic potential of the allied forces in World War II was an important factor in their victory. Economic potential includes human resources, technological levels, organizational capabilities, the size and structure of industry and agriculture, the performance of the infrastructure and the natural resource endowment. Economic vulnerability is an important military liability of a country.

The importance of economic security as an independent dimension of overall security has substantially increased in the present world system.

National economic stability in a modern socio-economic structure depends greatly on the economic performance and security of the individuals. The struggle of the individuals to increase their security within the countries tied the problems of individual security to national policies of welfare, education, health, etc. National

social and economic institutions became basic instruments to achieve those goals and thus the security of the individuals became a highly politicized issue within the countries, influencing directly such important aspects of the economic life as income distribution and redistribution, efficiency, and state intervention.

In the framework of the UN a set of legally binding instruments of safeguarding the security of the individuals were also adopted: the Declaration of Human Rights and the two Covenants on Human Rights and the convention on the prevention of genocide. Through these measures the problems of the security of individuals became more politicized and the large-scale violation of the above provisions may jeopardize international security and cooperation.

The importance of international economic relations for the existence and survival for the great majority of the countries of today, made the issues of economic security a vital component of national security. The economic security of the individuals and of the countries in which they live are strongly linked. The less developed the countries are, the greater is their insecurity through their international economic relations. Weak bargaining power, dependence from one or two raw materials in their exports and on a whole range of goods in their imports, exposition to the fluctuations of the world market and to the policies of more developed countries are some of the important sources of their insecurity. Interdependence, which is the result of increasing internationalization of production, consumption, finance and technology is also an important element of economic security. Even in the case of the developed Western countries, in the bilateral relations with their partners, some important issues related to national economic security are emerging. Canada resisted to strong dependence on the U.S. on the basis of fear for losing national identity. The "American Challenge" in Europe during the sixties represented another source of fear.

Protectionism and other restrictive measures are often justified by the defence of national economic security. Sometimes they are the first reaction (or only reaction) of countries to adverse external changes. They want to avoid the costs of necessary adjustments this way. The recent experiences of certain countries proved that efforts to maximize national economic security through protectionism and other restrictive measures is counter-productive in an interdependent international structure.

Several authors find the roots of the increasing importance of the progress of international interdependence. Interdependence, as a more developed stage of internationalization of the economic, technological and institutional life of the countries, from the point of view of an individual country, is certainly a source of insecurities, at the same time, under certain conditions, it can increase the security of all nations. Interstate economic relations could be based on a community of interests and could develop simultaneously with the system of political interests. The relations between states as a result of interdependence may become more stable. In the present international system however, the process of interdependence is expanding in a framework full of inequalities and conflicts of different nature. Transnational corporations which often disregard national economic interests and policies are one of the sources of the problems for many countries. Interdependence is a highly asymmetrical process in the international system even in those cases, where the mutuality of dependence is apparent. Different intensity and forms of unilateral dependencies are keeping the majority of the countries in a subordinated position, while a handful industrially developed countries can influence their international economic environment.

In a world of 170 countries, on varying level of development, endowed differently with natural resources, of different size and power, when the system of international

cooperation is not strong enough and it cannot defend the countries from external shocks to the degree required today, the tasks of reducing vulnerability in the sphere of economic life and to increase economic security became very important national goals. It is also a new phenomenon that in the present world system, national economic security cannot be achieved or maintained by individual actions. Regional and global framework of cooperation is required increasingly. The growth of interdependence therefore links national economic security interests and efforts with regional and global security issues.

The scientific and technological transformation which is taking place in the late 20th century is also a vital issue for national economic security. It is creating new challenges for all countries and, at the same time, contributes to growing inequalities. Technological power is concentrated to a handful industrial countries and to their transnational corporations. The rapid relative obsolescence of the existing capital stock, the differences in the capabilities to introduce the latest achievements of technology, the requirements for faster adjustment to the changes became especially difficult problems for the smaller countries and for the developing world. The position of many countries deteriorated as a result of the above problems. The double nature of certain new technologies (civilian and military use) connects techno-economic security issues with those of military security.

The politicization of international economic issues in the divided world of ours and the more frequent use of economic leverages to achieve political goals represent another economic dimension of national security. The use of economic warfare against adversaries is not a new phenomenon. There is a long history of boycotts and embargoes against hostile states. In the present world system, however, there are important new aspects of economic warfare. First of all, international economic relations became more significant for the progress of all the countries of world and the majority of the countries could not survive without them. Secondly, economic warfare is used today also in peaceful periods. Economic blockade, embargo (general or selective), discrimination, export or import restrictions of different nature, denial of credits or sudden suspension of new loans to indebted countries, denial of know-how, expertise and technology, creating deliberate economic difficulties by sabotage or other destabilizing measures (including propaganda), creating dependence on foreign assistance and suddenly suspending its provision etc. represent some examples of such policies applied in the 20th century. During the past several decades the "food weapon", the "oil weapon" and "technology weapon" were used especially heavily for non-economic purposes.

Countries which are more vulnerable and those which were more exposed to the use of economic warfare had to pay greater attention to these aspects of economic security in their national economic policies and international cooperation regimes. It was understood that the use of economic warfare can be effective only in certain conditions: when the dependence is too great from one source of supply or from one market, when there are no alternative sources or partners which could replace existing ones or when the attacked country is poor, disorganized and there is already a high popular domestic discontent. The CMEA countries, for example, had to face since 1948-1949 the consequences of discriminative measures, embargo policies and other actions and had to conceive ways and means to defend themselves from economic warfare measures by starting or increasing their output, by developing their regional cooperation or by looking for alternative sources of supplies.

A whole range of measures were introduced in the energy economy of the Western industrial countries after the oil shock in the early 1970s. There are other recent

examples indicating that on the longer term the use of economic weapons proved to be counter-productive for those who initiated them.

The use of economic warfare to undermine national security of any country in an interdependent world has at the same time important global implications. It is weakening the whole system of international economic relations. International economic cooperation on a global scale requires a certain level of stability. Countries which use the instruments of economic warfare are not considered as stable partners. The rational global allocation of resources is also distorted. Global economic institutions for international cooperation will not be developed or they will not be able to work efficiently.

The Security Interests of Humankind: The Global Dimension

The issues of security in this paper were raised so far in the level of the systems and states (and within them, of the individuals).

There was however not one single area of national security which could have been dealt with in an isolated framework, as the security of the individuals, the security of humankind represent three interrelated circles. In the present and even more in the future world system the linkages are getting stronger. The ideas that security is primarily as issue of national military power or economic strength are challenged by the environment and conditions in which the individual states have to exist. The countries are and will have to live in a world in which:

- in their efforts to increase their national security they are facing problems beyond their direct control, such as the threat caused by the nuclear arms race, by the deterioration of the natural environment, the increase of the population of the globe, etc.;
- the unrestrained pursuit of policies by certain states justified by their perceived national security interests are increasingly undermining the security interests of humankind as a whole;
- due to the increased interactions of different states in the present and future world system, which is full of existing and potential tensions and is divided by ideologies, economic interests and military alliances are tied together through many channels, actions of even small countries can have great regional or even global consequences thus jeopardizing global peace.

The security interests of humankind may be divided into two components. One of them is the biological survival. Factors which are endangering the biological survival of humankind represent a common danger.

The other component is connected with the future progress: the increase of the population of the world is taking place amidst an unprecedented mixture of new dangers and opportunities connected with the new scientific and technological revolution and the abilities of the countries to organize their future life consciously. The dangers are rooted in the use of the new technology for military purposes. They are also connected with the potentially adverse consequences of the technological and economic development on the environment, including the possible dangers of genetical engineering. Technological transformation, however, offers new instruments for humankind to overcome most of the problems which caused so much misery and suffering during the long process of human existence. This double potential of technology is one of the greatest challenges to global security in the late 20th century and beyond.

The common interests in human survival were increasingly recognized in recent years by many distinguished personalities, scholars, political figures, and these ideas were also reflected in the documents of international intergovernmental organizations. Some documents of the Club of Rome, like *The Limits to Growth* or *Mankind at the Turning Point*⁴ reflected a partial recognition of the common dangers by drawing attention to some of the global problems, such as the implications of the increases in world population and technological development on environmental degradation, the exhaustion of resources, food supplies, etc.

Other documents like the reports of the Brandt Commission drew the attention to the global economic and political implications and adverse consequences of the great international inequalities and of the forms and norms of economic relations based on them.⁵

They emphasized, *inter alia*, the unequal impact of the world crisis which was hitting all countries, but with particular severity those which were already facing long-term problems of underdevelopment. The global difficulties by retarding development have contributed to the increase of poverty and instability. The problems of developing countries in turn, through balance-of-payments and trade difficulties, had an adverse effect on the more developed part of the world.

The ideas of common security interest in stopping the arms race and in human survival were put forward by the report of the Independent Commission on Disarmament and Security Issues (Palme Commission).⁶

The Report of the Palme Commission began with the premise that dangers to security, the conventional and nuclear arms race, resource shortages, environmental degradation, underdevelopment are threats that all nations have increasingly in common and that solutions should therefore be sought jointly. Security lies in the willingness of nations to organize their security policies in cooperation with others. Common security as a concept, in the Report was based on two assumptions: international means of achieving security must be preferred above national means and instruments which are peaceful must be used instead of force or the threat to use force. Common security therefore could be the beginning of a positive process which would eventually lead to peace and disarmament, to a safe international order without nuclear weapons and to peace and security which would be maintained at lower level of conventional arms. National and international resources could be used for a better life.

The Report correctly states:

In view of the current global distribution of economic resources and technological potential, to say nothing of military capabilities, implementation of a worldwide policy of common security must begin with relations between the United States and the Soviet Union and between the two major alliances, NATO and the Warsaw Pact. But the developing world is neither immune to the consequences of East-West conflict nor is it without fault as a contributor to the risk of war. Increasingly, political tensions between East and West affect the developing world, aggravating conflicts between local nations in particular regions.⁷

The growing interrelations between national and global security issues require new approach to national security policies and to international cooperation.

It is necessary, first of all, to deal with the concept of security in a comprehensive way, to understand all the implications of interrelations between the different aspects of security. This includes the better understanding and appreciation of the security problems and interests of other countries, the acceptance of the important nations, which derive from the words and the spirit of the UN Charter, that all nations have

a legitimate right to security, that military force is not a legitimate instrument for resolving international disputes, that restraint is necessary in pursuing national policies in an interdependent world, that neither military superiority, nor military means in general, offer the right answer to security concerns.

As the second element of the new approach, while understanding the comprehensive, multidimensional nature of security issues, special priorities must be given to the resolution of problems which are endangering the very survival of humankind. The qualitative and quantitative development of the nuclear arms race especially between the two leading nuclear powers represent the most serious danger to world peace and human survival at this stage. Policies which are leading to the further intensification of this process must be stopped and reversed. It is the reduction or elimination of the most serious dangers to human security, which could pave the road towards the resolution of all the other serious military, political and economic issues of global security through the relaxation of tensions, increasing confidence, promoting international cooperation in other areas and releasing resources for the satisfaction of other human needs.

As a third important element in a comprehensive approach on global level, one must understand the great diversity of security interests of the individual countries and groups of countries. Without understanding these diversities, no global compromises will be possible. The legitimate security interests of the two global powers represent an extremely important set of issues within the overall context. The understanding and reconciliation of the political, military and economic security interests of the individual countries and their global interrelations in a comprehensive framework will also be an important condition of creating a global security system. In this context, it is very important to understand that any effort by countries or by their groups to maximize their security in general or in any of the components of national security at the expense of others or at the expense of another component of national security is condemned to failure on the long run. On short term basis such efforts may also create serious problems to all countries.

Fourthly, while global economic security issues in a comprehensive framework are connected with all the other aspects mentioned so far, they have their own logic and requirements. In the present structure of global economic relations, the main actors of the world market are interested to pursue policies which are based on the special and often dominating position of the stronger countries and on monopolistic or oligopolistic interests. In this context, not the global stability and progress but the security of the main actors, their interests in expansion, profits, in control of international flows and technology which are in the centre of their efforts. There is very often a disastrous impact of these efforts on the developing countries. Economic stagnation or decline is taking place. External economic forces trigger tensions, create dissatisfaction, protest, often violence against governments not capable to provide economic relief in a dependent position subordinated to the world market. The progress towards a new international economic order, which would take the interests of the weaker countries also into account would also be an important step towards a greater global economic security.

The necessity of maintaining and strengthening global institutional arrangements for the increase of global security represent the fifth important group of requirements.

The United Nations Organization was established in 1945 as a collective global security system. According to the Charter, its main purpose is "to maintain international peace and security" and to that end "to take effective collective measures

for the prevention and removal of threats to peace" (UN Charter, Chapter I, Article 1).

Security was understood by the founders of the UN in a comprehensive way which included also the security of individuals. The concept of security was also developed in a multidimensional framework, since it has included the importance of political and military as well as of economic security. The sovereign equality of states within the system implied also that all states, regardless of size, geographic location, social system or level of development have a legitimate right to security.

While the world organization during 40 years of its existence could not play the role of a collective security system to the extent which has been envisaged in its Charter, to effectively deter or counter aggressions, it has still made substantial contributions to the maintenance of peace and international security. There was no world war since 1945 and thus the fundamental promise of the founders has been fulfilled so far. It is correct to state of course that the danger of a new world war did not disappear from international life. None of the more than 130 international armed conflicts which broke out between 1945 and 1985 widened into global or broader regional wars. This was a substantial achievement in a tense and divided world.

The UN organization can report achievements in many areas. Important agreements on international military, political, legal issues were concluded within its framework. Economic and social cooperation was promoted. In the process of decolonization the UN proved to be an important actor. It has played a part in the struggle against the massive violation of human rights, the promotion of the anti-apartheid struggle, etc. Unfortunately, many common actions aimed at the settlement of urgent global security problems were blocked by the increasing international tension. It has been proven that any genuine advance in those fields depends on the cooperation of the major powers.

The institutionalization of the special security interests of great powers within the UN has been a source of debates in the past decades. Historical experiences proved however that it was a wise step because it took into account the realities of the world. The consensus proved to be particularly important in major crisis situations which were mainly influenced by the Soviet-American relations. These relations will continue to determine the efficiency of the world organization in the handling of major global political issues also in the future. It is not by chance that the political groups opposing of Soviet-American *détente* have always been arch enemies to the United Nations.

Although the United Nations, particularly in the field of major global military security issues, could only take measures which were not vetoed by any of the leading powers, that is it could not take any step contrary to the interest of any of the five powers, the organization had a fairly wide range of possibilities in those fields which were more neutral in the context of confronting global interests or even some common ground or interest could be developed in their solution.

As a consequence of strengthening interdependence which requires a higher level of economic cooperation in a world of 160 states and of growing inequalities, the future importance of the United Nations in the struggle for global economic security is beyond doubt. It remains to be seen whether the world organization will be able to cope with the difficult conditions, and with the consequences of the asymmetrical international interdependence, that is with the enormous differences in the extent and consequences of dependence for the different states. The mechanisms of this asymmetrical interdependence are caused by vast inequalities and exacerbate the

tensions of international cooperation. These problems are reflected by difficulties in the struggle for a new international economic order, both within and outside the United Nations. The relevant problems have made it obvious that the present system of international economic conditions cannot be changed by mere declarations and votes, and the conflicting interests and actions of countries may paralyse genuine progress and reduce potentials of the UN in this important field.

The sixth set of problems is represented by the interrelations between global and regional security issues. Since the global collective security structure is not strong and efficient enough, and there are dangerous regional sources of armed conflicts, the importance of regional approaches to strengthen security will most probable increase in the future. Regional arrangements or agencies dealing with regional security, arms limitation and disarmament can make a positive contribution to global security. The Final Act of Helsinki, for example, represents an important step towards this direction.

For about 40 years, the main theatre of the Cold War was Europe with the largest concentration of conventional and nuclear arsenals anywhere on earth. Over one-third of the men and women in uniform throughout the world are accounted for by the two European military alliances, NATO and the Warsaw Treaty Organization. The primary strategic interests of the two major nuclear powers are implicated directly in Europe. Moreover, the potential consequences of war in Europe would be greater than those of conflicts in any other region of the world. Under the circumstances, it is not surprising that since the beginning of the Cold War the state of relations in Europe has been central to the health of the entire international community.

After a series of crises which began in the immediate post-war years and culminated in the Berlin Crisis of 1961-1962, Europe has experienced a period of *détente* and relative stability. Nevertheless as relations between the two major powers have again deteriorated, and as the build-up of nuclear and conventional arms has continued, crises and a relatively greater risk of war could once again become facts of life in Europe. It is therefore urgent to find ways of alleviating the sources of military and political tension in Europe.

The Conference on Security and Co-operation in Europe in Helsinki, Finland, in 1973 and 1975, and follow-up sessions in Belgrade (1977-1978), Madrid (1980-1983) and in Stockholm and Helsinki (1984-1985), have demonstrated a versatile and practical approach to formulating policies designed to enhance regional security. Measures to reduce military tensions, to increase political dialogue and contacts of peoples and to facilitate the freer and wider dissemination of information, cooperation in economic and scientific fields and promotion of cultural exchange are particularly conducive to the relaxation of international situation and the promotion of *détente* in the region. The CSCE model may be applicable to other regions. The Final Act of the Conference on Security and Cooperation in Europe is not a treaty but represents a politically binding commitment among the 35 participating nations to foster security through wider cooperation and sustained dialogue on European issues. Countries in various regions and sub-regions of the world may consider convening periodic or *ad hoc* conferences, special forums patterned after the European experience.

Regional conferences could well support and revitalize existing regional security structures like to OAU or the OAS. Since participation in regional conference would have different implications than membership in a formal regional organization, the conference mechanism might offer the possibility of drawing on wider regional sup-

port, as the European security conferences have brought together the nations of Eastern and Western Europe alike.

Regional meetings would not be limited to matters relating exclusively to military security but could define other non-military aspects of security, including economic and cultural problems.

As a conclusion, it is necessary to underline that the issues of security are going to play an increasingly important role.

This paper wanted to indicate that the comprehensive and multidimensional approach to security is dictated by facts which prove that the different security issues and structures are increasingly intertwined in a global system. Countries and societies are bound together by a network of interlinkages, the consequences of which may be of different nature. They could result in unprecedented progress but also global tragedy. In the search for security in an isolated way, countries, human beings may fall into a trap from which there is no way out in a world of the arms race, of the increasing degradation of the biosphere under the impact of anarchic technological development, when there are no viable common programs and plans to deal with the global socio-economic problems, where the national and international institutions are weak and unadaptive, in a world of more than 160 countries and almost five billion people it is the international approach to security by joint concerted action which can secure the future of humankind.

National security policies, especially of those formulated and implemented by the great powers, must take into account all the interrelated components and implications at this stage of world development. If the decision-makers of states will still be thinking in terms of the old and narrow national security categories it will not be possible to avoid major global crises and conflicts which may push humankind into a grave catastrophe.

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REPORT

by

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Prepared for the

Consiglio Nazionale delle Ricerche

after the mission of the Istituto Affari Internazionali to Hungary as part of the on-going research project with the Institute for World Economy of the Hungarian Academy of Sciences, 30 May - 4 June, 1988.

1 July 1988

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

I. IAI - IWE Meeting, Budapest, 30 May - 4 June 1988

The mission of the Istituto Affari Internazionali (IAI) to Hungary has taken place in the context of the long-established program of scientific cooperation between IAI and the Institute for the World Economy (IWE) of the Hungarian Academy of Sciences. During the Budapest meeting--see the enclosed program and list of participants--several topics have been discussed in the areas of international relations of common interest to the two institutes.

The scientific program was divided into four parts: three discussion sessions and a workshop, the latter devoted to a discussion on the course of future common research. During the three discussion sessions the participants from both sides have presented the working documents which had been prepared in advance, and which are enclosed with this report.

In the first session, a special emphasis was devoted to bilateral relations between Italy and Hungary, even if frequently references were made to the role of the two countries in the broader context of East-West relations. The economic and security aspects of such relations received the most attention.

The second session was devoted to an exchange of opinions on the current political and economic changes in Eastern Europe and in the Soviet Union, particularly after the accession to power of General Secretary Gorbachev in Moscow. We were fortunate to be in Hungary just days after the election of Karoly Grosz as the new General Secretary of the Hungarian United Workers' Party. It was a common opinion among the Hungarian scientists that the process of perestrojka in the USSR was useful both for the Soviet economy and for the continuation of the

economic experiment in Hungary itself, which the new leadership seems firmly determined to pursue. In addition, it is an important prerequisite for the improvement of East-West economic relations.

The third session was devoted to problems of arms control and global security. As for the former, most participants from both parties agreed that the current détente between the superpowers present Europeans with a good opportunity to improve their security relationship. Within that context, Italian scientists tended to emphasize the need for discussion and agreement between the two military alliances, while some Hungarian counterparts placed a greater relative weight on the individual efforts of the various countries concerned.

One topic which received particular attention was expectedly that of security in the Southern region of Europe, to which both countries belong. The issue of the NATO redeployment of the wing of US F-16 aircraft from Spain to Italy was of particular interest and concern to some Hungarian participants, while it was pointed out that the redeployment has a mainly political, and not military, significance.

As for the latter, it was agreed that the problems of global security do not concern solely the realm of military affairs, and that other non-military problems necessitate a common approach from East and West. Among the various problems discussed—debt, hunger, worsening terms of trade for the East, etc.—both sides found that the one in which the two countries, and indeed the two political blocs in Europe, might most usefully cooperate is that of environmental problems.

Another aspect which the Hungarian scientists were keen on

emphasizing was that of Western financial and technological assistance to the East. Several Hungarians pointed out that this would also benefit the West, which could profit from relatively inexpensive and skilled human resources currently underutilized in the East. Some Italians however remarked that the economic conditions that would make such capital and technology transfer to the East attractive still largely do not exist, and it remains largely up to the Eastern partners to create them. For example, in the field of joint-ventures domiciled in the East--which are seen by many as the optimal way for economic cooperation for the future--Eastern legislation is still rather crude, though some progress has been made toward the formulation of legal framework which might accommodate the interests of both partners.

Both sides agreed that the recent improvement of CEE-CMEA relations is significant, though much work remains to be done to transform the political agreement into more concrete cooperation programs. In particular, better trade relations will be possible in large measure if the recent trend toward worsening terms of trade for the East is reversed. Again, this will depend in large measure on how successful Eastern reforms are going to be.

The meeting has been unanimously considered as a success by all participants. It has had some echo in the Hungarian press, both in Hungarian--including in the official party newspaper--and in the English language press (see enclosed articles).

II. Other meetings in Budapest

As specified in the individual applications by the participants

to the mission, the IAI delegation, in addition to the meeting with the IWE, held scientific meetings with other institutions. In particular, discussions on arms control issues took place between relevant members of the IAI delegation and members of the Hungarian Institute for International Relations, and in particular with the Director, Peter Hardi.

Finally, several informal discussions on political matters, particularly on Italian-Hungarian affairs, were held at the High School for Political Studies of the Hungarian United Workers Party, and particularly with Dr. Josef Pankowits, their specialist on Italian affairs. Under agreement with the Academy of Sciences, the IAI delegation was hosted at the school throughout the stay in Hungary.

III. Future IAI - IWE Research project

IAI and IWE have agreed to continue both the joint research project and the bilateral exchange of scholars. More specifically, IAI and IWE have agreed on the following points. First, a common research project on the broad subject of "Economic Security and East-West Relations" will be undertaken on a two-year basis. There will be a bilateral meeting of participating scholars in Rome around the middle of 1989, at which interim reports will be presented and discussed. Final reports will be presented at a further bilateral meeting in Budapest around the middle of 1990.

It is expected that the research project will result in a joint publication in the English language. Pending adequate funding and interest, publication in Italian and Hungarian might also be considered. It was also agreed that the two institutes will seek to

fund the project through the bilateral agreement between the Hungarian Academy of Sciences and the Italian National Research Council. Formal submissions are expected during the Fall of this year.

Project directors will be His Excellency Janos Szita (former Hungarian ambassador to Italy) on the IWE side and Dr. Marco Carnovale on the IAI side.

Within the context of economic security, the following specific topics have been identified: first, East-West technology transfer; second, conventional arms control; third, financial cooperation; fourth, EEC-CMEA relations; fifth, cooperation in environmental protection. The formulation of the individual papers will be defined in the following weeks, in consultation with the single authors concerned.

Both institutes will research all of these five topics, though each side, and each individual researcher, will be free to focus on a substantive aspect of his choice. The final choice for all paper topics will be coordinated by the two project directors, so as to ensure a coherent overall effort.