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East-West and North-South interrelations
in the Eastern Mediterranean

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INTRODUCTION

Since World War II and the explosion at Hiroshima the future of mankind is threatened by the impending danger of a nuclear holocaust. It is neither surprising nor unwarranted that responsible scientists and intellectuals concentrated their attention on this problem, trying to patiently build that basis of understanding which made détente possible.

Today, détente is threatened. Indeed, numerous experts seem to be exceedingly eager to pronounce its death. A complacency in mutual recrimination between East and West is carelessly undermining the basis of understanding which had been so difficult to reach.

The reason for such a negative turn in events does not, however, lie in a direct failure of the détente process per se. The foundations of that policy still hold. A fundamental balance exists because nuclear arsenals still guarantee mutual assured destruction. Also, no serious crisis is developing in Europe which might lead to believe that one of the two sides would consider resorting to war (1). Tensions in Europe have been far worse many times in the past, and even the disappearance of Tito has not precipitated the kind of crisis that many predicted.

Still, détente is being temporarily shelved because events which are not directly connected with relations between East and West impinge upon these relations creating disturbances which increase the perception of vulnerability of both sides.

These disturbances are the consequence of two large sets of conflicts. The first set comprises all conflict between countries, or different forces from various countries (ranging from groupings of countries to guerrilla groups), both belonging to the Third World. This type of conflict I shall call "South-South" (SS). The second set comprises all conflict between countries or other groupings, one of which belongs to the Third World and the other to the industrial world. This type of conflict I shall call "North-South" (NS). NS conflict also exists at the global level, as contraposition between the G77 on one side and the OECD and CMEA countries on the other. This definition of NS conflict is only preliminary, and I shall elaborate on it further on in order to show that NS conflict can also occur between two countries both belonging to the Third World, or both belonging to the OECD, given certain circumstances (2).

Both SS and NS conflicts are not necessarily resolved by military means. Some of them might have no strategic implication at all, or just a very marginal one. However, crises are not independent, random events. They interrelate and their simultaneous occurrence hinders any action to solve either of them. When we consider the reality of SS and NS sets of conflicts as a whole, we cannot but acknowledge that it has very serious implications for EW relations and balance.

The distinction between SS and NS conflict is analytically necessary, although the two are strictly intertwined, one kind of conflict leading almost necessarily to the other. I wish to stress from the very beginning, however, that SS conflict is

relevant to the EW balance only inasmuch as it has NS implications.

The relevance of SS and NS conflict to the EW balance is a result of the growth of global interdependence, which had been in the making in the fifties and sixties, but was recognized only in the seventies. Previously, we had a situation in which developing countries were economically, strategically and politically dependent on the industrial world, while the reverse was not true: the industrial world could do without relations with the developing world or parts of it, but no LDC could survive if deprived of her relations with the industrial world.

As a consequence, the industrial countries did not feel threatened by SS conflict (quite to the contrary, they sometimes indulged in fanning it according to the philosophy of "divide and rule").

In the seventies, on the other hand, both industrial and developing countries came to recognize the reality of interdependence, i.e. mutual dependence. Undoubtedly, the interdependence existing between the two sides is still very much out of balance. However it is politically important that vital interests of the industrial world are today controlled by developing countries.

Initially, the reality of interdependence was perceived as affecting only a part of the industrial world, the OECD. While it is clear that the OECD is more directly affected, at the same time later events showed that the CMEA as well is to some

extent dependent on developments in the developing world.

As a consequence of interdependence, practically any SS conflict has today NS implications. At the same time, interdependence opened the way to a more assertive international presence of the developing countries, which most often is not confined within EW "codes of conduct" and is therefore unsettling to EW relations.

Finally, interdependence has increased the strategic importance of the developing world in the eyes of both East and West, thus stimulating a "competitive" approach which is bound to generate mutual distrust and suspicion. At the same time, because of the increased strategic importance of developing countries, it is now more difficult to define an EW "balance". Such a balance must not only apply to the nuclear field globally and to the European theatre with respect to both nuclear and conventional forces; but it must now apply also to all the different regional theatres. However, as the number of sub-equilibria to which a balance must apply is multiplied, the definition and enforcement of such a balance becomes increasingly elusive.

These considerations lead me to think that it is not possible to isolate SS from NS conflict, laying the blame for the crisis of détente on one or the other. At the same time the distinction is necessary both analytically and politically. We must analyze the way in which SS and NS conflict interact, because industrial countries are presumably better able to diffuse NS conflicts than SS ones. It is important to inquire

into whether a determined effort to diffuse or eliminate NS conflict would also reduce SS tensions, and allow a new period of détente. The alternative conclusion, in which many experts explicitly or implicitly believe, is that no effort from OECD countries could reduce "instability" in the developing world; these same people tend to think that there is no imminent possibility of overcoming the present crisis of détente.

This essay is an attempt to systematically discuss the interrelations between EW and NS questions in the Eastern Mediterranean. (EM), which I define extensively as including the following countries: Libya, Egypt, Saudi Arabia, Jordan, Iraq, Israel; Lebanon, Syria, Turkey, Greece. It is difficult, if not impossible to discuss equilibria in the EM without taking into account events in the Balkans as a whole as well as in the so-called "Northern Tier", comprising Iran, Afghanistan, and Pakistan as well as Turkey. While not aiming towards a complete discussion of these countries, I shall of course mention them whenever it is necessary.

The essay is divided into three parts. Since there is not, as yet, an accepted body of theoretical discussion on the interrelation between EW and NS, I feel it necessary to devote a first section to a partial treatment of these interrelations in a general way. I stress that it is only a partial treatment because I take into consideration only those types of linkages of which we have examples in the EM. The second section is devoted to an analysis of the EM conducted on the basis of categories and concepts introduced in the first part. The third is devoted

to some general policy conclusions with specific attention to the EM.

The EM traditionally a region generating impulses that unsettle wider political equilibria. The Balkans question was more than the immediate occasion for the beginning of World War I, and after World War II equilibria in the region have remained unsettled to this day.

Open conflicts have repeatedly erupted in the EM, even if none led to the direct involvement of outside actors on a scale comparable to Korea or Vietnam. Paradoxically, this points to the importance of the EM rather than the contrary. Indeed, it is felt by many that direct superpower involvement in open war in the region would most likely lead to escalation to global conflict. Nevertheless, superpowers are directly present with increasingly large military forces, though they do not actively engage them in war action. Up to now, their presence has proved a sufficient deterrent to contain conflicts in the region.

However, containment is not final solution, and the danger of an explosion which could not be contained leading to World War III is increasing every day.

Of course within the Eastern Mediterranean events and attention have been concentrated around the Arab-Israeli conflict. The situation of both Turkey and Greece must however be discussed at the same time, because events in the seventies have involved these two countries as well. In many ways, the possibility of containing recurring crises in the Arab-Israeli conflict is dependent on the stability and "appropriate" behaviour of Greece and Turkey. Events in the seventies show that this cannot be taken for granted.

Part I. - EW and NS interrelations : an analytical framework

The fact that in the long run peace and economic development are convergent goals has been stressed authoritatively many times. Indeed, while the danger of nuclear holocaust hangs over the future of mankind, underdevelopment and starvation take their daily toll, and are a more immediate and dangerous threat than the arms race.

The necessary convergence of the two objectives can easily be argued if we are discussing a long run perspective. Given projections on population growth to the first decades of the coming millenium, it is indeed difficult to conceive how peace could be maintained without the kind of economic development that would provide a larger share of mankind with human living conditions. At the other extreme, it is difficult to conceive an acceleration of development in a world which experiences nuclear warfare. True, technological progress allows increasing accuracy in weapons delivery, therefore adoption of "lighter" warheads. This leads some commentators to think that a nuclear war is feasible, or even that it could meaningfully be won. Still, it is difficult to see how a nuclear exchange could happen without provoking economic damage that would need decades to be offset.

A. The different logic of NS and EW

At the same time, convergence of the two objectives is not

at all evident in the short run. Quite to the contrary, the logic of EW relations, on which global peace is based, is profoundly different from the NS logic which reflects the global request for development.

EW relations pursue peace through equilibrium. Their logic can be synthetically described by a sequence of steps:

- a) find an equilibrium; this assumes that such an equilibrium can be defined and agreed upon - an assumption which could easily be challenged. Also, the equilibrium which is sought is a complex one resulting from a sum of partial equilibria on specific classes of armaments and/or on specific regions (theatres). It is not acceptable to "net" partial disequilibria into an overall equilibrium because of the impossibility to agree on weights to be attributed to each partial disequilibrium.
- b) once an equilibrium is found, even if just a partial one, it should be frozen. The assumption seems to be that the persistence of an equilibrium through time will enhance confidence to the point where both sides will be willing to modify this same equilibrium, deescalating forces on both sides. This, again, is an assumption that can easily be challenged.
- c) once sufficient mutual confidence is built, move to arms reduction and, eventually, disarmament.

This process requires a rigid hierarchical order of nations, in order to allow the definition and freezing of equilibria. Uncertainty over with whom the equilibrium should be reached

inevitably creates problems. It is a well known fact, for example, that the nuclear balance does not look the same depending on how we account for British and French nuclear forces.

Thus EW relations postulate the existence of blocs, and postulate as well that each country will declare unrestricted allegiance to her bloc. The contrary would not allow a freezing of equilibria because autonomous action on the part of this or that country might change an equilibrium into a disequilibrium.

A sufficient equilibrium was kept in Central Europe because both superpowers have paid maximum attention to unrestrained allegiance on the part of the FRG on one side and the GDR on the other. The situation is, however, sharply different in the Balkans, where allegiance is normally heavily loaded with reservations, with the exception of Bulgaria. If we further extend our consideration to the rest of the Eastern Mediterranean we see a majority of countries which declare no allegiance to either of the two blocs, and the task of defining an equilibrium or freezing it becomes impossible.

If this is the logic of EW relations, the difference with NS relations is very sharp.

NS relations, as dynamically pursued by the developing countries, tend to modify existing equilibria rather than freeze them. The goal of global development is interpreted by a majority of LDC governments as meaning a tendency to a reduction in income per capita differentials. It is extremely significant that

the so-called "basic needs" approach has been strongly criticized at the official level. The problem is not so much that of overcoming absolute poverty. It is, rather, equality among nations.

The NS question is the logical and historical follow-up of the process of decolonization. The logic of the NS set of relations is therefore that of nationalism. Economic and political nationalism concur in determining a position which entails refusal of blocs, of hierarchies, of allegiance to any single foreign nation.

Of course, within the Third World we see many different nuances of economic and political nationalism. Some countries maintain economic policies which are open to relations with the international market. Others are aligned and have kept a great deal of consistency in their position in international relations. In the EM we see examples of all kinds of behaviour. We see, at the same time, how nationalism is a common denominator of all the different combinations of policies, and, given certain conditions, can easily justify a shift from one combination to the other.

The fact that economic nationalism is the logic behind many of the initiatives taken by Third World countries, in pursuance of faster development, is often lamented by those who believe that free trade and, more generally, free international economic intercourse allow for all participating parties to maximize benefits. However, it has become clear that, if on one side the development of international economic relations is a positive-sum game, on the other the distribution of the benefits can be uneven to an extreme.

This is not surprising even from a theoretical point of view,

given that very often international economic relations take place in conditions of unilateral or bilateral oligopoly, not perfect competition.

In most instances economic nationalism is the reaction to the experience of uneven distribution of the benefits of international economic relations. A clear example of this is in the case of oil, which is a fundamental factor in developments in the EM.

There we witness a nationalistic attitude which leads not only to the assertion of unrestricted national control over natural resources, but utilizes such control to limit quantitative production within certain ceilings. This attitude can be understood only in connection with the fact that the international economic system does not provide sufficient reward to stimulate an increase in production. (Such an increase would not necessarily require additional investment: the countries involved are deliberately underutilizing existing productive capacity).

Given that there is no agreement on quantities to be produced - this being the main reason for denying that Opec is a "cartel", as it is inappropriately called most often - such a manifestation of economic nationalism would never have appeared had the benefits of international oil trade been distributed more evenly. The very fact that this distribution has changed so dramatically in the last seven years shows how uneven the distribution was beforehand.

Economic nationalism is not a necessary feature of international relations. It is rather the reaction to a set of rules

(old International Economic Order) which has not allowed an "equitable" distribution of the benefits of international economic intercourse. The egalitarian logic of NS relations leads therefore, along with other individual or collective behavior, to the request for a New International Economic Order (NIEO).

B. Differences of participation and polarity between NS and EW

Further differences between NS and EW, leading to short-run conflicts between the two sets, are concerned with participation and the nature of polarity.

The difference in participation is relevant in determining attitudes at the global level, less so at the regional one. Globally we have on one side a substantial refusal on the part of CMEA countries to participate constructively in NS negotiations, and to a large extent also of minor industrialized countries, from negotiations on strategic equilibria. While this appears to have consequences at the global level, e.g. undermining the appeal of the NPT, it is much less relevant at the regional one. One could hardly say that nuclear proliferation in the EM is an effect of non participation in the preparation of the NPT; and if the Soviet Union does not participate constructively in global NS negotiations, it certainly was active on NS questions in the EM providing economic support to most countries in a very significant way.

Far more relevant is the difference in the nature of polarity.

Both EW and NS relations are "polar", and both are de facto bipolar. However the implications of polarity are profoundly different.

In EW relations, polarity is based on power, and military power is increasingly becoming the distinctive factor because differentials in economic power are gradually fading out. In the past polarity in EW relations was based on ideology: it was a contraposition between a liberal and a leninist conception of the state and of its role in the economy. With time, the importance of ideological affinity is decreasing, because "national models" are proposed on all sides, blurring the boundary between different systems.

Ideology is certainly still important in the European context. Although there are strong differences in economic policy both between the USA and her Western European allies and between the USSR and her Eastern European allies, there is still a high degree of ideological affinity at the institutional level. If anything, homogeneity has increased on the Western side during the seventies because of the termination of dictatorial regimes in Greece, Spain and Portugal.

However, outside Europe ideology plays a very small role indeed. A majority of countries in the Eastern Mediterranean cannot be said to follow either of the two ideologies. To a large extent existing alignments are determined more by aversion for one ideology than by sympathy for the other.

The Saudi Arabian ruling family certainly hates communism, at the same time it hardly could be said to stick to the Western

principles of individual freedom, democracy and economic liberalism. There are important consequences to this state of affairs, because ideology is a powerful guarantee of stability of international alignments and allegiance to each bloc. As a consequence, superpowers do not accept that ideology does not play a role anymore, and try to revitalize it. Such a policy has been followed recently by the USA by stressing the importance of civil rights, and by the USSR by stressing the role of the party (and the need to create one where it does not exist, e.g. Ethiopia). In both cases, the impression is that the policy backfired badly (given superpower objectives), leading to the fall of the Shah in Iran and precipitating guerrilla warfare in Afghanistan.

If one accepts the concept that ideology is not an essential factor in international relations, then the door is open to an evolution of the bipolar EW system towards multipolarity. If France or West Germany or the EC were superpowers (which they are far from being) their status would be the consequence of power, not ideology.

An evolution towards multipolarity based on ideology is more difficult, principally because no ideology succeeds in effectively asserting itself in international relations without a clear leader with sufficient power. In the Eastern Mediterranean this is clearly shown by the case of Islam. Islam is the common denominator of all countries in the region - except Greece and Israel. Nevertheless it has failed to perform a role because there is no clear Islamic leader. In the short run the banner

of Islam is agitated by this or that government or party (generally more than one at the same time, with strongly contradictory consequences).

EW polarity is then essentially the consequence of a given distribution of power, allowing both a potential evolution towards multipolarity, and individual countries staying in a "grey area" which is outside the polar system, not just in the middle of it.

The same is not true for NS polarity. The latter refers to objective economic indicators from which political attitudes are generally derived. North and South are not groupings, they are forces, or definitions of relativity. If at the global level these two forces generate two main groupings, the Group 77 (G77) on one side and the OECD on the other - the same forces generate subgroupings within each of the abovementioned as well as among centrally planned economies (CMEA).

Thus it would be wrong to talk about the South and the North to indicate groups of countries, in the same way as we may well use East and West. Most countries appear as either North or South depending on the circumstances. Italy appears as North in Mediterranean NS conflicts, while it belongs to the South whenever similar conflicts arise within the EC. In the Eastern Mediterranean some countries, e.g. Israel and Saudi Arabia, belong to the North if we look at regional equilibria and realities; however if we look at global relativities they both belong to the South. The behavior of each country also depends on the issue under consideration and her specific interests.

Saudi Arabia has a Northern approach within the IMF, insisting on financial orthodoxy and a Southern one within UNCTAD supporting all the proposals put forward by the G77. These are not inconsistencies, as they are viewed by those who insist on reasoning on the basis of a taxonomic approach. All attempts to stress contradiction between LDCs have so far failed as a negotiating tool. One can see that these contradictions are easily recognized by the LDCs; however they become irrelevant for international alignments whenever the problem is being discussed at the global level.

The implications of the nature of NS polarity for the Eastern Mediterranean are extremely important. The region is involved in the global NS conflict, but is also internally divided by NS tensions: as a consequence considerations linked to economic development influence the behavior of individual countries within the region in a complex way.

Also, regional behavior crucially affects global developments in at least one respect, i.e. oil. As a consequence, impulses emanating from the region exacerbate NS tension within both West and East. In the case of the West this has not been true only since 1973 but was true before then. One only needs to recall the role of national oil companies from Italy and France (a typically Southern initiative) in the gradual erosion of the power of the Seven Sisters.

C. Contradictions between EW and NS processes

The differences enumerated above lead to the consequence that the logic of either one of the processes dictates to individual actors a behavior which has often negative consequences on the other process. The NS logic leads to behavior which is EW destabilizing, and the EW logic suggests policies which are not compatible with cooperative NS relations. Furthermore, the fact that there is conflict in NS relations can lead to consequences which are EW destabilizing independently of the behavior of any one government.

On this basis, we can propose a typology of interconnections between EW and NS. I shall limit myself to the enumeration and general description of those linkages which are relevant to the Eastern Mediterranean Region.

a) The existence of NS conflict negatively affects the process of economic development in almost all LDCs. If it were possible to agree to a New International Economic Order, the conditions of some countries in particular ^{would} improve sharply. For some countries - certainly not for all developing countries - the present condition of conflictual NS economic relations is the major obstacle to politically stabilizing economic development. Their development is either slowed down (and in some instances, stopped altogether) or constrained in such a way that it becomes politically destabilizing for the domestic power structure. Because there are some countries whose internal stability is essential to EW equilibria, if their development is so affected

by NS conflict, they constitute an objective link between the two sets of relations. It should be stressed that:

- i) not all LDCs in critical economic conditions are principally victims of NS conflict. Sometimes they are victims of bad domestic management of their own economies (take Zaire);
- ii) critical economic conditions do not always lead to domestic instability. Countries become unstable not because they are poor in absolute terms, but because they experience a process of economic development which is either abruptly arrested or inconsistent with socio-political realities;
- iii) not all unstable countries are immediately relevant to EW equilibria. In most cases these equilibria might change, if, following a period of instability, a new leadership emerged which would take EW destabilizing attitudes (thus falling into the case which we will discuss under (b)).

There are only a few countries whose position is such that the opening of a period of instability will per se undermine EW equilibria. In practice, most of these countries are in Central Europe and The Eastern Mediterranean. The only important case outside these regions is South Africa (which is an example of a country whose stability is threatened by the racial nature of her regime, not by NS conflicts).

b) Independently of problems of domestic stability discussed under a) governments may adopt EW destabilizing behavior while pursuing NS objectives. In this group fall numerous kinds of behavior.

The most obvious example is "commuting" from one bloc to the

other in order to gain direct or indirect economic advantages. As this practice has become increasingly widespread throughout the sixties and seventies, the international climate and superpower attitudes have evolved to the extent that today it is most often not necessary to actually commute; all you need is to resort to some "flirting" with the adversary bloc, i.e. requesting economic aid without necessarily and officially modifying the country's international alignments.

However, this practice is exemplary of allegiance reservations, and it undermines the stability of the blocs, or at least the perception which superpowers have of it. It tends, therefore, to enlarge the "grey areas" which make it impossible to reach an EW equilibrium.

Secondly, countries may try to attract superpower attention, or divert domestic attention from economic difficulties, by resorting to regional conflict. We see internationally a growing number of such coincidences: countries become more ready to utilize military strength whenever they need assistance. The logic behind it might not always be the same, and does not need to be explicit. However the recurrence of this type of behavior is a fact.

If not to regional conflict, countries might resort to other EW destabilizing activities in order to increase the perception of their strategic relevance or manifest their displeasure and exert pressure. An example of this kind of behavior is nuclear proliferation on the part of countries which do not face a nuclear threat, or a conventional threat which could be deterred by the possession of a nuclear weapon.

EW destabilizing behavior with a NS objective can come from industrial countries as well, because of a perception of dependence in specific sectors, considered of "strategic" importance. Armaments, nuclear energy and electronics figure prominently as examples of sector in which European countries feel an excessive dependence on the USA. In order to establish viable national industries, these countries are ready to export armaments on a strictly commercial basis, with little or no political strings attached, thus objectively facilitating the development of "grey areas" and their instability. There are other possible examples of this kind of behavior, but they are not relevant for the EM.

A final linkage between the two sets of relations regards the behavior of exporters of raw materials of strategic significance. Oil is the most important case but not the only one. Absence of an agreement on pricing and production policies is a part of the NS conflict. Unilateral action on the part of the producers does not evenly affect the two superpowers and their closest allies. It affects for this reason EW equilibria, or at least the perception of them.

c) Finally, we may consider NS destabilizing action which is taken for EW purposes. This falls into two large categories. The global attitude of the superpowers to NS problem and the way it is (indeed very strongly) dictated by EW considerations; and superpowers attitudes on problems of a regional nature. Only the latter need to be treated in the present essay.

Here the argument is perhaps less immediate than in the previous two points. We must briefly recall the fact that the process of

decolonization was so managed by the former colonial powers as to lead to the creation of a plethora of formally independent and sovereign states, whose structural basis are such that most of them have little or no chance to develop on their own.

There are, of course, significant exceptions: countries which have sufficient population, territory and natural resources to self sustain their economic development. There are also examples of countries which, lacking one or the other of the indispensable primary ingredients, are successfully integrated in the international economy and aggressively pursue a path of export led growth. Still, many criticize the experience of the latter countries because it only leads to dependent economic growth.

Without necessarily sharing this point of view, I am one who believes that the experience of the NIC's cannot be generalized altogether, mostly because industrialized countries cannot and should not accept the kind of industrial redeployment that it would entail.

Therefore regional integration among smaller LDCs is a fundamental aspect of a positive NS process. The difficulties met by regional integration attempts are possibly the most important cause for the setbacks experienced by the Arab World, by most African countries, by the Spanish speaking Latin American countries.

Regional integration among these countries has never received more than lip service from the superpowers. They have, at the same time, mostly been busy locating some "friend" or separating friend from foe. A process of integration, which could not possibly be just economic, would politically reinforce the regional actors,

therefore necessarily involving some loss of control.

De facto, the Soviet Union has until recently been kept at the margin of the regions to which these considerations are relevant, and most of the responsibility for the negative attitude to regional integration must be laid on the former colonial powers and the USA. However, Soviet behavior has consistently proved to be as divisive as possible.

A second way in which EW considerations can hinder economic development in specific countries, thus exacerbating NS tensions in the long run is by freezing unsatisfactory domestic equilibria. Underdevelopment is also due to "bad management" (and sometimes more than just that: corruption, oppressive regimes representing only limited elites, etc.) on the part of national governments of LDCs.

At the same time, the fear that any change in the distribution of political power could lead to a shift in the international position of ^acountry, has led both superpowers to support governments which clearly have no sound political base. The examples on the Western side are so numerous that it is unnecessary to recall them; one might add that it is only during the Carter Administration that the USA have somewhat modified their attitude.

It is important to stress that the argument is valid for the USSR as well - even if they like to appear as little more than the obstetrician which helps history to follow her inevitable course by giving birth to revolution everywhere. One need only mention Cuba.

Part II - The situation in the Eastern Mediterranean

I shall follow here the order given in the previous part treating:

- a) countries whose domestic stability is in itself relevant to EW equilibria and threatened by NS conflicts;
- b) countries that behave in an EW destabilizing way in order to pursue NS objectives ; and
- c) cases of NS destabilizing behavior deriving from EW consideration.

- a) Countries whose domestic stability is in itself relevant to EW equilibria and threatened by NS conflicts

There are at least two countries in the EM which fall into this category, namely Turkey and Saudi Arabia. The stability of Egypt is also essential to EW equilibria, but at the same time it is not threatened by NS conflicts in the short-medium run. In the longer run, the stability of Egypt, as well as that of Saudi Arabia, would be threatened by the lack of sufficient progress in regional integration. I shall deal with this aspect under c).

The stability of no other country in the EM is in itself essential to EW equilibria, although of course, these would be affected by a change of government and/or policies: this will be dealt with under b). Immediately outside what we have defined as the EM there are two more countries whose stability is essential:

Yugoslavia and Iran. In the case of the latter, the period of instability following the fall of the Shah has indeed rapidly undermined the detente process.

Turkey

Turkey is the clearest of the two cases we shall deal with. A few data on the recent economic development of Turkey are necessary.

The record of Turkish economic growth was rather positive until at least 1977 (Table 1); thereafter growth was stopped abruptly. If we compare the Turkish record on growth for the period 1973-78 to that of other OECD countries, we find that Turkey was the country that achieved the largest average annual increase of GDP in real terms (Table 2, column 1). This very high rate of growth had solid foundations in a relatively high rate of gross fixed capital formation as a percentage of GDP (Table 2, column 2), a rate which allowed Turkey to rank third only to Japan and Yugoslavia, well ahead of all the industrialized European countries and of other Southern European countries as well. The fact that such rapid growth was not translated immediately into a higher standard of living is due partly to the exceptionally high rate of population growth (Table 2, column 3); at the same time it must be recalled that the higher GDP growth allowed an average annual increase of GDP per person of 4%; and a growing population can also act as a stimulus to growth if it does not endanger capital accumulation.

Turkey: long term indicatorspercentage yearly GDP growth

73	4.1
74	8.8
75	8.8
76	8.8
77	5.7
78	3.8
79	0.9

Turkey : some international comparisons

	Δ GDP 73-78	$\frac{\text{GFCF}}{\text{GDP}} \times 100$	Δ Population 68-78
FRG	1.9	20.9	0.3
UK	0.9	18.1	0.1
Italy	2.1	19.8	0.7
Japan	3.7	29.9	1.3
Turkey	6.7	25.8	2.5
Portugal	2.4	17.0	0.7
Spain	3.1	20.8	1.2
Greece	3.6	23.0	0.7
Yugoslavia	6.1	34.3	0.9

These figures must be recalled because most articles on the Turkish economic crisis stress the negative role of inefficiencies in public industry and the ineffectiveness of government economic policies (3). While both factors might well be very relevant, the Turkish economy proved that it was capable of growing at a high speed, until it was suffocated by outside events. The increase in the price of oil in 1974 upset the positive equilibrium in the Turkish trade balance. Turkey depends on imports for more than 75% of her total oil supply (although it has large untapped reserves of domestic energy/coal and hydroelectric).

Turkey imports rose abruptly, while at the same time her exports were damaged by the economic downturn in the industrialized countries. As a result the trade balance deteriorated badly (Table 3, column 1). The final blow came from the forced reduction of Turkish emigration in Western Europe, concentrated mostly in the FRG. This entailed a sharp decline in remittances, which, after hitting close to 1.5 billion dollars in 1974, fell by 31% in two years in nominal terms (Table 3, column 2). As a consequence, these being the most important items in the Turkish current balance, the latter went from a surplus of US\$ 484 million in 1973 to a deficit of US\$ 3426 million in 1977. Thus, NS conflicts hit Turkey twice:

- a) because the price of oil increased too abruptly, after her dependence on it had been magnified by a price which was too low; and
- b) because (as a newly industrializing country), she was not

Turkey : Balance of payments - selected items

	1972	1973	1974	1975	1976	1977	1978	1979
Trade, net	-678	-769	-2245	-3337	-3169	-4044	-2311	-2808
Remittances	740	1183	1426	1312	982	982	983	1694
Current balance	-8	484	-720	-1879	-2301	-3426	-1519	-1349

provided with sufficient capital inflows and market outlets to pursue her growth path.

The Turkish case is interesting because it illustrates the problems that a large number of countries (including some industrial ones, like Italy), met in the late seventies. Faced with a deteriorating external situation and mounting domestic demands, most governments were politically unable to react in time. When the reaction came it was too late, and Turkey showed appalling symptoms of stagflation: in 1979 GNP growth was ^{down} to a mere 1%, implying a 1.5% decrease in per capita GNP; inflation, as measured by the GNP deflator, was +61% over the year; real fixed capital formation dropped by 9% and industrial production by 2.8%; the current balance closed with a deficit of 1.3 billion dollars.

The kind of domestic turmoil in which this state of affairs plunged Turkey is a well known fact. The military takeover which ensued in September 1980 cannot be assumed to provide a solution by itself. Most commentators agree that Turkey cannot be run by military rule on a long term basis, and the military will need an improvement in the economic situation. There is no way in which such an improvement can happen without a cooperative approach on the part of the industrial world (4).

Saudi Arabia

The case of Saudi Arabia is very different. Turkey is a case of a country whose growth is arrested by unfavourable NS developments, Saudi Arabia is a case of a country whose development is

far from being arrested, but is nevertheless constrained in a path which is dangerous for domestic stability.

Since the beginning of the Iranian revolution it has become commonplace to point to Saudi Arabia as a dangerously unstable country (5). I am one of those who believes that the Saudi instability is today being exaggerated. At the same time it is clear that any hypothesis of gradual evolution within Saudi Arabia can effectively be ruined if industrial countries from the West continue to confront that country with demands that are incompatible with her own long term interests and regional equilibria. We hardly need to argue that instability in Saudi Arabia might by itself precipitate open conflict between East and West.

The key to the Saudi problem is her oil policy. Saudi Arabia is confronted by what has been called Mida's dilemma (6), because whichever way she manages her production, prices react, so that her income is necessarily magnified. This vision points to the heart of the problem, i.e. the excess of Saudi Arabia's oil income relative to her development needs. The mechanism at work is however more complicated than Mida's.

Saudi Arabia can try to moderate the evolution in oil prices, but in order to do so she needs to have unused productive capacity, on which her ability to influence Opec decision making depends. Whenever Saudi Arabia is short of unused capacity to produce oil, other Opec members can announce higher prices and the Saudis cannot discourage them from doing so. This creates a situation in which Saudi oil is sold for less than any other oil (including non-Opec oil): a situation which can hardly be justified in terms of national interest, and has an obvious destabilizing effect on the

Sa'ud regime.

At the same time Saudi Arabia must increase production whenever the supply from other countries is disrupted (as from Iran since the end of 1978, and both Iran and Iraq since September 1980) ^{because} industrial countries are unable to cut demand. Each increase in Saudi production decreases her available unused capacity, and damages the country's influence over Opec. To avoid this, the Saudi should increase their overall capacity, a difficult decision to take given that the country's long term economic interest would be best served by a reduction in production to levels somewhere between 5 and 7 m. b/D (as against 10.4 m. b/D at the time of writing), which would allow for a rough balance of exports of oil with the demand for imports of foreign goods.

Therefore Saudi Arabia is the victim of NS conflict because it has to bear the burden of reconciling the conflicting interests of oil exporters and importers. A NIEO would necessarily involve (or presuppose) a decline in the quantity of oil burned by the industrial world and an agreement on some mechanism to increase oil prices gradually.

The Saudi Arabian government has been working to have Opec agree on a Long Term Pricing Formula which would increase prices gradually. The success of the Saudi strategy is however dependent on moderation of oil imports of industrial countries which has repeatedly been requested by oil producers.

If industrialized countries continue to drag their feet on energy conservation and on the development of energy sources

alternative to oil, Saudi Arabia will be obliged to choose between:

- a) increasing production and productive capacity to moderate prices and maintain international equilibria, thereby exposing the country to regional and domestic instability;
 - b) reducing production within the limits dictated by long-term self interest, and let prices skyrocket, precipitating a crisis in EW equilibria which might eventually be fatal to the existence of Saudi Arabia as an independent country.
- b) Countries that behave in an EW destabilizing way in order to pursue NS objectives

The most frequent case of linkage between the EW and NS axis is that of governments taking initiatives which are EW destabilizing in order to gain NS advantages. The Eastern Mediterranean offers a great welth of examples to this extent, and in this paragraph. I do not offer an exhaustive treatment of the topic. Rather I will point to the major examples. I shall distinguish between moves that have a predominantly politico-strategic character and moves of a prevailing economic nature.

b1) Politico-strategic moves

The first type of politico-strategic moves that can be made in order to reach a NS objective, and are unsettling to EW equilibria, is what we called 'commuting' and "flirting".

Egypt is an important example of a "commuting" country. The

shift of this country to a pro-Soviet stance was precipitated by a complex of different motivations, largely, though not exclusively, connected to the wish to speed-up the country's economic development. It came at the end of a long process, beginning with the nationalization of the Suez Canal, and reaching acclimax with the refusal by the United States and "Western" international organizations such as the World Bank to provide finance to build the Aswan Dam.

At the same time, Nasser never became a wholehearted pro-Soviet, but increased Egypt's ties with the East in order to conciliate as far as possible butter and cannons. This is not to say that SS motivations (the conflict with Israel; the rivalry with Iraq), were irrelevant; at the same time it is important to stress that the Soviet Union had been looking for a client in the region for a long time, and it is friendship to Egypt that determined her position on Israel rather than the opposite way round.

It is the failure of Soviet economic aid, its inability to get Egypt's development out of the doldrums, which set the stage for Sadat's new reversal of alliances in 1972. We may very well say that the latter was a move with NS objectives, and it was undertaken in order to get economic aid from the USA as well as from Europe.

It is quite possible that, if the Egyptian economic situation does not improve within a few years we might witness a repetition of the past. The only difference might be that this time some "flirting" might be sufficient instead of full-scale "commuting". The attitude of the USA on non-alignment has become far more

tolerant in the meantime, so that a generic rapprochement with the USSR - which is still an important economic partner - or a show of displeasure to the USA might be sufficient to gain additional aid.

Iraq is a similar story. Her pro-Soviet position is closely connected with the long fight with the former owners of the Iraq Petroleum Co., i.e. all the major international oil companies (7). In the modern history of Iraq oil has always been the central political problem. Furthermore, and differently from other countries in the region, the presence of oil companies in Iraq has attracted the attention of international diplomacy and government interference from the very beginning (8). Iraq's oil was also utilized to put off the Mossadeg government in Iran (9). To the eyes of Iraq's politicians the identification of the IPC with "the West" has always been evident. And throughout the sixties this link remained more important than the political and military ties to the East.

The stubborn resistance on the part of the oil majors to agree on conditions which, in retrospect, appear very favourable indeed to them, increasingly pushed Iraq towards economic cooperation with the East. Iraqi production was deliberately kept at a low level (10), and with it the government's revenue and ability to invest in industrial development. The process reached its highest mark in the early seventies, when Iraq turned to the Soviet bloc as an outlet for some of its crude, in order to lay the basis for full nationalization of the IPC. When this was finally enacted in 1972, the Soviet connection was important

in allowing its success, sharply contrasting with the Iranian experience 20 years earlier. Political ties with the Soviet Union reached a peak at the same time, with the signature of a "friendship" treaty (1972).

During the following years, however, the equilibria in the international oil industry were upset. As more and more exporting countries established production ceilings to conserve their oil, Iraq was able to find new market outlets. Initially the opportunity was utilized to increase overall production, but after the fall of the shah and the ensuing collapse in Iranian oil exports, it became clear that Iraq was in a position to easily sell all the oil that it could produce (11). The stage was therefore set for Iraq's return to a more pro-Western attitude, although the reversal was less complete than in the case of Sadat in Egypt (Iraq did not need to do more than it did, after all).

Naturally, there were also other reasons that motivated Iraq's new policy, however the willingness to pursue an objective of rapid industrialization fuelled by the revenue accruing from increased oil exports was an essential factor. At the roots of Iraq's intolerance towards the Khomeini régime in Iran is the incompatibility of the respective economic strategies. In parallel, the alliance with Saudi Arabia was cemented by the fact that she was compelled by events to produce more oil than she wishes, and has welcomed Iraq taking some of the burden off her shoulders (at least until september 1980).

Iraq is therefore another example of a country that utilizes her foreign policy in order to pursue her development strategy.

An alignment with the East was pursued and maintained as long as it allowed her to reconcile the reestablishment of national control over natural resources with a process of industrialization. The same was given up when national control was already a well - established conquest, while Europe and Japan were able to provide better technology (and arms).

Egypt and Iraq are the clearest examples of commuting in the Eastern Mediterranean, but one might discuss a variety of other cases. Very often a move is not determined solely by NS objectives, but these play a role nevertheless. For example, we might consider the case of the aborted Syrian attempt to commute to the West in 1976/1977. Although this was abandoned by the Syrians because of political developments (the Camp David agreement), one cannot but note that Syria was, and still is, experiencing grave economic difficulties.

The second type of politico-strategic moves that I am concerned with here is the resort to local conflict either to attract superpower attention or to distract domestic attention from economic difficulties. The case of Syria might again provide an example with reference to her intervention in the Lebanon. However, by far the most important question one must address in connection with this kind of behavior is how far the Arab-Israeli conflict with all ^{its} ramifications can be considered as an appropriate example of it.

The Arab-Israeli conflict was initially politically motivated, and with a predominant SS character, although some Arabs will maintain that the British handling of the Palestinian problem was

expressly geared to introduce an element of division (hence dependence) in the Arab world.

However, one might raise the question of how far the individual episodes of war were motivated by economic frustrations as well. In the case of Egypt, I think one might reasonably argue that both in 1967 and 1973 the underlying continuing economic difficulties contributed to tilt the balance in favour of war. In both cases, Nasser first and Sadat then, must have reasoned that - whatever the immediate outcome of their initiative - it was the only solution to break an economic impasse as well as the political one. Had the economy been in a phase of rapid development, the cost-benefit analysis would have led to different conclusions.

In the case of 1973, Sadat's initiative must be seen in conjunction with his following resort to commuting and finally his visit to Jerusalem as a logical sequence geared to creating conditions that would allow an Egyptian economic take-off.

It is important to note that Sadat's interest is predominantly in enticing investment from Europe and USA rather than in integration with Israel. The latter is to the North within the region - or so it was perceived as being by her Arab neighbours in the past, although this perception might be changing today. Prospects of economic integration between, Israel and her neighbours even on a limited scale were ruled out not just because of the conflict, but also because the Arabs were unwilling to accept Israeli economic leadership (a NS relation vis à vis Israel). This is one more element which adds a NS dimension to

the Arab-Israeli conflict, although a fading one (12).

One further aspect is the role of NS tensions within the region. After 1973, the Saudi financial assistance to Egypt was beginning ^{to be} politically suffocating, without opening significant options for economic development. Sadat's initiative was therefore also a way to escape from excessive dependence on Saudi money by cutting down on the costs of continuing military confrontation and gaining access to alternative sources of finance in the USA.

Sadat's visit to Jerusalem is a rare case in which peace and development converge, while at the same time it further unsettled EW equilibria because it led to the exclusion of the Soviet Union from the peace process and killed the conference in Geneva (13).

What the evolution of the Arab-Israeli conflict tells us is that SS conflict, can be made more complex by the NS tensions which it may generate; also once superpowers are involved, ^{it} acquires EW relevance, thereby becoming a possible instrument for achieving NS objectives.

Of course, this is not to say that the conflict is kept alive just in order to gain economic benefits (some experts doubt that Israel would be economically viable if it had to give up the unilateral transfers which are largely justified by her fight for survival). At the same time NS objectives might exacerbate conflictual behavior within a controversy extended through the years, seriously undermining the chances to ever come to a solution.

b2) Moves with a prevailing economic nature

Sometimes decisions which are fundamentally economic have such implications as to upset the EW equilibria in a relevant way. The first and foremost case is that of oil prices. Although not all Opec countries belong to the Eastern Mediterranean, it is in this region that we find some of the most influential members of the group. Furthermore, their behavior was essential in precipitating oil price increases in 1973-74, and again in 1979-80, and this is a point which is essential for our further reasoning.

In fact, we must ask ourselves why Opec, which was formed in 1960, repeatedly failed to restrict production in order to get price increases (that is: act as a cartel) throughout the sixties, while in 1973 it succeeded without agreeing in a "prorationing" program. The reason is that a number of producing countries decided to limit unilaterally their production - starting with Libya in 1970; or did not allow the kind of increases that the ^{IC} companies were looking for (e.g. Saudi Arabia was seen by them as producing some 20 million b/d in the 80s). The price increase decided by Opec was the final outcome of a series of non-coordinated unilateral decisions made by individual key producers in the Eastern Mediterranean (14).

The fact that these countries decided to put a ceiling on their production was due to the structural conditions of their economies. The decision on the amount of oil which should be produced can be assimilated to a portfolio choice among different assets: oil in the ground in one asset, and it may be traded with industrialization at home, industrial investment abroad, real

estate or financial investment of various kinds, etc. The decision to keep oil in the ground was taken by those countries that did not have promising opportunities to invest in domestic industrialization, while international financial investment was becoming less and less attractive both politically and economically. A course which finally upset EW equilibria was put motion by the structural conditions of some oil producers, and by disturbances in the international financial markets. The existing international economic order did not provide sufficient returns to ensure an "appropriate" behavior on the part of these countries. We might say, paraphrasing Hirschman, that it was a case of "exit" rather than "voice" (15); equally it was action to be understood within the NS context. It was also a case in which one could see very clearly the importance of regional integration: but more on this later.

NS economic action which has undermining effects on EW equilibria can also be undertaken by "minor" industrial countries, as was mentioned earlier. In the case of the Eastern Mediterranean the most important example is that of arms sales on the part of European countries. The Arab countries in the region have been the largest buyers of armaments in recent years, and the possibility to buy them from European countries under increasingly liberal political conditions has created a situation in which arms supplies are no longer an instrument of political control. Although not all countries in the region have shifted to a different source when confronted with either a general or a specific denial of military hardware ^{from} one superpower, some have successfully proved

that it is possible to do so (16). By itself, this development tends to limit the credibility of allegiance, and undermines the solidity of the blocs which is essential to the logic of detente.

c) NS destabilizing behavior deriving from EW considerations

In this paragraph, we shall consider the attitude of super-powers to regional integration among Arab countries.

The present state of Balkanization of the Arab world was essentially determined by British and, to a lesser extent, French policy towards the area. The British attitude was explicitly that of creating a large number of weak independent states over which it would be easy to maintain substantial indirect control. Without discussing here the case of Israel, one need only recall that the British unsuccessfully opposed the reunification of the Hejaz ^{and} the Nejd, forming what today is Saudi Arabia; and successfully preserved the independence of Kuwait, Bahrein, Qatar, UAE, Oman and Yemens from possible further Saudi expansion. In the Fertile Crescent as well, conditions were created that led to independent Iraq, Syria and Jordan.

After the Second World War the Arab-Israeli conflict further complicated the picture. While British control ^{over} the region rapidly faded out, the American commitment to Israeli survival entailed a negative bias against any prospect of Arab political integration which might have paralleled the process which the USA were favouring in Europe.

Strategically it was believed that the USSR could be

contained by the countries of the Northern Tier, and the instrument for this policy was to be Cento. Thus Arab integration was not perceived as being necessary on this account, as was instead the case with European integration. Furthermore, any process of Arab integration might have endangered the domestic power structure in the Arab states, finally leading to the emergence of a political entity which might not be controlled as easily.

Being essentially excluded from the region, the Soviet Union concentrated efforts on establishing ties with whatever country in the region might wish to do so. Although Nasser was certainly a believer in Arab integration, he was, if anything, encouraged by the Soviet Union to take attitudes which were highly divisive within the Arab world. Later, Algeria became closer to the Soviet Union, and this move was parallel to choices in domestic economic policy which led to the practical shelving of the idea of Maghrebi integration.

Today, the Soviet Union's closest allies are fighting against the new initiative for Arab integration led by Iraq and Saudi Arabia, which led to the convening of the 1980 summit in Amman. The PDRY has become an associated member of the CMEA, while it also took foreign policy positions deeply at odds with the rest of the Arab World. The least that one might conclude is that the Soviet Union is doing nothing to encourage political and/or economic integration among Arab countries, not even among her own allies (which would be a difficult proposition^o anyhow; nevertheless it was attempted both by Egypt and lately by Libya

with respect to Syria and failed in both cases; and relations between Algeria and Libya are poor).

The consequences of the negative attitude of superpowers towards Arab integration are immense. All of the Arab countries individually suffer from the lack of some necessary ingredient for economic growth. They are an almost perfect case of an "optimal currency area", their factor endowments being largely complementary rather than competitive. Still integration proved impossible on political grounds (17). No one knows how the economic situation of the Arab world would have evolved in the presence of outside pressure to integrate economically and politically, as it was exerted on Europe. However, it is difficult to avoid the impression that greater progress would have been possible.

Had there been a successful process of economic and political integration, it is quite likely that the oil situation would have developed in a different way. The Arab countries would have enjoyed a better bargaining position in the 50s and 60s, which would probably have set in motion a process of gradual evolution, allowing the kind of adjustment in the industrial countries which was prevented by the stubborn resistance to change displayed by the Seven Sisters. At the same time, the integrative process would have generated a broader spectrum of investment opportunities, allowing a better utilization of oil revenues, and shifting the portfolio decision we referred to earlier from conservation to greater immediate production.

As a consequence we might never have had the oil shock of

the seventies. An Opec might not have been formed, had not the decolonization process created a number of one-dimensional states (oil being their only political variable), which because they are one-dimensional, cannot compromise and agree to limits on the utilization of their only weapon.

In this way the EW preoccupations which dominated the behavior of both superpowers combined with the colonial history of the region in creating conditions which did not encourage a positive NS development (economic integration). In turn, as we have seen in previous paragraphs, the frustration of the aspiration to industrialize led to a conflictual behavior, political instability, shifting of alignments etc., all of which combined in generating tensions which finally ruined détente.

The same line of reasoning may paradoxically be applied to the Balkans, however in that case developments since the war have changed the situation, and today Balkanic economic integration could hardly be accepted as the cornerstone of economic development by the countries in the region. The situation was different in the mid forties. One might recall that the classical article by P.N. Rosenstein-Rodan, inaugurating the school of thought on balanced growth, was principally aimed at the Balkan situation and stressed the need for regional economic integration (18). Today the idea of Balkan economic cooperation is not dead, and is often being revived by some countries in the region (19).

At the same time it is clear that while Greece and Turkey have predominant economic ties with the EC, others have predominant ties with the CMEA, while Yugoslavia and Albania lie in between.

This state of affairs is nowadays a structural feature of the region, and it is difficult to imagine that it could be radically changed.

This however does not mean that there is no room for regional economic cooperation in the Balkans; such cooperation is conceivable as a parallel of cooperation between Western and Eastern countries in central Europe. Both processes should find their institutional framework within EC-CMEA cooperation.

Thus we might say that EW considerations ruled out economic integration in the Balkans in such a drastic way and for so long that the idea ceased to be valid. One might add that this is not without some serious shortcomings. Indeed, we have today in the region some countries whose exact collocation in terms of regional integration processes is not clear. The problem it most acute for Turkey, which would have been an obvious participant in a process of integration in the Balkans, had there been one. Today Turkey is mainly oriented towards the EC, however this orientation finds considerable domestic opposition from political forces which would favour integration with the rest of the Middle East. Among EC members scepticism on the possibility of Turkish membership in the Community is widespread, because of the wide gap in the level of industrialization which risks turning integration into a negative factor for Turkish development.

Finally one might note that the Soviet Union has recently changed her negative position on European integration. As a consequence, no objection is being raised to Greece becoming an EC member, and the same would likely be true for Turkey (while,

on the other hand, objections to Spain becoming a member of Nato are explicit). At the same time, it is certainly not by chance that the idea of Balkan economic integration has been revived by CMEA countries in the last few years.

Part III : The problem of tackling the intersection of EW and
NS in the Eastern Mediterranean

In the previous pages I tried to formulate an organized treatment of the way in which the NS and EW dimensions in international relations interrelate in the Eastern Mediterranean. I shall now try to draw some conclusions, deriving both from the general discussion in part I and its application to the region in Part II.

A word of caution is however necessary. All of the examples provided in Part II are debatable. The behavior of any country or political system can be interpreted, but a large element of subjectivity is inevitable. The objectives of any specific action are often numerous and diverse, sometimes unconscious, sometimes the total result of the action of individual forces which pursue different objectives.

What is important to the conclusions I will formulate is not the validity of any specific example among those mentioned. I will abstain from drawing detailed conclusions related to the many problems of the Eastern Mediterranean. I will limit myself to some general indications which are relevant for the region. What is important is therefore the overall argument which was presented up to now. It might be useful to briefly summarize it at this point:

- a) the two dimensions of international relations, EW and NS, are contradictory in the short term because of logic, participation, polarity;

b) the realities of the NS dimension (both objective indicators and policy choices of individual countries) prevent progress along the EW dimension, and viceversa.

What, then, is to be done?

A. Accessory utilization of economic instruments is insufficient

We might pose the question if, after all, this is not merely an argument in favour of utilizing economic instruments to supplement political and military ones in crisis management. This conclusion might be a meagre result for our ambitions approach. Its drawback is easily found: economic instruments are costly.

One might agree on the importance of economic instruments while at the same time denying the need to discuss NS relations in a broad perspective. Neither is it necessary to consider the possibility of a New International Economic Order, as requested by the developing countries within international organizations. Rather, one might, at most, point to the opportunity of taking measures specifically designed to solve well delimited economic problems, which are evidently and directly leading to undesirable political and strategic consequences.

In other words, we (superpowers, the West) should be ready to buy out pieces of political stability or military advantage, and this is what economic instruments are useful for.

This line of reasoning is insufficient and possibly even self-defeating. It is insufficient because the episodic utilization of economic instruments in the way suggested seldom succeeds

in buying stability and/or advantage in the long run. Very soon new problems emerge, or expectations change, and equilibria are questioned. This, as we saw, is the very logic of NS relations at work. It may be self-defeating because the adoption of such a strategy immediately stimulates EW destabilizing behavior in order to extract the maximum price for any parcel of stability or any advantage which is sold. This too was discussed at length;

It is a line of reasoning constrained within the EW logic. The idea that economic instruments may be utilized to supplement political and military ones has a partisan character. It cannot succeed because, as we tried to argue, many countries are interested primarily in the NS dimension and the latter has a different and conflicting logic.

B. Attempts to uncouple: subordinating NS to EW

The thrust of the argument is therefore not just that economic instruments should supplement political and military ones. Faced with the contradiction between NS and EW one must either try to solve it or to manage it. Let us first examine the former hypothesis.

A solution of the contradiction could be sought through the systematic subordination of one set of relations and priorities to the other.

There is very clearly both in the West and in the East a tendency to subordinate the NS dimension to the EW one. This tendency probably reached its best expression during the

Kissinger years. In that period the superpowers searched for an agreement between themselves, ignoring NS tensions and demands both at the global level and within each bloc, in the belief that ultimately an agreement between superpowers could be imposed on all countries, and that it would allow the containment and/or management of any kind of NS conflict.

We are not here to discuss if this attempt could have succeeded had it been pursued in a different way; the fact is that it failed. One has the impression that this outcome was determined not so much by the poor application of a good strategy. Rather, superpowers do not have sufficient instruments (including economic, political and military) to deal effectively with all the NS conflicts at the same time; also, superpowers were unable to reach an agreement on how to contain or manage NS conflicts. The determination might have been there, but the political gap was too large to be overcome.

The Arab-Israeli conflict is one of the main cases in which the Kissinger doctrine failed. Eventually, it proved impossible to reach an EW compromise on a peaceful solution, this being primarily the result of behaviour from local actors⁰¹ which both superpowers could not control; thus the bid for peace took a turn which excluded the Soviet Union. Outside of the region we are concerned with, many more examples are available. The Kissinger doctrine had good results only in containing the nuclear arms race and in creating a framework favourable to détente between Western and Eastern Europe. In other words, it succeeded whenever actors recognized the preeminence of the EW dimension, it failed whenever this preeminence was rejected.

The idea that the uncoupling of EW and NS is possible by recovering the dominant role of the superpowers is a recurrent temptation, but the inadequacy of instruments available to the superpowers is ultimately the decisive factor. Thus Carter might declare a policy of direct American presence in the non-Nato countries of the Eastern Mediterranean, but then a RDF does not exist yet. Will it ever become available? Reagan promises to make America great again, but he will certainly find it impossible to reconcile the need for a smaller federal budget; lighter taxes and expanded defense expenditure. The Soviet Union appears to have an increasing ability to intervene globally, but this does not mean that her instruments do not have limits. These will appear very soon if her international commitments grow further.

In the end, the position favorable to utilizing economic instruments in coordination with political and military ones, but without facing the issue of a New International Economic Order, is also confronted with the problem of its excessive cost. It is a variation, certainly different from the Kissingerian approach, within the same philosophy of subordination of NS to EW. It is indeed surprising, along this line, how limited the economic incentives finally provided within the Camp David process were. The negative economic consequences of the Middle East conflict at the global level must obviously be underestimated, otherwise one would expect industrial countries to be ready to pay a higher price for peace. Certainly they were underestimated in the past: peace might have been "bought" in the Middle East in the fifties for a price which today would appear to us very

reasonable indeed.

Thus the idea that uncoupling might be achieved by subordinating NS to EW cannot be rejected in theory, but fails in practice because insufficient instruments are provided. The Middle East conflict is a very illuminating example of this. Might things change in the future? Yes, but why should they?

C. Subordinating EW to NS

Uncoupling is also theoretically possible by subordinating EW relations to NS priorities. This way^{of} thinking is increasingly widespread among leading politicians in the Third World. It is also common in some left-wing European forces which are convinced that the only real problem is North-South relations, and once everything is done to eliminate conflicts in these, conflicts in EW relations will disappear as well. It is a position which assumes the non-existence of the short term contradictions I have tried to underline. It is either based on the belief that the superpowers (as far as Western political forces are concerned, the USSR in particular) are not aggressive; or on the belief that they are "paper tigers", i.e. weak. In both cases, NS progress will accelerate the crumbling of blocs, and war will not happen as a result.

If the reasoning in this paper is correct, this strategy does not stand a chance of succeeding. EW considerations matter, and if they are ignored in order to favour NS objectives, conflicts in EW relations will multiply until progress is blocked along the

NS axis as well.

Again, the Eastern Mediterranean provides a good illustration. In the period 1973-79 most countries in the region indulged in EW destabilizing behaviour in order to pursue NS objectives. The result is fast increasing direct superpower military presence in the region and an extremely high level of EW tension.

Ignoring EW considerations leads to increased regional conflict very easily. Because NS polarization is not active only at the global level, but at the regional one as well, unique consideration to NS problems is divisive. Shelving the EW dimension leads to nationalism untamed.

D. Managing the interrelation

If then uncoupling does not appear feasible, we can only try to manage the interrelation between EW and NS with a goal of minimizing short term contradictions. This involves a broad spectrum of initiatives, none of which are sure to succeed.

At the global level, it is necessary to recognize the need for a New International Economic Order; it is necessary to insist on a meaningful participation from the East in the search and implementation of such an Order; it is necessary to reach agreement between superpowers on the need to favour regional economic integration, to limit arms trade, to reduce or exclude direct superpowers presence in some regions. It is necessary to reach some kind of global agreement on raw materials supply, and utilization of common resources, along the lines that the new Law of the Seas would provide for.

Stating the need a NIEO is not the same thing as accepting all requests of the Group of 77. While this would prove an unfeasible course, the need to manage EW/NS connections is a criterion to select those problems to which priority should be given. The Eastern Mediterranean experience exemplifies this point: if sufficient financial resources had been available from multilateral organizations, countries in the region would not have adopted EW destabilizing behavior so frequently. An essential feature of the NIEO we should be working for is therefore an expanded role for the World Bank and other multilateral organizations; the "multilateral" nature of the latter should be reinforced by creating preconditions for Soviet membership in them.

At the regional level a number of indications could be spelled out. In the Eastern Mediterranean regional economic integration is a fundamental element, and a broad international agreement on the principle of Arab political unity would be very important. A clarification of the position of some countries - e.g. Turkey - with reference to regional integration processes would have important stabilizing effects. Economic cooperation in the Balkans is not as important but should not be overlooked. Finally, Mediterranean cooperation between the Arab World and the EC is crucial, because of the objective importance of economic links between the two groupings. The role of the EC is therefore essentially one of defining and promoting regional economic integration processes.

It is difficult to expect that superpowers will be enthusiastic about Arab integration. The US were a fundamental

factor of the beginning of European integration, but later conflicts with the EC multiplied. The Soviet attitude towards the EC has been negative until recently, and relations remain very difficult. A process of Arab integration could take off only if the emphasis were laid on economic integration, because present conditions bar any chance of political integration or regional security agreements (20). At the same time in the longer run the process of economic integration would spill over into the political and military fields. Although international alignments could remain valid at the beginning, with time they would tend to diffuse. The question is: are the USSR and the USA ready to agree in principle that such diffusion should eventually take place?

A further indication is that the Soviet Union cannot be excluded from a search for peace in the region. Some kind of superpower agreement is a necessary condition to regional integration, which in turn is a necessary condition for peace.

Superpower agreement is also necessary to limit the arms race in the region, and arm sales specifically. European countries should be led to accept self-restraint in this field, an objective which can be achieved.

Oil is so important to the Eastern Mediterranean that a global agreement on a few basic points (limitations on demand for imports, guarantees on minimum quantities exported, some agreement on prices) would have enormous positive effects on the region. Here too, the possibility of the Soviet Union becoming a net importer, and the fact that other Eastern European countries

already depend on imports from the Eastern Mediterranean point to the need for responsible participation on the part of these countries in global energy negotiations.

Finally, a few specific initiatives might be taken - some do not require wide international agreement - in order to diffuse well delimited elements of crisis. A possible example is the need to provide alternatives to oil traffic across the Strait of Hormuz.

None of these initiatives is easy, of course. Pessimists will say that there is no chance to manage the interrelation of EW and NS. Success is certainly not assured, but then what is the alternative? The present ^{state} of affairs seems inevitably bound to generate war. Finally, even if we succeeded in managing the interrelationship, not all problems would be solved: SS conflict would continue to emanate dangerous shock waves. To name just the most important case, what about the Palestinians?

I have no answer to that, except that a mismanagement of EW/NS interconnections will not help the Palestinians anyway.

NOTES

- 1) As it has been made officially clear, Nato would not intervene in the event of a Soviet invasion in Poland although this development would be indeed very critical in the European context.
- 2) Some clarification is necessary on terminology. Countries of the world can be divided into two large groups: industrial or DC's and developing or LDCs. The first group includes both the OECD and the CMEA (although both groupings have members which are non-industrial). The second is often called Third World, but this raises the spectrum of a Fourth World, opening the door to an unlimited number of subdivisions. The Group of 77 is the diplomatic expression of the developing world within UN organizations. I deliberately abstain from using "North" and "South" because, as is discussed in detail later in the paper, these are concepts of relativity, and NS tensions exist within each group as well as globally, between DCs and LDCs.
- 3) See, among others, the OECD country report for Turkey, 1980.
- 4) Financial assistance was especially provided by a group of industrial countries in 1980. The FRG took the lead in arranging the financial package. Strategic considerations were prominent, and will continue to be, in influencing the attitude of other OECD countries towards Turkish economic needs.
- 5) A. Hottinger, "Internal Change and Regional Conflict: the case of the Gulf", paper submitted to the IISS XII Annual Conference, Stresa, 11-14 September, 1980, p. 6. Also, T. Koszinowski "How Stable is the Political system of Saudi Arabia?", mimeo, IAI RS/1980-55/STAFF.
- 6) D. Rustow, "U.S. -Saudi Relations and the Oil Crises of the 1980's", Foreign Affairs, April 1977, p. 511.
- 7) N. Sabra, "Rivalità fra potenze locali e superpotenze nel Golfo", Politica Internazionale, n. 6, 1980, p. 85-86. The partners of IPC were: Shell, B.P., C.F.P., Standard Oil New Jersey, Mobil, Texaco Gulf Standard Oil California.
- 8) The saga of international negotiations leading to the formation of the Iraq Petroleum Co. is a classic of diplomacy and intrigue. By contrast in later years the granting of oil concessions as important or even more important than the Iraqione in countries such as Kuwait and Saudi Arabia, arose a minimum of diplomatic attention.

- 9) Iraqi production was increased to support the boycott of Iranian oil after the nationalization of assets belonging to the Anglo-Iranian Oil Co. (today's B.P.).
- 10) Iraq always maintained that IPC was underinvesting in the country, ignoring its promising prospects. In retrospect, exploration results confirm the Iraqi potential. Of course, the behaviour of the companies could easily be justified in relation with the negative "political climate". The question is if a different behaviour on the part of Western governments might have reassured the owners of IPC and caused an early settlement in the dispute.
- 11) Iraqi production passed from 67 million tons in 1972, 115,0 million tons in 1978, and 175 million tons in 1979.
- 12) It is fading because while the economy in most Arab countries is today rapidly growing, thanks to direct or indirect benefit of oil revenues, ^{where} Israel is experiencing a very bad economic crisis, with many elements of similarity with Turkey. The economic crisis is affecting Israeli's political stability - if not her democratic institutions - and leading to more "aggressive" foreign policy behaviour, e.g. in the issue of West Bank settlements.
- 13) The conference was Kissinger's way to take into account the Soviet Union, because in his eyes after all even a Middle East peace treaty was to be primarily an agreement between the superpowers. It is only after Sadat's visit that the USSR was excluded from the negotiations, and the Camp David process. It is certainly no chance that Sadat's visit was encouraged by such countries as Romania - not the superpowers.
- 14) I am summarizing in this paragraph and in the following one an argument which I made extensively in "L'Opec nella economia internazionale", Einaudi, 1976.
- 15) A.O. Hirschman, "Exit, Voice and Loyalty - Responses to Decline in Firms, Organizations and States", Harvard University Press, Cambridge, Mass. 1970.
- 16) M. Cremasco has reached the conclusion that in the context of the EM region arms sales are hardly any more an instrument to require political influence over the purchasing country, see his "I paesi arabi ed il commercio degli armamenti", mimeo, IAI/19A/80.

- 17) Rivalries are important both between countries and personalities within the Arab world. Also, political ideologies are different. Yet, neither rivalries nor ideological differences can be said to be much worse than those that caused two World Wars in Europe in a 30 years span of time. Still, European integration is a reality, even if rivalries and differences are far from being forgotten. Therefore, I cannot buy the argument that Arab integration is just impossible.
- 18) Greece has been very active in promoting Balkan cooperation. A first conference with this purpose was held in Athens in 1976. A second conference was held in Ankara at the end of 1979. The long interval was attributed in Athens to Bulgarian reluctance. This was viewed in turn as stemming from Soviet unwillingness to risk a new political grouping emerging in the Balkans". See "Greece offers bridges as a dowry to the Nine", Financial Times, 28/11/1980.
- 19) This is the indication which emerged from the Arab Summit in Amman in December 1980.

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