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POLITICAL AND ECONOMIC FACTORS
AFFECTING EAST-WEST COOPERATION IN EUROPE:
A MID-1985 EVALUATION

by Roberto Aliboni

1. At the beginning of the eighties the trade balance between Western and Eastern Europe (i.e. the Socialist East European countries, excluding the USSR) recorded a deficit of the latter. At the same time the Eastern European countries were in debt towards the Western countries, particularly towards the European banks and governments. The situation has gradually been reversed. In 1983 and 1984 the Western European countries incurred a widening deficit towards the Eastern European markets. In a parallel move the Eastern financial position continued to get stronger.

It may be important to note that the present state of relations was reached during two different stages. According to the analysis of the UN Economic Commission for Europe: "In contrast to 1981 and 1982, when a western trade surplus turned to deficit through a fall in western exports in excess of the decline in western imports, the recent pattern has been characterized by a strong recovery in western imports from eastern Europe. (...) Western exports developed less favourably." (UNECE; 197). Trade with the USSR followed a similar pattern. It must be noted, however, that Eastern exports are led by semimanufactured and manufactured products while it is primary products which are leading USSR's exports to West European countries.

The way Eastern Europe adjusted itself on the international market has brought about a positive attitude on behalf of the private Western financial sector and a favourable availability of commercial credits. Here again we have two different periods of external adjustment. In the words of the UNECE: "While in 1981 and 1982 the east European deficit had to be turned to surplus owing to restricted access to new commercial credits and, in some cases, liquidity problems, since 1983 the trade surpluses, along with new borrowing, have been used to improve financial assets positions and or to repay some debt." (UNECE; ib.).

2. The external adjustment pursued by the East European countries is in the line of what is meant to be a "sound" policy by the international financial and business Western community. The Eastern economies have been forced by important changes in their relations with the USSR - particularly hydrocarbon supplies - to increase their exports to the Western countries (especially West European countries). The currency and financial improvements brought about by this adjustment are expected to be utilized to improve technologies by new investments in manufacturing. In this way they are expected to keep alive the new export drive towards the West. This "sound" Eastern attitude should be matched in Western Europe by keeping access free to Eastern European exports and allowing them to grow. This development would in turn permit a better long-term adjustment of the Eastern countries in their relations with the USSR.

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The line of reasoning which is maintained here presupposes that a stronger integration between the East European countries and the USSR is accepted on the political ground. At the same time, however, it also presupposes that a stronger integration of Eastern Europe with the Western countries, particularly with Western Europe, is a factor of this very integration. In other words, it assumes that there is an important complementarity between the two tiers of economic integration. This point, i.e. the long-term global and regional East-West interrelation, seems to deserve more attention than it normally receives and may be discussed as an alternative to the so-called "Sonnenfeldt doctrine" or to any project which aims at dividing and destabilising the Warsaw Pact alliance.

3. One important feature in these economic and financial developments is that they evolved in the worst international global setting one could have imagined. The debate on the deployment of the INFs has witnessed in the European theater a wider worsening of the global relationship between the two Superpowers. The suspension of the INFs and START negotiations at the end of 1983 have been followed by a competition which brought US-USSR relations to one of the lowest level ever recorded after the "cold war". After the Soviet boycott of the Olympic games in Los Angeles, this situation reached a peak in the summer of 1984 and began to improve only in September 1984 when Mr. Shultz and Mr. Gromyko met in New York. In the meantime the economic relations between Eastern and Western Europe had improved and had been managed in a rather professional way, despite the unusually hot political environment.

As a matter of fact, this professional management was politically minded. From the point of view of both West and East European countries, improvement in their economic relationship has been consciously instrumental to the major political issue of keeping some form of East-West dialogue alive in order to re-establish co-existence after decades of relations and efforts had become untenable. It is not by chance that during this period bilateral relations among West and East European countries have been particularly intense and that inter-German relations underwent a particular improvement. It may be worth noting here that Hungary and Italy played a considerable role in this context. It is also worth remembering that East and West European attitudes with regards to the GDR-USSR crisis related to Mr. Honecker's visit to the GFR, proved particularly consistent.

It is also necessary to note that these European attitudes took place in a context of economic relations which was definitely uneasy because of the two issues raised by the USA in relation to the pipeline from Siberia and the high technology exports to the USSR. In both the cases West European countries, within the security limits set by COCOM rules, tended to adopt policies that more pragmatic than those suggested by the American administration. In particular, the West European governments did not accept the aims of economic strangulation hinted at by American governmental circles closer to the President. So facts show that the traditional line of cooperating economically

in order to shape a viable political relationship has been more the line opted for by West European governments .

On the other hand, one has to admit that this traditional line was far from being dropped by the American administration too. For it must be pointed out that in the period under consideration, particularly in the course of 1984, the US-USSR relations underwent what the Strategic Survey 1984-1985 has called "the subterranean dialogue", i.e. a range of contacts which during the summer of 1984 culminated in the US proposal to renew the long-term agreement on economic and technical cooperation and to re-enter the US grain market in the USSR after a three-month absence (IISS; 31).

4. From a political angle this absence of parallelism between global and regional evolutions may suggest that there is a convergence of interests between East and West European countries on restoring dialogue and detente , despite different interests and postures on the global level, and that minor powers in Europe may play an autonomous and useful role by keeping their economic cooperation alive together with an intense, more or less concerted network of bilateral diplomacy.

In a more general framework, this poses the question whether the relationship between detente and economic cooperation is also true the other way round, that is whether economic cooperation brings about detente. True, the fact that a dialogue within the global dimension is re-starting cannot be related to the fact that a "subterranean dialogue" went on and that the European countries kept on developing their economic cooperation by implementing sound adjustment policies in their mutual relations. The factors leading to this new attempt to reach a concerted global balance between the two Superpowers are related to changes in their own perceptions and self-perceptions (the US is overcoming the confidence crisis in her own power which brought Mr. Reagan to the leadership of the country, while the new, possibly more stable, Soviet leadership is undergoing a deep and wide revision of USSR's purposes).

In any case, what has happened in recent years has shown that a regional attitude which does not precisely overlap with that prevailing at a global level is possible, and that this attitude is certainly useful in preserving stability and long-term cooperation between East and West.

5. By mid-1985 a couple of steps have been made by the USSR (on the occasion of Mr. Craxi visit to Mr. Gorbaciov) and the CMEA to propose a formal relationship between the CMEA and the EC. From the point of view of the West European countries this may be interpreted as an important political move in order to recognize that autonomy which the Western Europeans have always been advocating for themselves within the Atlantic Alliance. It may also be interpreted as an attempt to decouple Western Europe from the USA. However, it is too early to give such an assessment.

The assessment which can be given right now, however, is that this Soviet move is definitely too late for a number of reasons. In particular, the fact that the USSR did not recognize the EC in its formative stage contributed, among other important factors, to the EC members' decision to retain commercial policies towards the socialist countries within their national competence. In these conditions multilateralism, which is in principle the "best" solution, risks becoming a backward solution with respect to the current bilateral frame.

Unless the EC is given its full commercial competence and a reasonable say in the financial management of the economic relations with the Eastern countries, an EC-CMEA frame would not really work and would only hinder the present virtuous circle of westward and eastward integration cycles and the regional economic and political autonomy it makes possible (which remains a prominent purpose of the West European countries). This is not to say, however, that the Eastern initiative must be dropped. It must be accepted but the countries involved should be aware of the limits and risks it carries in the present framework of East-West European relations.

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