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EAST WEST COOPERATION. THE LINKAGE BETWEEN ECONOMICS AND SECURITY

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Cooperation between regions: some key issues

Cooperation between regions is crucially affected by the degree of cooperation within each single region, so let us start by considering this aspect. To define a region from an economic and a political point of view implies that countries participating to a regional agreement have an incentives in doing so, i.e. they reap benefits from participating to an agreement. However participation to an agreement implies costs for participating members. A regional agreement may be defined as a regime, i.e. a set of rules, norms, and institutions around which actors' expectations converge (Krasner 1983). In this respect a regime is a public (or collective) good for countries participating to it. The provision of public goods is costly as rules not only have to be agreed upon but they must also be credible, i.e. they have to be enforced. Two examples may clarify this point. Participation to a monetary union provides benefits in terms of lower transaction costs and lower uncertainty; it generates cost in terms of loss of monetary sovereignty. Participation to a common market or custom union increases the welfare of members countries, however it entails costs in terms of lower protection for some of the national industries.

The way in which cooperation may be obtained depends on the structure of international relations, i.e. the distribution of international power (Guérrieri and Padoan 1983). Under conditions of hegemony the presence of a larger, more powerful, country assures the production of public goods, i.e. the implementation of a regime, as the hegemon is able and willing to bear a more than proportionate share of the costs of production of the public

goods. Smaller countries will act as (partial) free riders inasmuch as they will participate to the benefits of regime formation without paying their full share of supply costs.

When hegemony is absent, i.e. when the distribution of international power is more symmetric, cooperation is more difficult, although fortunately not impossible. Conditions for cooperation under "anarchy" or "oligopoly" are the following (Axelrod and Keohane 1985): a) agents (countries) must take a long time horizon, i.e. they must be ready to undergo repeated interaction among themselves so as to minimize the incentives to free ride; b) agents must be ready to alter their preferences so as to define a feasible set of cooperative solutions, i.e. they must be ready to give up some of their strictly nationalistic goals to implement an international agreement; c) the number of agents must be minimized so as to maximize reciprocal control (this condition must be intended not in its literal sense, minimization of the number of countries, but in its substantial sense, minimization of different national position); d) the role of institutions (as mechanisms which provide and distribute informations about others' behaviour) must be enhanced so as to stabilize the expectations each agents has about other agents' future behaviour.

The case we are interest in is obviously the latter -anarchy or oligopoly- since no single country in Europe, indeed in the whole world, is in the position today to act as a full hegemon.

Once we assume that the conditions for cooperation without hegemony within one region are met we must turn our attention to

the cooperation between regions.

Cooperation between regions depends, as we said above, also on the degree of cooperation, internal cohesion, within each region. If two regions enjoy the same degree of internal cohesion it is convenient to treat each region as a unitary actor and apply the conditions for cooperation without hegemony. Otherwise different options are possible.

We will consider these in a moment. Let us now recall that the (quite limited) analysis of economic relations between regions (see e.g. Krugman 1989) shows that the "spontaneous" tendency for each single region is to maximize internal integration and protection vis-a'-vis other regions. As a consequence the "pure" economic outcome of a process of regionalization would be a "polar" system, i.e. a system of regional blocs hardly communicating with each other. Cooperation, and therefore further integration, could arise if the conditions for cooperation without hegemony were to apply.

However these might not be sufficient and cooperation would simply not develop. A further condition can, however, be introduced to help us out: issue-linkage, or, more generally, the mutual perception of the fact that countries belonging to different regions or blocs are related not only by economic, strategic, or political ties but by all of them simultaneously. The theory of international cooperation has shown (Tollison and Willet 1979, Alt and Eichengreen 1987, Padoa-Schioppa 1989) that, if countries explicitly recognize this fact and exploit it constructively, they can implement cooperative agreements which lead to further integration. Cooperation in strategic and

political affairs can enhance economic cooperation and viceversa. To conclude this paragraph let us consider the case of two regions characterized by a different degree of internal cohesion: let us suppose that cooperation is stronger in region A and weaker in region B. This means that countries belonging to region B have weaker incentives to cooperate, e.g. they are less willing to interact over a long time horizon and/or they are less willing to change their national preferences. Consequently, if the appropriate issue linkages emerge, individual countries belonging to region B might find it profitable to increase their ties with area A, starting a process of integration on individual or bilateral basis. The development of such a process will depend, inter alia, on how area A will respond, which in turn depends, again, on the degree of cooperation within the bloc. If cooperation is strong within region A, this might well behave as a unitary actor and develop a "common foreign economic policy" vis-a-vis the rest of the world. In such a case a situation of "regional hegemony" might develop with bloc A acting as an hegemon with respect to the single countries of area B. Such a relationship will develop, of course, if the hegemon (area A) finds enough incentives to increase integration with area B. However, defining a common foreign policy might result more difficult for countries of region A than to cooperate in a process of integration among themselves. In such a case a process of bilateral cooperation might develop where single members of region A develop integration ties with single members of region B.

To sum up the process of cooperation between two regions may take up (at least) three forms: a) global cooperation where the two regions cooperate as unitary actors; b) hegemonic cooperation where one region acts as a unitary actor and countries of region B act on individual basis; c) bilateral cooperation where cooperative agreements are defined on bilateral basis between single countries belonging to the two regions.

Problems of collective action in East-West cooperation

The present state of East-West relations seems to be taking either structure b) hegemonic cooperation, or structure c) bilateral cooperation, rather than structure a), global cooperation. In what follows we will try to support this statement and suggest possible scenarios.

Let us start by considering the degree of cooperation within the West. Collective action in the West follows different levels. In the first place, as the Malta summit has confirmed, the bilateral relation between the United States and the Soviet Union represents a main point of reference for collective action in the world system. Strategic confrontation between the two superpowers is developing into a form of bilateral cooperation on several grounds, strategic, economic, and political tout-court. In other words a bilateral strategic confrontation is developing into a cooperative framework thanks to positive issue linkages between economics and security. This new form of cooperation produces positive externalities on the world system insofar as it generates new incentives to cooperation between East and West. We will return to this point later.

Cooperation within Western Europe is, paradoxically, more complex. Cooperation within the Community (and a fortiori for the rest of Europe) is non hegemonic as no single European country is now in the position to exert hegemonic leadership in the region. Cooperation must therefore proceed along the lines of collective action under anarchy discussed above. Some of these conditions seem to be fulfilled in the Community. Countries do take a long term view in their interaction but they seem at times less willing to alter their national preferences to achieve common goals (the debate over monetary unification is a good example) while the number of actors is certainly not so small as to facilitate cooperative solutions. On the other hand relative strong Community institutions do provide a solid network that supports cooperation.

The developments in Eastern Europe may increase the difficulties for the process of cooperation in Western Europe in the sense that some Community members may find it convenient to develop bilateral relations with eastern countries. The German case is the most obvious but not the only example. The propensity to develop special bilateral relations at present should not be considered as an alternative to the process of integration in the Community, but rather an attempt to gain some leverage in order to participate to the process of Western integration itself. To take up the German example again stronger ties with East Germany put the Federal Republic in a stronger bargaining position in the perspective of both Monetary Union and Single Market developments. The results of the Strasbourg meeting, however,

suggest that positive issue linkages between economic and political affairs can enhance cooperation within the Community.

A further area of concern comes from the fact that developments in East-West relations are influencing the relations of the Community with developing countries. Increasing demand for cooperation coming from Eastern Europe puts pressure on the resources the Community is willing to devote to foreign assistance, consequently the South risks to be "crowded out" of financial support. This possibility has produced growing protest from developing countries such as those belonging to the ACP group which have a special relationship with the Community. Pressures coming from developing regions act with different force on single Community members depending on their specific nationalities, thus increasing factors of attrition within the Community and increasing the difficulties in formulating a common policy in favour of Eastern countries.

The state of collective action within Eastern Europe is weaker than the one present in Western Europe, especially in the present situation, as the process of political and economic reforms is following national lines which tend to weaken the ties represented by CMEA agreements, in spite of very recent attempts of the Soviet Union to relaunch CMEA as a supranational body (Consider the very recent proposal of Checkoslovakia to dismantle CMEA or to withdraw unilaterally from it).

This fact excludes at least for now, the "global cooperation" scenario but still leaves open, as we mentioned, the two other possibilities: hegemonic cooperation and bilateral agreements.

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