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The CMEA Attitude to a New Economic Order

by Peter Knirsch, Berlin *

Insofar as the New International Economic Order (NIEO) is aimed at strengthening the national sovereignty of the developing countries, at eliminating their dependence upon external “imperialist” markets, the Eastern bloc does indeed give very concrete expression to its support. The starting position is of course that any kind of intervention can only originate from the Western industrialized countries and never from the Soviet Union and the other CMEA countries are not willing to meet concrete demands for the reform as far as they are concerned.

The Soviet Union and the other CMEA countries have shown remarkable reticence in the discussion about the creation of a „New International Economic Order“. To quote a Western newspaper report on the last conference of non-aligned states in Colombo: “Were a Martian to study the economic resolution adopted at the conference, he would find no hint in it to the existence of the socialist bloc” 1. In the Lower House of the German Federal Parliament a CDU-CSU deputy spoke of a “posture of cynical indifference towards thousands of millions of needy people in the developing countries on the part of the Eastern bloc” 2.

Eastern Bloc Shunning Active Participation

The CMEA countries do indeed give one the impression that as far as possible they shun all active participation in the North-South dialogue on the reform of the International Economic Order, at least when concrete issues require decisions. In this respect the Soviet attitude does not in principle differ significantly from that of the industrialized Western countries. It is characteristic that the term “New International Economic Order” was never even mentioned by Breshnev in the relatively long section on the relations of the Soviet Union with the developing countries in his report to the XXVth CPSU Congress in 1976. Careful search showed that at this congress which was so important for Soviet policy, Ceausescu, speaking for Romania, and Dolanc, for Yugoslavia, were the only East European politicians to refer to this term 3.

In the limits of this short study it is impossible to collect all the statements pertaining to the subject of the New International Economic Order in CMEA sources — a perusal of the relevant United Nations documents and the economic and political comments from Eastern Europe would be an extensive research project. The East European attitude to this set of problems is however adequately evinced in its basic outlines by some selected examples, and the uniformity of the attitudes adopted in recent years suggests that apart from a few exceptions there are only slight differences between the points of view expressed. The General Assemblies and specialized meetings of the United Nations in the last few years, the Second General Conference of UNIDO in Lima in 1975 and the IVth UNCTAD Conference in Nairobi in 1976 which are used here as major material evidence reveal the following principal features:

- The CMEA states are in principle supporting the resolutions at these conferences in favour of a change of the international economic order as demanded by the developing countries and voting for these resolutions in company with the developing countries against important Western industrialized countries.

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1 Director of the Osteuropa-Institut der Freien Universität Berlin (East European Institute of the Free University of Berlin). — The article is an abridged version of an article "Osteuropa und die Neue Weltwirtschaftsordnung“ (Eastern Europe and the New International Economic Order) published in German in: Daniel Frei (ed.), Umstrittene Weltwirtschaftsordnung, Sozialwissenschaftliche Studien des Schwelzerlschen Instituts für Auslandsforschung, Vol. 6 (New Sequence), Schultheiß Polygraphischer Verlag, Zürich 1977.

2 Jan Friese, Die Dritte Welt wird langsam ungeduldig (The Third World is slowly getting impatient), in: Stuttgarter Zeitung, Stuttgart, Aug. 31, 1976.

Insofar as these resolutions bear on the economic relations of the CMEA countries with the developing countries, the East European representatives are entering restrictive reservations at these meetings or in subsequent statements, mostly on the ground that these economic relations are of a special character.

Insofar as the developing countries lodge demands for automatic resource transfer for development purposes from the industrialized to the developing countries in the North-South dialogue, the Eastern bloc is actively supporting these demands as applying to the industrialized Western countries while claiming most vehemently that it is "not itself involved": the CMEA countries do not want to be considered part of the industrialized "North"; they see themselves as industrialized countries sui generis.

### Basically In favour of Reform

All the resolutions in favour of a change of the International Economic Order which have been adopted at the instigation of the developing countries at international conferences in recent years were, in principle, fully and loudly supported by the East European countries. To quote an example, a GDR comment on the "Charter of the Economic Rights and Obligations of States" which was adopted at the 29th General Assembly of the United Nations states: "The Charter has a definitely anti-colonialist, anti-monopolist and anti-imperialist character and aims at the removal of the injustices created by the policies of the imperialist states in international economic relations which are injurious to the developing countries as well as to other states (sic)". And it says elsewhere: "Hence it is not surprising that the Charter of the Economic Rights and Obligations of States which is given a uniformly positive appraisal in the literature of the states of the socialist community is being subjected to in part fierce criticism in publications of the Federal Republic of Germany (FRG) and other capitalist states".

These comments are not only indicative of a general identification with the demands of the developing countries but evince an attempt to profit from this posture for purposes of political propaganda against the in large part more definite opposition of the Western industrialized countries. This attitude is in line with the general political solidarization with the developing countries insofar as this can be pursued at the expense of the Western world and without cost to the Eastern bloc. Special emphasis is therefore put on the statement that the "Charter" was adopted by an overwhelming majority consisting of "the countries of the socialist community and the developing countries" in this order! — while "Belgium, the FRG, Denmark, Great Britain, Luxembourg and the USA" voted against it.

This approval in principle was also expressed at the 7th Special General Assembly of the United Nations: the Soviet delegate referred explicitly to the "good idea of a New International Economic Order" but insisted at the same time on the need to combine this new order with general strengthening of peace, further détente and world-wide disarmament — a point of view which is met with increasing frequency in East European statements. At the Second General Conference of UNIDO in Lima and the IVth UNCTAD Conference in Nairobi the CMEA countries proclaimed their general support for the developing countries in almost identical terms.

Such support in principle is obviously no difficult matter: it does not involve any concrete commitments and is designed to win political sympathy for the East European states among the developing countries. Such statements are however too indefinite to be regarded as a constructive contribution to the changing of the existing international economic order. Being formulated as a less than friendly platform against the position of the Western industrialized countries, they are certainly not conducive to an advancement of the détente which is being postulated at the same time. By their explicit and one-sided endorsement of the demands of the developing countries the
East European countries are depriving themselves of the chance to cooperate in achieving a New International Economic Order since such an order can only function on the basis of a compromise between the demands of the developing countries and the interests of the industrialized Western countries.

It is not easy to judge whether this posture of the CMEA states is in fact making a great impression on the countries of the Third World. It must certainly leave some impression if a world power like the Soviet Union in particular gives its support to such demands even if it does so in such a general form. For the voting in the United Nations organizations concerned this support is of no practical significance because the developing countries are in any case assured of a majority. The longer the controversy about a reform of the International Economic Order continues, the more obvious it will become, also to the developing countries, that Soviet circles are giving them on this issue only quite indefinite support and this does not in any way contribute to a solution of the existing problems. I believe that we should underline the realism of at least the majority of the leading politicians in the developing countries if we thought that this verbal and at most “moral” support will in the long run have very much effect on the international political stage.

Concrete Support...

This comment is all the more valid because it is only in certain part-sections that the CMEA countries have expressed their approval in principle in concrete terms and because they are registering reservations on various issues. Specific issues in regard to which the Eastern bloc does not confine itself to a general endorsement of demands by the developing countries are to be found first of all in the political sphere. Insofar as the New International Economic Order is aimed at strengthening the national sovereignty of the developing countries, at eliminating their dependence upon external “imperialist” markets, the Eastern bloc does indeed give very concrete expression to this support. The starting position is of course that any kind of intervention can only originate from the Western industrialized countries and never from the Soviet Union. The Chinese have denounced this kind of argument as a political falsehood; whether meant seriously or not, such statements are in actual fact of no greater value to the developing countries than the aforementioned support “in principle”. Somewhat more concrete is the support for some economic demands of the developing countries. This applies first of all to the basic structural content of the concepts for a New International Economic Order: the demand for the nationalization of natural resources or economic enterprises, for “free disposition over the resources”, as formulated by them, receives CMEA support as do the dirigiste planned-economy features of these concepts. Likewise, the demand for the control of the activities of foreign firms, especially of multinational corporations, and their regulation by national laws is given support as is the demand for the abolition of all discriminatory practices in the trade of developing countries with industrialized countries.

The East European line of argument is based on the premise (which is rejected vigorously by the Chinese) that the demands have already been realized in the economic relations between CMEA and developing countries and that for this reason the reform of the International Economic Order is only concerned with the relations with the industrialized Western countries. The developing countries however do no longer accept this East European scenario without contradiction: At the conference in Nairobi it was not only demanded that the trade relations between the CMEA area and the developing countries should be extended generally but substantial preferences were called for in addition. As a result of Nairobi a number of recommendations were addressed to the East bloc states — conclusion of medium- and long-term trade agreements, gradual dismantling of import barriers, curbs on re-exports of goods from developing countries to third countries, modification of the bilateral trade and payments settlements through liquidation of accounts of developing countries by payments in convertible currencies and/or admission to the intra-CMEA transferable-rouble clearing.

... and Restrictive Reservations

Observers acquainted with the economic systems of Eastern Europe will appreciate that for reasons inherent in their system the CMEA countries find it rather difficult if not impossible to fulfill some part of these demands: the demand for trade agreements is probably the one which can be satisfied most easily; it may even fit in with the
The "import barriers" however consist chiefly of the complicated and rather inelastic planning and foreign trade systems of the East European countries which are also at the root of the trend towards bilateral settlements. Changes in this respect are hardly to be expected unless economic reforms resembling the Hungarian arrangements were predicated for all CMEA countries, which would be unrealistic. The scarcity of convertible currencies in the entire CMEA area sets very narrow limits to the balancing of payments in this way, and in the absence for the time being of intra-CMEA convertibility the limits for the use of transferable roubles are also narrow.

The only arguments left to the CMEA countries in these circumstances in regard to the foreign trade are the "benefits of international division of labour", "mutual advantage", "non-discrimination" and "most-favoured-nation treatment". These are certainly all good principles — almost in the free-traders' tradition — but they have the disadvantage of lending themselves to rather vague interpretations tailored to the case in point. One need not impute to the CMEA countries that they are hypocritical in applying these terms to their relations with the developing countries but it is difficult to see how, given the conditions inherent in their system, they can possibly intensify their economic relations with the developing countries to a significant degree. The fact that the CMEA countries have turned away from self-sufficiency ideas since the mid-sixties and their more active cooperation in economic relations with the developing countries during the last decade of years has resulted in relatively high trade growth rates — from a very low starting level.

In view of the mentioned conditions inherent in the system it would however not be very realistic to expect an even faster trade expansion, as desired by the developing countries, in the foreseeable future. The restrictive reservations made by East European quarters and the reference to "general principles" are understandable in view of these objective conditions but the revelation of the existence of such limits is bound to have a negative impact on the East's relations, including of course the political relations, with the developing countries over the longer term. Under the aspects of the development of a New International Economic Order this stance means that the CMEA countries to join in a wealth redistribution as such. In the discussion about a reform of the International Economic Order the CMEA countries are showing a remarkable aversion to their involvement in any automatically operating resource transfer between "rich" and "poor" countries. Not only is the intensity of the foreign trade between the CMEA area and the developing countries much lower than that of the Western industrialized countries, as mentioned earlier, but the capital aid provided was of rather modest proportions and moreover portioned out quite specifically according to political criteria. The Eastern bloc and foremost the Soviet Union as the preponderant power are against any inroads into their autonomous right to determine directly the volume and use of the capital aid that is being rendered. The East European countries are objecting unequivocally to any arrangements envisaged in this connection under the concept of the New International Economic Order — and this means really the main objective of the developing countries. They do not deny that such solutions may be justified or necessary, and indeed support them in great measure for the regulation of the relations between the Western industrialized countries and the developing countries but they insist that they are of no relevance to the socialist countries. Their main worry is that, having reached a certain stage of development, they may be rated with the Western industrialized countries and confronted with the same demands as these.

**Role of the "Neutral" States**

This came out particularly clearly at the conference in Nairobi which has evidently touched off correspondent traumatic complexes in East and West. The Eastern position had been clearly formulated on earlier occasions, for instance at the Seventh Special General Assembly of the United Nations: "We shall never accept, in theory or practice, the false division of the world into "poor" and "rich" countries or into "the North" and "the South" by which the socialist states are put on an equal basis with the developed capitalist countries which have misappropriated so much of the wealth of countries long under their colonial rule. It is for this reason — and I wish to put special emphasis on this — that the Soviet Union bears no responsibility whatsoever for the economic backwardness of the developing countries or for their present difficulties which have

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14. Ibid.
been further aggravated by the economic crisis of the capitalist world economy" 15.

All contrary verbal declarations by CMEA countries notwithstanding, this position conflicts with the most important demand of the developing countries — that for automatically regulated resource transfers on a multilateral basis. The CMEA countries will not go beyond "credits on a bilateral level on favourable, mutually acceptable terms" and supplies being made "on customary international terms of payment" 16. This position leaves little scope for the concept of a New International Economic Order. As for an integrated commodity agreement with appropriate wealth transfers through the formation of prices as an important element of such a mechanism, we are told that the Soviet Union is taking a "positive attitude" to such proposals and has "no objections" to the setting up of international raw material reserves provided "that such reserves are being financed on a voluntary basis". Price indexation be a "very complex question which still needs closer examination" 17. Evasive formulae of this type are not different from Western statements. If the attitude thus expressed is to be taken seriously — and there is no reason not to do so — the inescapable conclusion is that the Soviet Union and the other CMEA countries are not willing to meet concrete demands for the reform of the International Economic Order as far as they are concerned.

Opposition against Automatic Regulations

This obvious discrepancy between general declarations of solidarity by the socialist countries, on the one hand, and their abstention from practical cooperation in multilateral solutions, on the other, cannot remain hidden from the developing countries as was already evident in Nairobi. The attitude of the CMEA countries to the changing of the International Economic Order disproves the statements made over the past two decades when they wooed the developing countries. How can their attitude be explained? Purely economic con-

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17 Malik, p. 48 f.
siderations offer no full explanation: under commodity agreements for instance the Soviet Union with its wealth of raw materials would gain rather than lose from higher world market prices though the balance of interests of the smaller CMEA countries would be exactly opposite. Stabreit recently suggested possible political explanations: the Western industrialized countries, he argues, are to be held responsible for the situation in the developing countries; they are to be the bogeyman and not to be granted an economic and political discharge through joint development aid. The Eastern bloc, he goes on, holds that it must retain its autonomy of action in accordance with political criteria in its dealings with the developing countries and its ability to take decisions in favour of political-social developments which it considers desirable.

Stabreit further mentions an economic argument inherent in the Eastern system: the autonomy of the planning authorities of the CMEA countries is not to be curtailed by automatic regulations under an international Economic Order. This list of factors seems to me very enlightening. I should add only one other, as I see it, cogent reason: the economies of the CMEA countries, the Soviet Union included, do not at present possess the potential, nor will they possess it in the foreseeable future, for development aid activities on a scale comparable with those of the industrialized Western countries except at the price of considerable cutbacks from their own development targets. Despite rapid economic development in recent decades they are, partly owing to the low efficiency of their economic system, still far from "surfeited"; however "rich" compared with the developing countries, they have to cope with large resource requirements for their own economic development. In recent years if not earlier they have tried to overcome this handicap by a propaganda boost for their in fact modest contribution to development aid while pursuing at the same time a policy of "splendid isolation" in regard to all activities which might involve larger and not freely determinable aid commitments.

The best the West can do in this situation is to draw attention to the low level of East European involvement and to demand a much greater commitment by the Eastern group of countries.

A fundamental solution of the problems of the developing countries however can emerge only from a change of mentality among the politicians and the public in East and West. Irrespective of the deep differences between the systems they must recognize that there is a need for more effective joint efforts to solve this huge task. Although I had to draw a generally pessimistic picture, I believe that the situation in Eastern Europe is not necessarily much more unfavourable in this respect than in the Western industrialized countries where this process is after all difficult enough. A few gleams of hope may be discerned: I was not able to deal here with the basically different attitude of Romania which incidentally considers itself a developing country. There are also certain indications that the CMEA states or the CMEA as a conjoint institution are not without some interest in a reform of the International Economic Order and would possibly cooperate in an appropriate form. The cooperation of the CMEA countries with international organizations which they have hitherto largely boycotted — the GATT for instance — may also become more important. More important than such phenomena which of course viewed singly make little difference is probably the fact it is being realized increasingly in Eastern Europe that the CMEA countries cannot debar themselves in the long term from a solution of these problems. No matter who is "to blame" for these problems and however difficult all countries may find it in their own way to give away something of their growing prosperity, it will become clear to all developed countries at some time and in some way that effective aid — and that would mean joint aid — is indispensable if the world is not to be turned into a witches' cauldron. "All states bear increasing responsibility for development". We can only hope that all states in East and West will appreciate this truth in time.

Joint Development Aid — a Utopian Idea?

The picture which I had to draw certainly does not warrant optimistic forecasts. The East European countries are in fact keeping largely aloof from the North-South dialogue which is of such great importance for the future development of the world. In the short term the industrialized Western countries may draw comfort from the fact that the political reputation of Eastern Europe in the countries of the Third World is being impaired by this conduct and that in the final analysis the Western negotiating position is improved thereby.

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18 This point is discussed in detail by Stabreit, p. 484-488. Cf. also Matzke, p. 26; (anon.) Echte Hilfe nur für jedes siebte Entwicklungsland (Genuine aid only for every seventh developing country), in: Neue Rhein-Zeitung, Sept. 2, 1976; (anon.) Neue Be- mühungen um eine gemeinsame Rohstoffpolitik (New efforts for a common policy on raw materials), in: Süddeutsche Zeitung, Sept. 14, 1976.
19 Stabreit, p. 484 f.
21 Cf. e.g. Jozsef Boga er, Wirtschaftliche Zusammenarbeit zwischen Ost und West zur Zeit des weltwirtschaftlichen Epochen- wechsels (Economic cooperation between East and West at a time of changing world-economic epochs), in: Internationales Institut für den Frieden (ed.), Wissenschaft und Frieden, Vienna 1975, No. 4, p. 7–10.