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Doubts about Help for the Soviet Union

Decades of political and military confrontation in Europe have been superseded, East European countries are in the process of liberalization and they are turning to market economy systems. All this offers a unique chance for political and economic unification in Europe as a whole. However, as long as the legacy of more than forty years of socialist rule in Eastern Europe has not been fully eradicated it will continue to pose a threat for stability and freedom in a unified Europe, as the recent events in the Baltic republics demonstrate. To cope with the present critical transformation processes, the East European countries therefore need our financial and technical help, but they also especially need our moral support – now more than ever because of Lithuania and Latvia.

Even if the system transformation in the small ex-socialist countries is successful in the medium term, the goal of a large stable Europe would remain in jeopardy as long as the Soviet Union is economically and politically unstable: without an effective economy and democratic pluralism in the Soviet Union there is no prospect of a stable future for Europe as a whole. That is why special priority must be accorded to the establishment of support funds for the Soviet Union and its republics. If, however, the Soviet Union does not start to carry out the intention declared in the president's programme of October 1990, i.e. "a transition to a market economy, to which there is no alternative", chaos threatens to engulf the country. This could trigger a wave of westward migration of enormous dimensions and a reversion to a dictatorship could no longer be ruled out, either. The barrier in Central Europe, torn down only little more than a year ago, could be re-erected further eastward as a result of newly emerging antagonisms.

It is impossible to value statistically the economic situation in the Soviet Union today with any degree of accuracy. The official figures published for the first nine months of 1990 show relatively low negative growth rates, e.g. a mere -2% for produced national income. Many economic phenomena, however, point to a far more dramatic reality. This is also the assessment of a joint study on the Soviet Union published by the European Bank for Reconstruction and Development, the OECD, the World Bank and the IMF.

For the current year the experts of the national Planning Committee in Moscow forecast a dramatic deterioration in the USSR. They predict that in 1991 key indicators for the Soviet economy will drop at double-digit rates. The overall situation will be temporarily exacerbated by numerous provisional plant shutdowns and permanent closures, which will lead to mass dismissals and a powerful wave of price increases, further reducing the living standard of many Soviet citizens. Industry and the population as well as entire regions will be faced with massive supply crises. The supply problem is compounded by individual regions or republics exerting strict control over cross-border traffic in goods and services and practically accepting only payment in kind in exchange for their own goods. Their response to the crisis is isolationism.

Under these circumstances humanitarian help from the West is of major importance, but it can only serve as short-term aid meant to ensure the survival of certain groups. Decisive for the future of the country is assistance which steers the system and developments in the Soviet Union out of chaos and can surmount the adjustment problems.

There are, however, doubts as to whether this is the right moment to apply substantial financial and technical aid in this country with a reasonable hope of success or whether it would

not be better to wait for the time being so as to ensure that massive sums of money are not devoured by a black hole, so to speak.

Similar misgivings and reservations were already expressed by some countries at the economic summit in Houston in July 1990. A corresponding recommendation is also made in the above-mentioned study, which was commissioned by the summit. The study cautions against massive credits from the West and, for the time being, advocates only technical, legal and analytical assistance for the sole purpose of promoting perestroika. Under the present conditions the granting of credits on the part of the West is certainly problematical, and this not only with a view to the USSR's future ability to pay the money back. Even if Gorbachev does not bear responsibility for the events in Lithuania and Latvia, the doubts regarding the granting of aid will grow more acute. The European Parliament has reacted very strongly; it even called its planned food aid to the USSR in question, as a warning, so to speak, to the anti-democratic forces.

Nonetheless, the scope of external support for the transformation process in the Soviet Union regarded by many as appropriate, appears to be too narrow: to improve locational conditions fundamentally the country needs more than simply a different economic system; an effective infrastructure has to be set up and developed. This is vital as a complementary factor for future business investment, which it is hoped will one day also be attracted from abroad. Such support for the Soviet Union and individual republics would help improve conditions for a future upswing at an early stage. To advocate such help only days after the military intervention in Lithuania and Latvia is not easy, but in our own interest, what option do we have?

Let us return once more to the European Parliament. The calling into question of the offer of support is very understandable on the one hand, but on the other it could prove to be a grave political error and run counter to our own interests. This would be the case if the failure to provide assistance aggravated the economic problems and contributed to further destabilisation in the country. If economic assistance for the Soviet Union – particularly to the individual republics – is understood as an investment in the future of Europe, then it should not be used as a means of rewarding or punishing individual politicians.

Overall, the Soviet Union and the republics will not be able to avoid shock therapy in the transformation of their economies, especially if they want to attract urgently needed private capital. The conditions for this today are far from promising. Many Soviet citizens place the blame for the present decline indirectly on Gorbachev and his policy of perestroika marked by a lack of well thought-out reform concepts and by half-hearted targets with regard to a socialist or controlled market economy. He is reproached for never having really put his own concept for a transformation into practice and on the other hand for impeding progressive forces for reform. With his Guidelines for the Stabilization of the Soviet Economy approved by the Supreme Soviet in October of last year, he blocked such radical reformers as Shatalin.

The method of shock-like transformation needs a certain period of time to establish the institutional framework before the introduction of the actual market mechanisms. Gorbachev, however, has run out of time: every day the Soviet Union is sliding deeper into crisis. Of perhaps even graver significance, though, is that he cannot rely on widespread support from the population in his country, in contrast to the situation faced by Poland's Prime Minister Mazowiecki over a year ago.

Shortly before the end of last year, the Congress of People's Deputies conferred wide-ranging powers on President Gorbachev, including the central control of the USSR economy, but this increased power will be of little use if he intends to bring about a transformation of the system simply by issuing decrees in the present volatile political climate and general economic decline. For one thing the necessary institutional framework is lacking and for another the remaining old organizational, control and supply structures are incapable of implementing such change. The military intervention in Lithuania and Latvia would appear to confirm that the leadership in the Soviet Union believes it is only possible by force to prevent the republics from undertaking their own reforms and to make their national products accessible to other Soviet republics.

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