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Kai Hirschmann\*

# The Transition Process in Eastern Europe: European Security Policy Redefined

*Traditional views of security policy have focused almost exclusively on defence and military topics. The process of transition in eastern Europe makes it necessary to take a much broader approach in which, for example, areas such as economic and social policy, or world trade and monetary relations, are included.*

Is there any connection between main international economic developments such as the "GATT agreement", monetary and exchange-rate policy, economic actions under the framework of the European Union, North-South and East-West economic relations and policies aiming at security for Germany and the whole of Europe?

This question is very often asked. To a certain extent it reflects the traditional views of security policy originating from past decades, almost exclusively focusing on defence and military topics. But after the cold-war East-West bipolarity the view and design of security policy needs to be redefined in a much broader approach.

Security policy cannot be reduced to the fields mentioned. It reaches far beyond traditional foreign and defence policy and involves a large number of other political areas such as economic and social policy, world trade and monetary relations, environmental policy, international law and the performance of non-military international organisations.

"It is obvious that the problem of European security cannot be reduced to the question of who will be allowed to join (or cooperate with, K.H.) NATO and who will not."<sup>1</sup>

For example, an essential question of security and stability is the prevention of welfare barriers resulting in people without work, food and perspectives crossing the borders in large numbers, thereby shortening the supply of skilled workers in their home countries and forcing other countries to decide on adjustment measures.

True, strategic and security thinking requires an appreciation of the acting general and local forces. Equally, it requires understanding that the possible use of force, or a decision to desist in its application, affects both the stability of the area in which it was exercised and the interests of outside actors politically, economically, socially or otherwise engaged. The deployment and engagement of military force may be a central point of decision-makers' concerns, but it will be political, economic and social factors that permit or constrain, that inspire or foreclose the decision to use military force.<sup>2</sup>

Even nowadays, no official definition of security policy exists. But concerning the broader Chipman view explained above and the necessity of redefining security policy after cold-war bipolarity, the following definition can be provided:<sup>3</sup> security policy means the protection of state goals against dangers and threats from abroad. Strategy means the transformation of goals into tasks.

The European countries of the former Council for Mutual Economic Assistance have all decided to take the stony path of transforming their systems to democracies and market economies, though a wide range of opinions and configurations concerning the

<sup>1</sup> Cf. G. Nonnenmacher: The Future of the North Atlantic Alliance and its Offer of a Partnership for Peace, in: Deutschland-Magazine, No. 3, 12/93, p. 10.

<sup>2</sup> Cf. J. Chipman: The Nature of Grand Strategy and the Causes of Today's Strategic Arthritis, paper presented at the "Seminar for Security Policy 1994" held by the Federal College for Security Policy Studies in Bad Honnef, Germany, April 1994, p. 2.

<sup>3</sup> Cf. D. Wellershoff: Sicherheitspolitik und Strategie – Das Zielsystem unseres sicherheitspolitischen Handelns, paper of introductory remarks presented at the "Seminar for Security Policy 1994" held by the Federal College for Security Policy Studies in Bad Honnef, Germany, April 1994, pp.7-10.

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design and speed of the necessary adjustment process can be found between these countries.

The recent elections and developments in Russia resulted in the rebirth of hegemonial and neo-fascist ideas, threatening all the neighbouring countries of the former communist bloc and leading to the formulation of NATO's "partnership for peace" offer. Though not excluding Russia, this mainly gives a signal to the countries surrounding Russia that their integrity and security interests are taken seriously by the Alliance, whose member states have clearly realized that stability and democratization processes in eastern Europe are also of essential importance for the maintenance of their own political, economic, social and military security, thus providing advantages for all.

Stability and security in central and eastern Europe and for the whole of the continent cannot be reached without developing stable market economies, building up social safety nets, reducing welfare barriers and integrating these countries into the world economy.

The redefinition and widening of security policy conceptions is also necessary because with the decision to introduce democracy and market economies old ideological barriers have become obsolete and with them potential military confrontations to defend each system, though potential threats to peace and stability arising out of ideological confrontations are still imaginable, but not likely.

The necessary wider security policy approach does not make the task easier, because more policy areas have to be taken into consideration. But, on the other hand, a more limited view might lead to disequilibria that could end up in military confrontation (that cannot be solved without using military force). Therefore it is expedient and indispensable to introduce a "New Security Policy" and develop the corresponding concepts.

Western aid to support the transition processes in eastern Europe can be regarded as one important contribution to establishing and preserving security and stability in Europe. Economic and social developments are the dominant topics on the agenda of European security. The partial security approach "partnership for prosperity" introduced here, with its six main action fields including the question of

conversion, might be seen as an opening for a broader economic discussion and the need for unification of policy areas not satisfyingly connected at present.

### **Eastern Europe's Economic Situation**

Since 1992 the economic adjustment crisis resulting from the inadequate structures and allocation mechanisms of the past has deepened in all the countries of central and eastern Europe, and especially fast in those which emerged from the former Soviet Union, as well as in Bulgaria and Romania. Due to their stringent and restrictive adjustment programmes, only Poland, and to some extent the other countries of the VISEGRAD group, shows promising signs that the transformation crisis is slowly coming to an end. GDP growth rates, the standstills or increases in total industrial production, falling inflation rates and other indicators suggest a slow-down in the recession, or even a recovery in some sectors, since 1992. The case of Poland shows that even the election of a "left-wing government" in 1993 did not necessarily mean an administrative delay in the reform process or its protraction following the implementation of "social cushioning measures".

The other countries of the former CMEA started their reform efforts later, in some cases with a more gradual strategy, in some cases with diffuse concepts due to the lack of political ability and will to "go where it hurts", thereby not consequently and clearly suspending old orders and structures. So they are still caught in the transformation recession.<sup>4</sup>

Of particular security importance for the whole region because of their economic potential and position within the former CMEA is the economic (and political) chaos reigning in Russia and Ukraine, manifested in the accelerating decline of industrial production and national income, the collapse of industrial enterprises and structures, rising inflation and unemployment, as well as increasing poverty.

The crucial problem in Russia, Ukraine and Belarus is the dissolution of the system of imperial political and economic links together with inadequate financial, technical and organizational preconditions for the launching and exploiting of alternative supply channels for production inputs and for consumer goods markets. The economies of these countries could sink even more deeply into chaos due to the absence of conclusive and strategic concepts with regard to the construction of market-economy foundations, taking into account the restrictions mentioned above.

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<sup>4</sup> Cf. Foreign Trade Research Institute: Poland in the World Economy in 1992 and 1993, Warsaw 1993, for a detailed analysis of the present situation.

The problems following the introduction of, more or less, market principles and adjustment programmes are comparable in all transition countries: macro-economic turbulences, high inflation rates, high hidden or open unemployment etc. The worst economic and political situation at present can be found in Ukraine. The situation is very critical, so that the question of the unity of the state is more than just rhetorical. The economy has been left in a desolate condition<sup>5</sup> (sharp declines in production, 80 per cent decrease in investments, 6,000 per cent inflation); political and administrative power to adequately meet the challenge of transition is almost non-existent.

Russia's programme of economic reforms was launched in early 1992. The Russian people have had, and still have, to undergo significant hardships that have been made even worse by ongoing political disputes and the apparently unbridgeable differences between the decision-makers. Macroeconomic developments and economic policy-making in Russia have fallen victim to this power vacuum.<sup>6</sup> Even worse, after the parliamentary elections in December 1993 a re-orientation of Russian economic policy took place. A transformation of the economy comparable e.g. to the VISEGRAD-pattern is no longer probable. Instead the illusionary attempt at a system transformation "without victims" has been undertaken.<sup>7</sup>

Stability and market-oriented restructuring in eastern Europe, especially in Russia, are the decisive factors of future European security. More than in other countries of the former CMEA, in Russia the huge military-industrial sector, the excessive militarization of the economy and, above all, conversion policy as one attempt at economic restructuring deserve special attention.

### Coordination of Western Assistance

In his description of so-called "causes of strategic arthritis", Chipman analyses the lack of concerted security policy actions at present.<sup>8</sup> Applied to the approach of a mutual partnership for prosperity following the redefinition of security policy under consideration in this paper, this means that political leadership requires unity of command and clear command and control procedures, which are absent

in European conflict management today (in this context especially concerning the situation in eastern Europe). This management has been replaced by competition between international institutions such as the EU, CSCE, WEU, NATO, UN, IMF, World Bank, EBRD etc. or by unilateral actions by states, with the counterproductive consequence that now in Europe interlocking rather than interlocking institutions are in the lead.

Internal reforms are inevitable, but the policy response of the West can help or hinder their likelihood of success.<sup>9</sup> So the western industrialized nations are still nevertheless faced with the question as to how intensively and by what means they should assist the transition processes in (central and) eastern Europe:<sup>10</sup> a "convincing strategic plan for assistance and partnership" must be endorsed multilaterally to prevent scarce resources from being wasted or misdirected. The plan must allow all major international organizations in connection with (central and) eastern Europe to play an important role, but also to allow leeway for specific national initiatives.

The basic idea of this "partnership for prosperity" proposal is derived from the need for a new understanding of security policy. Though NATO's "partnership for peace" offer is often appraised to be the only security policy approach of the West, it can only be one element in the future European security pattern.

The "partnership for prosperity" presented here comprises six basic fields of international joint action, including the question of conversion and the necessary up-grading process of industry, thereby integrating traditional economic and social aspects into the European security framework. The first and most important measures must be the establishment of guidelines for the further development of political and economic orders as well as the institutionalization of assistance coordination and joint action.

Financial resources and funds to assist the transition processes in (central and) eastern Europe are not in very short supply. International and supranational organisations, regional as well as global

<sup>5</sup> Cf. C. Mascher: Ukraine - Im freien Fall, Focus 11/1994, p. 250.

<sup>6</sup> Cf. European Bank for Reconstruction and Development: Current Economic Issues, London 1993, country study Russia.

<sup>7</sup> Cf. C. Bell, R. Götz: Regionale Wachstumspole und Wirtschaftsreform in Rußland, BIOst - Aktuelle Analysen, No. 6/1994.

<sup>8</sup> Cf. J. Chipman, op. cit., pp. 16-17.

<sup>9</sup> Cf. S.M. Collus, D. Rodrik: Eastern Europe and the Soviet Union in the World Economy, Institute for International Economics, Policy Analysis in International Economics, No. 32, May 1991, p. 123.

<sup>10</sup> Cf. H.H. Höhmman, C. Meier: Systemic Transformation in the East of Europe - Tasks, Risks and External Aspects, Berichte des Bundesinstituts für ostwissenschaftliche und internationale Studien, No. 4, 1994, p. 36.

ones, are willing to encourage reforms, financially or otherwise. The decisive scarce factor is a broad coordination of activities.

All of the further six fields mentioned above interact, so that policy and support measures in one field affect all the others, e.g. the question of technical upgrading is not only important for the handling of traditional resources, the production of goods and the improvement of infrastructure, but is also tightly connected with the quality and preservation of the natural environment. Moreover, "economic security" is one, albeit crucial, component of a broader matrix of which military (here mainly NATO's "partnership for peace" offer), political (e.g. the CSCE process), social and ecological security are equally important and interdependent parts.<sup>11</sup> But equally urgent is "intra-field-coordination".

One way out of this dilemma could be the implementation of a discussion and coordination forum with representatives from all the relevant international organizations aiming at peace, security, stability and development, such as the EU, WTO, IMF, IBRD, EBRD, NATO and CSCE, as well as local experts from the recipient countries. Such institutionalized coordination, equipped with bargaining power to make decisions on the coordination of Western support, would emphatically show that only concerted actions provide the best possible success, thereby offering the possibility of the immediate harmonizing of actions and policy measures. Thus the forum could prevent the limitation of viewpoints and efficiently deal with the existing interdependencies of the several policy and assistance goals and tasks aiming at security and stability in (central and) eastern Europe.

## Conversion Policy in Russia

The huge military-industrial complex in Russia<sup>12</sup> was and is by far the largest and most sophisticated in central and eastern Europe. It accounted for almost half of the entire industrial production, 9 million workers and a majority of researchers. Like most of the other enterprises, the creation of military production conglomerates followed political deliberations. Whole towns were established around the production sites. Discretionary regional dispersion with no supporting industrial structures and clusters as well as huge transportation costs to provide inputs and to distribute outputs make the continuation of production, but now according to market principles, almost impossible.<sup>13</sup>

The military-industrial complex can be described as the core of the Russian economy. Specialists estimate that in the last six decades 80% - 90% of all raw materials, technical and financial resources in Russia were spent on the expansion of the military-industrial complex.<sup>14</sup> This complex absorbed the most sophisticated technologies and, counting the specialists and their families, almost 25 % of the Russian population.<sup>15</sup>

This shows that in the case of economic difficulties, a multiplication of social problems, e.g. unemployment of some of the involved workers, could turn out to be a major threat to internal stability and security. Even worse, very often social institutions like hospitals and schools, but also shops, have been administered, run, subsidized and supported by the regional military-industrial enterprises, a well-known fact that also holds true for most of the other east European combines in all sectors. So it has to be taken into consideration that the simple closure of the nucleus of these conglomerates does not seem to be tolerable in the short and medium run because it would simultaneously mean the destruction of social institutions and safety nets in combination with no employment perspectives.

The possibility of conversion has been seriously considered. But a question arises: will the conversion of military production be possible and economically effective? In Russia, unlike other countries in transition, conversion policy aiming at restructuring the economy and the future of the military-industrial complex might be the key to transformation success. Conversion cannot be reduced to the phenomenon of the reallocation of resources following a cut-back in public demand for armament goods. Rather, it stipulates and includes changes of allocation, production and distribution mechanisms and their switch to the requirements of "civil markets".<sup>16</sup>

<sup>11</sup> Cf. R.L. Tökes: Towards a New East-West Divide? Reflections and Policy Dilemmas; in: A. Clesse, R.L. Tökes (eds.): Preventing a New East-West Divide: The Economic and Social Imperatives of the Future Europe, pp. 502-507, here p.503.

<sup>12</sup> Cf. N. Mögel: Die gescheiterte Hoffnung - "Rüstungskonversion" in Rußland, Hamburger Beiträge zur Friedensforschung und Sicherheitspolitik, No. 79, Institut für Friedensforschung und Sicherheitspolitik an der Universität Hamburg, Hamburg 1993.

<sup>13</sup> Ibid.

<sup>14</sup> Cf. Presse- und Informationsamt der Bundesregierung: Stichworte zur Sicherheitspolitik, No. 5, May 1992, Bonn, p. 23.

<sup>15</sup> Ibid.

<sup>16</sup> Cf. P. Opitz: Chancen regionaler Rüstungskonversion in Rußland, Berichte des Bundesinstituts für ostwissenschaftliche und internationale Studien (BiOst) No. 39, Cologne 1993, p. 3.

Most of the Russian enterprises in the military-industrial complex also produce(d) civil goods; according to official figures sometimes more than 50% of production. They thus played a vital role in providing e.g. TVs, radios, refrigerators and other "white goods" as well as furniture for the population (cf. Table 1).

Only the armament technologies and products of the military-industrial complex, including the space industry, are competitive on world markets. The quality and product standard of the rising share of civil goods produced by the armaments industry (Table 2) can be described as being above the Russian (Soviet) average, but rather poor and not competitive according to Western standards.<sup>17</sup> Extremely low prices for energy and raw materials encouraged their excessive use in production. Thus, after the introduction of more or less market prices for

inputs, many of the producers of consumer goods were not able to pay these prices or to replace their outmoded and damaged machines.<sup>18</sup>

Some conversion strategies have been tried by the government, few of them completely successful. Already at the end of 1991, one fifth of the former Soviet armaments industry stood on the abyss of bankruptcy; more than 40 per cent were making very low profits.<sup>19</sup> Several conversion activities have been launched. Analysing the important regions St. Petersburg and Novosibirsk, the share of military goods in production was reduced (Table 2), but the overall increase in civil goods production fell victim not only to the well-known macroeconomic transition instabilities and demand decreases (Table 1), but also to another major problem:<sup>20</sup>

The conversion has been neither fully backed by policy-makers nor carefully planned. In the beginning the Russian government indirectly created a positive situation for conversion. Export orders had been cancelled, provisions for the army reduced and finance partly withdrawn. Without export alternatives, the enterprises had the choice between shutting down and conversion. But in practice, this policy led to an economic and social catastrophe. The armament enterprises were unable to meet the challenge of a consistently market and socially oriented restructuring. They continued to produce either high quality military goods, thereby excessively using scarce resources, or had to face immense technical problems. It turned out to be illusory that technological abilities alone, when present, could guarantee the efficient production of civil goods. Because of the sudden money shortages, coordinated restructuring was impossible. A proper adjustment policy was impossible. So the idea of promoting exports of competitive military goods again gained momentum.

Concerning the workers, the idea of job creation instead of job destruction appeared to be realistic. But following inflation, basic goods were in strong

**Table 1**  
**Production of Consumer Goods in the**  
**Armaments Industry in St. Petersburg**  
(in thousands)

	1990	1991	1992	1993
TVs	103.6	92.3	53.0	42.7
Refrigerators	10.0	11.0	9.0	11.8
Vacuum cleaners	220.0	200.0	177.0	140.0
Electric irons	328.0	340.0	278.0	221.0
Tape recorders	69.1	65.1	68.9	44.3
Radios	46.3	53.3	38.4	27.0
Cameras	350.0	348.0	360.0	188.0
Video recorders	10.1	15.2	13.3	26.5
Razor blades	270.0	255.0	194.0	180.0

Source: P. Opitz: Chancen regionaler Rüstungskonversion in Rußland, Bericht des Bundesinstituts für ostwissenschaftliche und internationale Studien (BIOst), No. 39, Cologne 1993, p.13.

**Table 2**  
**Speed of Production Growth in the Enterprises of**  
**the Novosibirsk Armaments Complex**  
(% as against 1989)

	1990	1991	1992
Total	98.1	79.9	78.4
Military production	80.9	29.3	23.7
Civil production	117.0	118.5	138.7

Source: as Table 1, p.24.

<sup>17</sup> Cf. K. Schrader: Die volkswirtschaftliche Bedeutung der Rüstungskonversion in der Sowjetunion, in: Die Weltwirtschaft, No. 1, 1991, pp. 166-179, here p. 175.

<sup>18</sup> Cf. R. Götz: Die Wirtschafts- und Gesellschaftsstruktur der Sowjetunion als Hypothek für die Systemtransformation in Rußland, Berichte des Bundesinstituts für ostwissenschaftliche und internationale Studien (BIOst), No. 8, Cologne 1994, p. 15.

<sup>19</sup> Cf. A. Heinemann-Grüder: Konversionschaos in Rußland, Probleme des Übergangs von der Rüstungs- zur Zivilproduktion, Blätter für deutsche und internationale Politik, No. 3, 1993, p. 332.

<sup>20</sup> Cf. N. Mögel, op. cit.

demand and the armament enterprises were able to produce only complex technical and investment goods. Internal demand for these was insufficient. The market situation made a solution, and the success of conversion, unlikely. Generally, the attempts at conversion in the past can also be described as failures because of their chaotic realization without true political will and economic reform. The general problem remains. Some of the production sites will have no future under market principles. For them, consistent closure strategies with answers to the questions of unemployment and social adjustment are required. It might be a considerable improvement to regionalize (decentralize) the decision-making process concerning conversion policy. But at present the transformation of regional conversion potential into real development opportunities is limited by the failure to make basic decisions about employment policy, procurement, technological dependence of enterprises and their monopoly power.<sup>21</sup>

It must be pointed out clearly that economic restructuring in Russia (and to some extent also in Ukraine) is closely connected to the question of conversion and the future of the military-industrial complex.

Industrial restructuring can only mean a capacity reduction (military goods) in the production of the armaments industry and the extension of consumer goods production. Also, in the future Russia will need a competitive "military sector" to serve its security and defence interests. Furthermore, there can be no doubt that innovation and modernization of products and technology are as important in this sector as in other industrial sectors. This will also deserve development strategies and absorb large financial resources. Exports of armaments products and technologies are regarded by the Russian government as one source of hard currency earnings while, of course, non-proliferation of nuclear weapons and materials as well as strict export controls concerning "sensitive regions of local crises and conflict" must be assured. One has to bear in mind that in Western countries (e.g. France) military goods and technologies play a certain role in foreign trade turnover and global competition, too. The overall state goal must be to establish economic structures in the "military sector" that are comparable to Western countries, both concerning economic shares and (financial and political) interventions by the state. An efficient and productive "military sector" will remain an important

part of the economy and of economic restructuring. All (mainly Western) attempts to turn it into a "sector non grata" are counterproductive.

## Choice of Enterprises

Proposals for the internal transformation and the restructuring necessities of monopolistic, centrally planned industrial structures, also dealing with the corresponding social problems, are familiar to economists and need not be repeated here. Thus the obvious internal macroeconomic actions and stabilization measures to establish market structures are preconditions for all Western assistance. Essential are decisions on the legal status of the enterprises and their size under the rule of market conditions as well as a broad plan for how to establish competition. The Western community could provide concerted assistance in helping Russian officials to deal with the following basic decisions and their consequences.

*Which enterprises are promising candidates for a conversion of production?*

As a first step, expert aid could be provided in recognizing conversion potential, thus selecting enterprises according to a catalogue of criteria such as commodity composition, domestic and foreign market potential, input intensities, technological production necessities, financial and infrastructure needs, human capital requirements, and production patterns, to overcome extreme regional monopolies (structural policy).

*The need to start and guide a conversion plan.*

As a second step, concrete assistance must be provided according to the enterprises and conversion needs identified in the first step. The West could promote the now initiated "up-grading and conversion process" of industry through technical assistance, human capital development and infrastructure improvement aid as first major steps to switch part of production to civil goods which are marketable. Also, technology transfer from Western enterprises must be stimulated. Besides pure technical assistance, provided by the Western private and public sector, the development of human capital could be e.g. enforced by:

- ☐ financing education programmes in Russia;
- ☐ encouraging Western experts and enterprises to share their know-how e.g. through financing expert exchange programmes;

<sup>21</sup> Cf. P. Opitz, op. cit., p. 38.

□ the provision of know-how and experts by governments and scientific institutions where possible.

Furthermore an adequate and well-functioning infrastructure, as another precondition for internal development and world market integration, could be financed by Western funds exceeding existing positive examples in central and eastern Europe (e.g. World Bank, EBRD and EU-Programmes).

*Dealing with social problems.*

As a third step, emerging social problems have to be considered. The main problem arises out of the three sorts of rising unemployment:

□ through technical progress and labour reductions in those enterprises that carry on producing military goods;

□ through falling labour intensities in the conversion enterprises; and finally

□ through the closure of production sites.

Reorientation and re-education concepts and the privatization of social institutions formerly run by the enterprises could be backed by the West with financial and expert support. Also, general advisory aid and experience in overcoming monostructures and the settlement of new industries (knowledge of diversification in industrial structures) might be helpful.

But, concerning economic assistance, one has to bear in mind that

□ such a process can only be backed by supporting measures by the West, but neither initiated nor

Bernhard Fischer/Albrecht von Gleich/Wolf Grabendorff (eds.)

## Latin America's Competitive Position in the Enlarged European Market

Fostering the integration of the Latin American economies into the world markets is one of the main principles of the reform policies that have been undertaken by practically all countries of the region. Much emphasis is given to a sustainable improvement of the export capacity and of the competitiveness of Latin American products in traditional and new markets. Europe, in spite of declining trade relations, still ranks first or second among the Latin American trading partners. Against this background the results of integration within the European economic area and their implications for trade with Latin America are discussed. The competitive position of Latin American countries is compared with that of South-East Asian as well as East European countries and reasons are provided for their different performance. The recent economic policy reforms in Latin American countries are assessed with regard to sustained improvement of their export capacity and whether they are sufficient to guarantee a continued inflow of foreign private capital. Finally, strategies are developed which aim at a deepening of trade and investment flows between Europe and Latin America.

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guided. Successful conversion, and also adjustment policy, can only be measured in decades, not in years, and is thus a long-run process;

□ adjustment measures and needs in this sector are similar to the general industrial adjustment necessities, so that similarities, interdependencies and interactions have to be identified and dealt with.

Most important is joint action by all involved parties (east and west) on all levels because they are interdependent and interactive. Considerable steps forward can only be made by taking all relevant factors into consideration, not just economic or political or military ones. The situation deserves a summary of activities under the heading of "security policy for the whole of Europe". The "partnership for prosperity", besides the question of conversion and the promotion of economic up-grading of industry, includes some of the relevant factors mentioned.

#### Five Further Basic Fields for Security Policy

Further *integration into the world economy* is essential to the economic transformation process for both structural and short-term reasons. Two important factors constrain this at the moment. Firstly, the product composition of the foreign trade of the countries focused on here concentrates on labour and resource intensive, as well as standardized, goods, including textiles, chemicals, iron and steel and agricultural products.<sup>22</sup> In the near future, no fundamental change in competitive advantage is likely. Open markets and trade in those goods with market potential can help the countries building a stable basis for the up-grading process, change their foreign trade structure and prevent a "status-quo specialization" according to current competitive advantages.<sup>23</sup>

Nuclear power plants in the (central and) eastern European countries, especially in Russia and Ukraine, have been designed and built, and sometimes are still operated, to standards which are generally felt to be unsatisfactory compared with modern standards pertaining in the industrial countries. The Chernobyl accident clearly pointed out that *ensuring nuclear*

*security* in Europe can only be achieved by industrial collaboration with the industries of western Europe. But this raises the question of the harmonization of methodologies, rules, codes and safety standards in order to improve nuclear plant safety in (central and) eastern Europe. Since these states have no short or medium run alternatives to nuclear energy for the supply of energy, coordinated aid must be continually provided by the EU or by the more advanced of its member states in joint action.

Two possible forms of support can be identified:<sup>24</sup> either a piecemeal aid programme providing local assistance, including hardware, where requested, or the launching of collaboration on the up-grading programmes between the EU's design and construction industry and that of the (central and) eastern European countries producing nuclear energy. The best results are promised not by a decision for one of those alternatives exclusively, but by a dual strategy. The starting-points for action must be located in Russia and Ukraine. Along with advisory aid arranged or provided by governments, the western European nuclear industry should be encouraged to organize a collaborative work programme in order to transfer (engineering) quality management to (central and) eastern Europe.<sup>25</sup> None of the support possibilities are gratis, but the costs for the whole of Europe following a nuclear disaster, which since Chernobyl can no longer be regarded as unlikely, could easily prove to be very much higher.

The low priority which the former communist countries placed on *environmental considerations* has left a legacy of severe environmental degradation.<sup>26</sup> Thus the countries in transition have inherited serious burdens of environmental pollution, but the transition process also provides opportunities to integrate environmental considerations into the economic restructuring process, in the ideal case solving both problems simultaneously.

The belief that the most severely polluted areas could be appropriately rehabilitated within a short time is unrealistic. Welfens<sup>27</sup> estimates the cleaning-up

<sup>22</sup> Cf. K. Hirschmann, E.A. Hirschmann, O.F. Bode: Internationalisierung und die osteuropäische institutionelle Integration: in: K. Hirschmann, E.A. Hirschmann, O.F. Bode (eds.): *Weltwirtschaftliche Anpassung und Öffnung der osteuropäischen Reformstaaten*, Berlin 1993, p. 11.

<sup>23</sup> Cf. K. Hirschmann: Veränderung der Außenhandelsstruktur und technologisches „catching-up“ im Transformations- und Internationalisierungsprozess Polens, in: K. Hirschmann, E.A. Hirschmann, O.F. Bode (eds.), op. cit., pp. 99-134.

<sup>24</sup> Cf. D. Wilkes, M. Deffrennes: Co-operation with the former communist countries in nuclear technology – the need for standardisation and quality management, in: *Kernkrafttechnik*, No. 58/6, December 1993, pp. 338-341, here p. 339.

<sup>25</sup> Ibid.

<sup>26</sup> Cf. OECD: *Reforming the Economies of Central and Eastern Europe*, Paris 1993, Annex 3 – Environmental issues, p. 97.

<sup>27</sup> Cf. M. Welfens: System Transformation and Environmental Policy – Problems and Options in Central and Eastern Europe –, in: *INTERECONOMICS*, 1993, Vol. 28, No. 5, pp. 231-240, here p. 235.

costs per sq.km. per annum taking 50% of East German cleaning-up costs as a basis: CIS: 977.5 billion DM, Poland 54.9 billion DM, "Ex-CSFR" 22.4 billion DM.

The need for environmental rehabilitation is as obvious as the lack of financial sources covering at least a small part of the considered sum. The "polluters pay" principle cannot be applied, because neither enterprises nor governments, in most cases the old combines under state control and thus identical, have the financial and technical possibilities to meet the challenge. So again Western countries and organizations are requested to finance environmental policies. Financial assistance is provided within the EU's PHARE-programme, by international institutions and bilateral sources, though aid is also biased towards technical assistance. But again, coordination in international assistance is the scarce factor.

Following the summit in Brussels at the end of 1993, NATO has further concretized the "*partnership for peace*" offer to the (central and) eastern European countries concluded there. The intention of the offer<sup>28</sup> is to establish new security relations in Europe to guarantee peace, prevent crises and ensure the democratic transition process in (central and) eastern Europe. Aiming at the encouragement of close military cooperation and interoperability, common manoeuvres are proposed.

The reform of NATO and the European integration process are closely connected. So the Western European Union (WEU) has been strengthened as the European pillar of the alliance. NATO has declared the stabilization of central, south-east and eastern Europe its prior task.<sup>29</sup> The "partnership for peace" offer is an important step to lead new partners to the security institutions of the West. Crisis prevention mechanisms, a contribution to the improbability of armed conflicts and political coordination of common traditional security interests are a major precondition for political, economic and social stability and development. Thus, NATO and "partnership for peace" are important parts of the broader defined European security, stability and development pattern.

To ease the pain of the transition process, prevent mass poverty and welfare gaps and expand the acceptance of market reforms, a newly designed *social safety net* must replace the collapsing socialist

style one. The incentives must come from the (central and) eastern European countries themselves, including workable social strategies with no backwash effects on market developments, because each country deserves an individual social strategy dependent on its inherited structures. But the West could provide advisory aid.

Promising examples can already be found on a bilateral basis. Mainly ignored by public attention, the German Federal Ministry of Labour and Social Affairs offers practical help in order to reform or establish a system of social security. This has to include unemployment agencies and administration, health care, social insurance systems, the question of pensions etc., as well as the existence of social institutions.

Unfortunately not as many activities as in other fields have been undertaken by western organisations on a multilateral basis. The social institutions of the EU should intensify their advisory aid via both the sending of experts and the sharing of other technical and social knowledge. Again, bilateral western aid should be harmonized to prevent counterproductive results following diverse social advice.

## Conclusions

- ☐ Europe's future cannot be designed without a general security approach.
- ☐ Political, economic, defence and other experts have to work together, leaving aside their traditional views and attitudes. Economic development in (central and) eastern Europe is an important cornerstone of security for the whole of Europe.
- ☐ A "western assistance coordination forum" could increase the efficiency of the aid provided.
- ☐ A "mutual partnership for prosperity", including questions of defence, economic and structural adjustment, environmental protection, nuclear safety, social nets and conversion policy as a main part of the process of industrial restructuring and economic up-grading is necessary for a successful transition process.
- ☐ Without strategic thinking, clear goals and political will, as well as the stringent implementation of programmes and their realization without hesitation, the transition will suffer from a "stuck in the middle effect", increasing economic and social costs.

<sup>28</sup> Cf. Federal Ministry of Defence: White Paper 1994, Bonn 1994, p. 56.

<sup>29</sup> Ibid.