INTRODUCTION

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On September 11-12 1987 The Nordic Committee for Soviet and East European Studies organized, together with the Soviet Institute of the Finnish Ministry of Education, a Seminar on Economic Prospects in Eastern Europe in Espoo, Finland. The seminar drew together, in addition to invited European lecturers, a large gathering of Nordic scholars and other interested persons. This issue of the Journal contains some of the papers presented in the seminar.

One should begin with a clarification. Eastern Europe is in this Introduction to the papers taken to consist of the CMEA-Six, that is Bulgaria, Czechoslovakia, the GDR, Hungary, Poland and Romania. Of the topic of the seminar, the introduction leaves out Yugoslavia, which was separately discussed by Ørjan Sturejö in the seminar. As we know, the region continues to be very heterogenous, and only post-war realities make reference to an 'Eastern Europe' appropriate. That is one reason why several speakers at the seminar stressed the divergences between the East European countries.

The persistent decline of the growth rates of Net Material Product Produced is the single most conspicuous fact of recent Eastern European economic development. While officially recorded growth rates varied between 5.4 (GDR) and 10.7 (Romania) per cent in 1971-1975, ten years later the range stretched from the minus 0.8 per cent of Poland to the 4.5 per cent of the GDR. True enough, in most cases - with all due regard for the uncertainties of statistics, which, roughly, increase with the growth rates officially recorded - the aggregate growth achievement continues to be internationally respectable. Growth retardation is not a socialist privilege. The region has seen one real catastrophe, Poland, while the GDR, Poland's western neighbour consistently shows high growth rates. (So does Romania, but the relation of their statistics to the economy is generally taken to be very distant. The case of Romania was discussed in the seminar by Margit Nielsen.)

The decline in the growth rates of national income is made more troublesome by the fact that it has been accompanied by an almost consistent decline in the growth rates of labour and capital productivity. The only exception was
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ABSTRACT. Contrary to increasing scepticism, a rational foresight based on an analysis of present action and inaction is both possible and necessary. This article presents two basic scenarios, one based on reform and world economic opening, the other on inaction and marginalisation. (An active policy of turning inwards is not discussed as it is deemed infeasible.) Whatever the policy option adopted, because of previous developments the CMEA region is doomed to lag further behind the OECD region. This as such limits the possibilities for CMEA cooperation, the level of which becomes dependent upon policies within the countries involved as well as their relations with the world economy. The historical, political and economic preconditions for supranational decision making do not exist. In the reformist scenario, a continuous harmonisation of interests demands a new approach to policy coordination while in the inaction scenario coordination will continue to focus upon the exchange of primary products. Given the need for efficiency and competitiveness, the reform option is much to be preferred, but it remains contingent upon developments within the countries involved, especially the USSR.

Introduction and Circumscription of the Task

We are all curious about the future. With the evolution of long-term planning and also of computer science there emerged a strong belief in the fifties and sixties, and not only in East Europe, that the vision of Marx and Lenin is within easy reach: a world where things can be prearranged according to scientific knowledge, thus man may become his own master while managing socio-economic processes. Central planning seemed to be the remedy capable of curing most if not all of the illnesses of an ever growing economy, whereas the latter's being part of an ecological equilibrium had been taken for granted. Now, nearly fifteen years after the first oil shock, after so many un-

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expected structural changes in the world economy, with the unpredictable speed and societal consequences of an emergent revolution in electronics expectations have lowered. Indeed, sometimes it is all too quickly stated that Science as such (including social sciences) is only concerned with analysis of the past, with facts and figures, and guessing the future is of rather questionable value, an activity of those misusing science. With the growing social strains in East and West and also due to the ecological issue that could never have emerged if central authorities of different countries actually behaved as rationally and wisely as it has always been postulated of them, a certain devaluation of rationalism and of science is clearly observable. However, historical experience and common sense equally ward off the consequences of obscurantist, if not esoteric ideas that unfortunately do have a growing chance of becoming social, political forces, especially at times of crises. And precisely their already emerging signs make most people curious: what will be the future if science is not that idol any more as once it used to be, and — on the other hand — the dire consequences of a growing irrationalism in socio-political activities are only too evident in an interdependent world. Anyone having children is forced to resist the armchair-wisdom of turning to the past without feeling compelled to say something about the future. 10, 15 or 20 years is quite normal a time span to plan for in the life of a family, so it is equally legitimate to expect similar foresight also for politico-economic decision-making.

It is quite probable: no one can tell today, what will be the pattern of social product, of world trade in the year 2000, or what will be the rate of growth in any macroeconomic indicator (except manpower) between 1995 and 2000. Long- and medium-term planning, at least in the traditional sense and with the traditional methodology is in crisis in the CMEA countries (though not only there) precisely because they attempted the impossible. As we all know, socio-economic processes rarely behave as rationally as it is required from them by the econometric methods that are at our disposal. On the other hand, just the analysis of the past indicates, that the present institutional and structural crisis¹ — having not much in common with this notion in the traditional context of the business cycle — is an immediate consequence of policy decisions and strategic options of particular periods of the past. In the case of Hungary, for instance, recent analyses conducted in the course of the present round of long-range planning it has been proved, that the industrial structures, that emerged in the 50’s, and the continuity in industrial policy after the 1968 reform had a major share in bringing about the present and future problems of this country; equally the non-decisions of the 1978-86 period,

¹ I mean the more or less generally acknowledged fact, that expanded reproduction, technological modernisation etc., in sum, attaining all politically set goals is impossible under the current arrangements.
when restrictions were not accompanied by the theoretically desirable and politically accepted institutional reforms in practice, have aggravated the problems of delayed adjustment to the oil price shocks of the 1970's. Therefore, even a stronger statement seems appropriate: present inaction just as well as decisions mold the future to a considerable extent.

This is one reason why a quantitative prognosis seems to be of little help. Instead, a qualitative analysis is being presented of past and future, where scenarios are strongly dependent on the contents and timing of measures instituted by the very actors, whose positions are to be prognosticated.

In the following, the analysis will be carried out according to two basic scenarios. One is that of reform and world economic opening, as parallel strategies. The other is the option for inaction. This means a continuous improvement of, but no break with mandatory planning, and an attempt to maintain the status quo in foreign economic strategy. This version implies continued import-substitution and only marginally improved techniques and organisation of foreign trade, the latter serving the same macroeconomic functions as under traditional Soviet planning. A third, often postulated, or sometimes even positively recommended scenario, that of turning inwards, as an actively cultivated policy at CMEA level does not really seem feasible to me. Although a large number of factors – from international tensions to historical roots and immanent features of the traditional planning system – would contribute to such a strategy, its consequences are far too obvious, even in the short-run: a recent elaborate description of a pessimistic scenario provides more than sufficient evidence for the series of problems that may only be aggravated by such a policy. Therefore I do not consider it to be a realistic option for other than a short-lived cycle, that becomes politically thwarted before becoming an overall strategy (owing to the strains it produces). This does not, however, mean that the reform plus opening scenario is the only one: the practice of the 1980's, inaction plus marginalisation, i.e. turning inwards without really wanting it remains also a feasible way till the turn of the millenium.

The Role of Regional Integration

When asking what *regional* cooperation may contribute to the well-being or to the *successful* structural adjustment of its member states in an increasingly competitive world economic environment in the coming decade, general trends and CMEA peculiarities must be taken into account.

CMEA countries have postponed their economic reforms by at least two decades. Moreover they have delayed structural adjustment to the world economy by 15 years. Therefore, owing to the manifest liquidity constraint, the historically given gap between the development level, growth potential, technological level etc. of CMEA countries and of the OECD countries is bound to increase rather than decrease in the coming decade. The strains that the past and present leaderships wished to milden or avoid by inaction actually cumulated. Therefore the room for manoeuvre in economic policy has significantly been narrowed for the coming 5-7 years for each and every government in the region. Not even a Turkish or Chilean type of 'speeded up adjustment' seems to be feasible in the socialist countries, since neither an independent entrepreneurial class is at hand, that needs only a freedom of action, nor can the socialist governments under the backwardness of physical and social infrastructures allow for such a drastic cure. Consequently only a sluggish adjustment and moderately radical systemic changes are to be expected at best. Therefore their foreign trade performance and the growth indicators that have recently become a direct function of the former in CMEA states, can not 'surpass and overtake' world average. This is not and will not be a region in catching up at least in the medium run, since a universal writing off the debts is not a serious proposal.

Among lagging countries there is a fair degree of commonality of problems and also of the way of thinking. They are, indeed, better suited to understand each other. However, as experiences of South-South cooperation indicate, commonality in difficulties means rather less than more ability to help each other efficiently. Parallel shortages and parallel surpluses, especially if there is fear of competition and of its consequences, i.e. if national protectionism remains strong, seriously limit meaningful economic intercourse among such nations. In other words, even those potentialities of division of labour, that exist among countries with various level of development owing to their complementarity are lacking here. Whereas in the latter case trade might flourish with a structural balance of payments deficit of the poorer country, in the former case there is nothing to trade with and there is noone to bridge the gap between the recurring cooperative political ambitions and the exclusive economic interests. When a group of such nations still attempt to cooperate among one another rather than with the rest of the world, it quite obviously brings about an increased marginalisation of the whole group, since according to the experience of the last decade competitive norms would require global orientation and efficiency criteria in the choice of partners. It is worth
adding, that the longer the time it takes for respective governments to realise the blind alley character of politically motivated enforced regionalism, the higher is the probability that other countries have already utilised the more easy-to-do options, so for the latecomers there remains only a depressed market with oversupply and the resulting meagre profits. So the cost of hesitation may also be quantified.

Economic analysis has therefore shown regional integration to become increasingly subordinate to national and global responses to world economic changes.\(^5\) In the coming 15 years therefore it seems warranted, that intra-CMEA cooperation \emph{cannot become a substitute} for solving problems that must be decided upon within the national boundaries, nor for those advantages that may derive only from global cooperation (this is especially important in finance and technology). Rather, the pace by which integralisation processes can develop, and also their area and forms, are and will be a \emph{function of decisions and of results in the other two fields}. All this necessitates a thorough overhaul both pertaining to the self-interpretation of socialist economic policies and to the system of targets, of methods and arsenal of regional cooperation.

It is common knowledge that the idea of \emph{economic policy coordination} with an up-to-date contents has first been raised at political level by the Hungarian integralisation concept of the late 60’s, that proposed transforming CMEA into an East European common market. This was based on the premise that methods and instruments of cooperation may only be altered in proportion to the actual agreement among national authorities concerning those objectives that are to be served by the institutional and economic changes in the system of cooperation. It is equally common knowledge that in the debates preceding the adoption of the Comprehensive Programme of 1971 a rather limited body of agreement emerged in terms other than generalia. This might also be said of the Documents of the Economic Summit, held in June 1984 in Moscow (despite 3 years of elaboration).

The state and development of common efforts to produce a new joint CMEA concept of division of labour for the next 15-20 years, that is to be approved by the 1988 or 1989 Council Session, is more directly indicative – over and above the earlier described great trends – of why this state of affairs might be expected to continue with a fair degree of certainty well into the next decade. (The September, 1987, meeting of CC Secretaries in charge of the economy expressed its dissatisfaction with the lack of progress in this respect.\(^7\) In other words, it must be taken as a starting point in any realistic prognosis or economic strategy decision.


\(^7\) Cf. the Communiqué, published by the central Party dailies of the member states, 3 Sep., 1987.
It is legitimate to ask why, as there is also a different trend equally strongly present in intra-CMEA debates since the 1956 Berlin Session: one attempting to streamline cooperation on the analogy of national decision-making, i.e. from a single centre. Why should it be evident that the cyclically recurring tendency to supranationalism will not be able to master national pluralism in the coming two decades either? To put it briefly: neither historical, nor political or economic preconditions for such an 'intensification' of CMEA integration are present and these will not emerge either.

From the historical point of view it would probably be unjust to interpret as a mere coincidence that in the international order established after World War II the constellation of the Soviet Union and her alliance of neighbouring East European states came into existence. It is no secret, and had been widely discussed in contemporary politics that the theoretically imaginable two other alternatives: the territorial enlargement of the USSR or conversely, the Austro-Finnish option had also been considered, or contemplated at least. If the circumstances, detailed in numerous works of historiography have given firm reasons for rejecting both other alternatives, then it follows that none of the integrational ideas implying any remodelling of the third way that has been evolving enjoy any feasibility.

True, it might be objected, nothing is for eternity in history besides change. This notwithstanding it is also beyond doubt, that international power structures and constellations emerging after major cataclysms do obtain certain lasting features, that add up to what is Ordnung in German and system in English. While change is continuous and everlasting, indeed, major structures determining elements of this system do profess a considerable degree of stability during the latter's whole existence. This tendency to stability has been quite a pronounced feature of the history of last four decades in and among CMEA countries for allowing us to consider it as a permanent feature of the system all over its existence. Therefore if we assume the continued existence of the present system of international relations, it is concomitant with our denying any validity of integrational ideas transgressing the established basic structures.

From the political point of view it seems highly unlikely that the process of national renaissance would be reverted. All the less so since that is also strengthened by the nature of adequate answers given by successful countries to the new challenges. As far as long term tendencies are concerned, it seems quite probable on the base of the 1950-85 period, that neither the internationalisation of production, nor the flow of factors of production (and also of people) among the integrational regions have actually attained the level postulated by the theories of the 50s and 60s. Therefore neither national consciousness, nor the institutions of power that have been organised within the boundaries of individual countries show the tendency assumed by earlier theories, further they profess no sign of being even partially merged into the category of 'international', as commonly maintained by significant part of
ideological writings in CMEA countries. Given that this trend is also manifest in the EC, where the free flow of factors and citizens also proportionately seen far exceeds that of the CMEA, it seems legitimate to prognosticate prolonged national pluralism for the coming two decades in the CMEA.

Neither will *economic conditions* for 'integrating' CMEA countries in the sense of a merger come into being. It is a historical heritage that industries of these countries has been evolving in a separated way, under national protectionism since 1918. Under socialist industrialisation, parallel structures have emerged. This poses serious constraints on the applicability of the concept of an East European common market, even if the idea comes from the Soviet Union⁸ (though not yet from the official circles). A real competition even on the regional scale could squeeze out whole industries. From the point of economics it would be rather an advantage, still it would be unrealistic to assume any of the national governments' tolerating it. If an economy develops under artificial 'thermic' conditions for decades, the set of values and preferences, as well as interests tend to stick to these, and society at large takes these artificial proportions for the normal state of affairs. If for no other reason (like lobbying), even if a universally accepted new measure of international competition selects the strong and drags out the inefficient, governments can not afford staying idle. It is, in the end of the day, their common responsibility with enterprise management that the overall competitiveness of the economy and also of most companies, especially of the large ones, is such as it is. In a 'really existing socialist' economic mechanism the individual actors' responsibilities for decisions can even theoretically not be delineated, therefore there is no justification for company managers (let alone employees) bearing the total costs of economic miscalculations. Thus — similarly to frequent occasions in Western Europe — governments tend to bail out the enterprises in red. Interests related to maintaining existing structures there, too, may often prevail over abstract economic rationality. Therefore it is unlikely, unless parallel marketising reforms evolve, that measures promoting a market type of integration in CMEA would not in effect be compromized by national legislative and governmental action at least in the coming decade.

It is no secret, that when elaborating the Hungarian integrational proposal it had been assumed, that proportionately with progress in the levels of economic development market type of reforms were bound to come about, and national differences in this respect were only ones of timing.⁹ This assumption proved to be wrong, due to partly political developments, partly to the then unforeseen rearrangements in the world economy. As it seems these days, owing to the different national power relations, value judgements,

interests and adjustment performances the diversity of national ways is a lasting feature in CMEA countries. In this case there is hardly any chance for attaining convertibility within the integration. Thus a coordination of structural and investment policies, or central specialisation endavours will not have a better foundation than before, thus nor do they have a better chance in the coming two decades than they did in the previous three. The above said thus means a forecast of further recurring, but by definition futile efforts in every four or five years from the side of the CMEA international apparatus, that interprets its role as representing the common international interest, to streamline integration according to the logic of national mandatory planning. This implies proposals to coordinate foreign economic relations, investments and structural policies through administrative methods, with the well-known limited success.

Reinterpretation of the Role of Economic Policy

When the theses of the 27th Congress of the CPSU, declaring socialism to be an inherently commodity producing economy, is being accepted, then it follows immediately that as a rule it is neither expedient, nor possible to take direct central decisions over economic structures. It certainly is a task for macro-economic policy to follow structural changes in the world economy and to promote adjustment to these. It must be avoided, however, that by a mechanic adaptation of general international structural trends, enterprises of the lagging behind sectors were artificially hampered in making use of their existing — even shorter term — potentialities thus proving: despite the general tendency in one particular country in concreto they (still) are viable and profitable ventures, at least for some time, but maybe even for longer. And conversely: sectors or activities, that are considered as dynamic by the centre, or even ones that in other countries actually take the lead, should not be granted a hothouse protection. This policy would only lead to the reproduction of the prestige projects of the earlier periods, with a possibly greater comparative cost. The major task of economic policy in the coming decades is to create a favourable overall framework for organic structural change, that is initiated by companies but helped by the state. The latter creates those costly infrastructural and social background conditions, that are by definition externalities for firms, but inevitable for an orderly, socially acceptable transition from one socio-economic structure to another.

Developments over the last 15 years indicate, that efficient technological progress is much less conditional on the budgetary support of fundamental research and R+D at firms, than on the overall socio-economic environment: whether the latter favours, even enforces innovative behaviour, or is rather hostile to anything that differs from or even alters of the established ways. Since for the time being neither national markets in CMEA nor that of
integration requires technological renewal, moreover both often positively hamper technological improvement and good quality by not paying its price, it has become an immediate and typically central government task that a pro-quality and pro-innovative environment evolved at both levels in CMEA. International experience of the last decade indicate, that contrary to the view, widely shared also in some Western quarters at times, competitive relations may and should not be substituted by state ‘umbrellas’ in this area, if economic/business success is to be the objective. (It is a different story, whether fundamental research and universities may be run on a business principle, as Hungarian financial restrictions of recent years, emulating the worst British examples, attempt to simulate.) In other words, the propensity for endogenous technological progress cannot be transplanted into enterprises from outside, i.e. either through orders from above, or horizontally, by subsidised research contracts. Companies innovate if this is the smaller risk compared to loss of profits or even to bankruptcy (if innovation is neglected for lengthy periods). Creating these competitive conditions in countries where more or less the opposite has been the standard especially in this particular field, is certainly a long-term task of national economic policies – a point we shall return to in the context of the long-term – CMEA Programme for Technological Progress.

The issue of preserving the ecological equilibrium, or more often, to milder the already manifest signs of environmental decay emerges as one of the central tasks of governments in CMEA countries in the coming decades. The present state of the European CMEA region is already a cause for grave concern, and this will also intensify provided energy policy develops according to the current official programmes. No matter, whether nuclear power plants or increased reliance on domestically produced poor quality coal – or both – will be the main line of development, its serious clash with considerations of ecological equilibrium is more than evident. This only adds to the already palpable extreme consequences of earlier one-sided technocratic approaches to heavy industrialisation and energy policy, that have already brought about signs of official concern from Silesia to the Czech Lands and from the Lake Baikal to Transdanubia, and to large parts of the GDR. Final abandonment of gigantic missile and economically unjustified prestige-projects, including ones for transforming nature is just one further aspect which is unfortunately far from being a fix point of the long-term forecast. However, the prolonged lack of investment funds, in this respect may be an advantage (contrary to the problem of recultivating areas destroyed by extensive mining).

A further, less frequently noted aspect is that of the impact of industrialised large-scale agriculture on environment. Not only the extensive use of mineral fertilisers but also other factors contribute to already serious damages of the natural water system. All in all, without being an environmentalist, one may forecast with certainty, that for purely economic reasons, and also owing to the clashes among the implications of priorities followed by the authorities, the governments of CMEA countries will be growingly confronted with new types of conflicts.

Ecological equilibrium has emerged from being a partial aspect to becoming a truly social issue, where the problem of social control over authorities is most imminent.\textsuperscript{11} With the maturing of these societies the onesided emphasis on heavy industries and neglect for consequences, that would follow from the policies that will evolve according to one of the prognosis variants, bring about political strains that necessitate a certain reconsideration of economic priorities even if the social investment fund decreases. Society cannot and will not tolerate continued negligence of conditions for its subsistence, even if their observance involves fundamental resource transfers from 'productive' to 'non-productive' branches. This is yet another constraint on meeting of longer term plan-targets, especially of quantitative acceleration of growth in physical indicators.

On the other hand, the point is precisely the impossibility of planning along the traditional lines, if such plans are becoming simply unfeasible. Therefore it seems reasonable to forecast, that sooner or later planning and its techniques will have to be adjusted to the changes in reality: costs of the otherwise quite legitimate self-defence of society of considering the ecological issues will have to be built into investment calculations. Therefore more than one major reassessment of officially once approved priorities is quite probable to occur, especially in the variant of inaction. These factors list among others precluding a return to a positively Stalinist scenario, whose feasibility had always and everywhere been contingent on a low level of development and the backwardness of society, therefore an attempted relapse to these methods would involve too high political and economic costs to be feasible in the coming decades in European CMEA. What is more: this holds also for Vietnam, as indicated by recent — although slow — changes.

\textit{Infrastructure} is a traditionally disregarded area of central government activity. Its various areas, from education (languages, e.g.) to the railway and road systems and communication have already become bottlenecks both for national development programmes and intra-CMEA cooperation. These are the capital-intensive areas, where traditional methods of large common and coordinated investment projects may indeed be conducive to achievements.

\textsuperscript{11} Szamuely, L. 'A szocializmus eszméinek hozzájárulása az emberiség globális problémáinak megoldásához' [The contribution of socialist ideas to solving the global problems of mankind], \textit{Világosság}, 26:10 (1985).
In the coming two decades planning is bound to include a growing array of social aspects of development. This requires time, energy, money as well as creative visions and sensitivity to non-trivial, currently not yet pressing problems. Let us limit ourselves to listing these: planning a flexible educational system, including retraining and extra-curricular forms; problems of integrating women into society, while overcoming the socio-pathological consequences of the currently much too high share of and undifferentiated forms in the economic activity of females; quality controls, legal regulation of fair competition, or the establishment of channels to finance the development of a currently relatively and absolutely backward tertiary sector. These areas are, without exception, directly related to proportions and efficacy of production and employment, thus are par excellence subjects of economic policy.

It does not seem to be a statement in want of lengthy substantiation, that there remains hardly any time and energy for these, if the planning centre is lost, as traditionally, in the petty detail of solving a large number of concrete problems of production and sale often at company level. Since the latter task is known to be performed with notorious inefficiency by the governmental bureaucracy the world over, it would certainly induce gains rather than losses in its efficiency of functioning if the central organs actually gave up dealing with these issues. Efficacy of any central policy is evidently a function of being able to set the limits to its own sphere of action, otherwise, as experience indicates, activities tend to inflate and the priority of major tasks tend to dissolve in the flood of information and actions of various (mostly limited) importance. Therefore overcentralisation thwarts major theoretical possibilities for coordinated action and setting priorities, i.e. the very causes calling for central planning in a modern society. Therefore irrespective of political considerations and of the aspect of competitiveness on world markets, operational efficiency considerations (and the related interests) of the state administration itself may also be conducive to a reformist scenario in CMEA, where reinterpretation of the role of economic policy implies a reinterpretation in the objects and methods of their regional coordination.

Alternatives in Economic Policy Coordination

In a reformist scenario, new priorities are needed in setting the fields and tasks, that are subject to regional pooling of efforts, in accordance with the new concept of national economic policies. Consequently, methods of cooperation are also to change: the role of policy consultations and framework-programmes gain ground vis-à-vis compulsory interstate agreements. Since the contents of interests is changeable, efficiency of coordination among them is contingent upon its flexibility. In concrete terms intra-CMEA interest harmonisation should become a continuous process, that is not confined to elaborating the protocol on mutual deliveries, or to adopting joint political
documents. Over and beyond these, the changing substance of interest could be reflected in revolvingly renewed agreements, where the long-term obligatory contracts will diminish in importance and scope. Material substance of these framework programmes will then be specified through direct inter-firm cooperation in production and salesmanship.

Will such a scenario not decrease the stability of intra-CMEA relations, that is considered by many a major advantage of planned cooperation whose preservation is a prime national interest especially in and for the small East European members? In judging on the role of stability, it seems expedient to rely on experiences of the last decade rather than on abstract statements of textbooks and of political propaganda. The binding power of formally compulsory agreements has definitely been on the decrease, since neither fora nor instruments of articulating the changing contents of interests have been available. Foresight for 5-8 years has become limited not only in those commodity groups that embody technological change or where the choice or the differentiated structure of demand has always had constrained possibilities for planning in physical terms. Commercial policy items of fuels, raw materials and standard semi-products have been added to this list. Therefore the oft-repeated praises of stability produced a rather false illusion of foresight and security, i.e. factors that did not actually exist at the time of making the decisions in (medium-term) planning. Thus, instead of sticking to traditions and imaginary advantages, co-ordinatory periods corresponding to real foresight will have to become the rule, even if national reforms stagnate or diverge.

A further crucial issue for economic policy harmonisation in the CMEA will be determination of those areas, where invulnerability from the outside world can and should be preserved or achieved. In so doing, the following lessons from the developments of past decades will have to be taken into account in long-term decisions: 1) There is no product or commodity group, that will experience an all-out global shortage in the world economy, whose production could therefore be declared unconditionally necessary (at national or CMEA level) irrespective of costs. 2) Prices and especially relative prices for primary products are bound to be depressed as a secular trend, due to their growing supply by monocultural producers coupled with stagnant or even decreasing demand by the new growth path of the OECD countries, that is greatly relying on electronics and other material saving technologies. 3) High-tech is global by its nature thus its efficient development and use in marketable production presumes a participation in the worldwide flow of technologies in appropriate forms. This factor – reflected also in the wording of the Long-Term CMEA Technological Programme – also has far reaching implications for the selective scenario and for the viability of the concept of collective self-reliance or of technological independence. 4) In the fierce competition among nations in the world economy those countries and companies are the most vulnerable, who are in delay pertaining the fundamental
factors of rivalry, i.e. speed, willingness and ability in adjusting their established ways to the new international conditions. This factor has far-reaching implications for the traditional planning systems (and also for some underlying 'socialist' values) oriented towards stability (in production schemes, in income distribution etc.).

If the frequent use of conditional tense in the above said was indicative of that being a favourable alternative, it seems legitimate to sketch a pessimistic scenario as well. This assumes no renewal either in economic policies or systems of CMEA countries. In this case the growing technological lag, world economic marginalisation, slow or no growth with declining living standards and quality of life is warranted. To put it briefly the Polish and Romanian ways, that were rather exceptional paths of sovereign management of economic and social problems (including those of adjustment) in the first half of the 80's, will become the rule. With the cutting of 'umbilical cord' to the world economy there remains little room for intensified regional exchanges. Owing to the prevalence of traditional methods and to being excluded from the mainstream of world development, economic policy coordination will continue to focus on conditions for trade in primary products. Conventional planning methods – despite recurring attempts – will continue to fail in ex ante harmonising economic, especially structural and investment policies, and supranational efforts fall victim to resistance by national plan-bureaucracies, guarding their prerogatives with jelaousy. Therefore macro-economic proportions, or ways of improving the economic mechanism remain subject of consultations, not of ex ante coordination.

In this scenario, 'extensive' (factor-intensive) characteristics of economic activity will inevitably intensify. Since the easily available reserves to save have already been mobilised and lived up during the 1980s, there emerge two immediate sets of consequences for economic processes:

1. Shortage of fuels and raw materials – relative to the norms of functioning of CMEA economies under the traditional system – will limit immediately any meaningful growth in the economy (measured with Western statistical methodology), let alone its acceleration. The economies then will adjust to the primary product constraint by the familiar methods of 'cost-saving': by further destroying quality, by disregarding the parameters of reliability, by switching off large industrial consumers (thus further disrupting their production schemes) and also by putting further burdens on the population (with the concomitant results on productivity, labour discipline, quality of services from education to hospitals etc.), thereby further depressing the quality of life than statistically calculable living standards fall.

It is needless to dwell on the immediate and longer term consequences of such a situation for product quality, innovation, therefore for export performance, thus there will be a vicious circle. Once it is in action, it enhances the risk for the eruption of popular discontent and decreases the probability of economic reforms. Therefore more intensive marginalisation in the world
economy will be warranted. Further increased reliance on domestic mining will further aggravate the ecological and infrastructural problems. There remains no more money for maintaining and improving human capital, therefore the longer run performance and the ability to adjust will become further constrained.

2. Conflicts in CMEA stemming from immediate trade interest will intensify in the inward looking scenario. For the lack of an elaborate system of harmonising interests these will burden the political relations to a growing degree. These strains could fundamentally be alleviated only through accelerated technological progress and by the evolution of a resource-saving path of growth. Experiences of the last two decades indicate, that none of the former may result from declaring the political will in their favour, since they are conditional on the prevailing interest relations inherent in the economic system. Prolonged subsistence of the mandatory planning model, even in modified forms, means by definition a protraction of those conditions that inmanently hamper those processes that are declared desirable.

All this may illustrate why inaction in the coming decade implies a more costly version than taking the pains of a reform. It also remains valid in the exclusive variant, that physical proportions and flows in the economy and income generation will get increasingly disconnected from one another. Therefore those areas, that economic policy intends to regulate at most and for this reason they are being planned directly in physical terms will represent an increasingly irrelevant set of factors in the entirety of economic development. Thus it is hardly by chance that hand in hand with the growth in centralisation of decisionmaking there is a quite justified spread of feeling the economic processes being unmanageable in those very central organs. When such formally omnipotent national economic policies will be coordinated in CMEA, the customary rituals of coordinating policies and plans ex ante will stand an even poorer chance to succeed in determining major processes in the respective countries. Then -- to use the worn down phrase -- 'the fundamental instrument in coordinating economic policies will continue to be the dovetailing of macro-economic plans'.

Cooperation in Planning

It is common knowledge that it had been coordination of plans that had ensured foresight and stability of major processes during the first three decades of existence of Comecon. The functioning of this integrational instrument presupposes a number of conditions, part of which have ceased in recent years, another part is just about to disappear in the coming years.

A cornerstone of traditional plan-coordination was dynamic growth in the supply of Soviet primary products, moreover that the USSR was deciding over the related issues on political and technological grounds. The first condition
means that in decisions over the size and growth of Soviet production, thus in the structural policy decisions of the country’s international trade considerations, including intra-CMEA affairs played a very subordinate role (if any). Decisions have been arrived at in a fundamentally autarkic manner, based on the shortages emerging in the course of drawing up macroeconomic balances and their coordination with plan-targets, furthermore on political and theoretical assumptions pertaining the desirable rate of overall growth and the ideal/advanced macroeconomic structure. This basic interrelationship has not changed in the time of drastic drift among intra and extra-CMEA prices either. Although part of the literature questions this point, it can be proven – true, in a different analysis.12

A vital condition allowing for such a policy was that nothing forced Soviet planners to take comparative advantage into account when deciding over structural proportions in their economy. In other words, world economic processes have not until very recently, invalidated the separation of the Soviet economy from events happening abroad, which evolved in the late 20’s. The concrete ways of enforcing state monopoly on foreign currency and on external trade have practically assured this.15

This situation has fundamentally and irreversibly changed by the mid-eighties. It has not been brought about by political causes, rather conversely: this change in the economic situation molds political concepts. The crux of the change is, that under the circumstances – i.e. under given and potentially available technologies, at the given level of development of infrastructure, especially of transportation, under the given system of incentives and at the present level of geological exploration of Siberia, at the given capital costs of incremental production – Soviet extractive industries have basically reached their secular maximum, with the notable exception of natural gas.14

It is worth mentioning, that in the Soviet literature on problems and prospects of the natural gas industry the very same factors are listed, as the ones having caused the secular maximum in producing coal and oil.

A most important factor among these is the drive to maximise current output practically at any cost.15 As a consequence extraction is faster than

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15 Krylov, A.P.: 'O tempach razrabotki nefiannich mestorozdenij', EKO, 1980:3, was the first to have drawn attention to this factor.
optimal, therefore half to two thirds of the reserves remain unutilised. It is quite characteristic, that the elementary idea of substitution at a strategic rather than technological, microeconomic level, implying that enforced further quantitative growth in oil extraction may actually be bad economics from the Soviet point of view, as it may involve disproportionate capital outlays and convertible currency imports for gaining a unit of energy, has only been raised by Western analysts. Figures of the current 12th FYP as well as statements made by Soviet leaders imply their political and organisational approach to this problem. There is no sign yet that as part of the overall strategy of accelerating growth tactical or partial withdrawals, or mere acceptance of drops were contemplated at all, especially in such crucial areas. This may legitimate to expect Soviet gas production to reach a secular peak in the early 90's for analogous reasons with mineral oil production.

This prognosis might well be shared by some authoritative Soviet analysts. According to statements by leading Soviet politicians they do not see either a cause for, or a possibility of slowing down the nuclear power programme despite Černobyl, because even by meeting the strenuous targets of saving conventional energy sources, the energy needs for the planned growth of CMEA countries can not be covered from this source alone.

This notwithstanding, Černobyl will exert an impact on the long-term energy policy of CMEA. Since security measures will have to be improved, it will involve significant extra costs. In prognosticating energy policy alternatives it has to be taken into account, that the comparative efficiency of a unit of electric energy gained from nuclear power plants must not be calculated in the established way, i.e. by reflecting current costs and disregarding 'extra' outlays on security, on environment, on maintenance and - last but not least - on disassembling (the latter being put by some equal to establishment costs). It does not seem unjustified to expect relative oil prices to remain more or less stable (despite continuous cyclical fluctuations, or occasional, but ephemeral new hikes) on the average in the coming 15 years, since supply and demand trends do not seem to justify any other scenario. It implies similar trends for gas and coal prices. Then the comparative efficiency of the nuclear power programme is anything but self-evident, since that was calculated at the USD 30-32 barrel oil price, expecting new oil price hikes and greatly disregarding those indirect outlays that fundamentally influence the whole sense of such an establishment.

Under these circumstances three questions will be raised also in the Soviet Union in the early or mid-nineties: 1) Does it make sense to look for self-sufficiency in the fuel and raw material sector, practically at any rate? 2) Is

17 Speech delivered by N.I. Ryžkov at the 42th Session of CMEA, held in Bucharest; see Pravda, 4 Nov., 1986.
really domestically produced nuclear power the sole cost-efficient and secure way of meeting the energy demands of the Soviet Union? 3) Are all these demands justified, or has the specific consumption of the country sufficient reserves to save from for a decade at least? In the latter case it is not necessary to expand the already considerable primary product output, which provides the investment policy with new opportunities. This implies a substantial slowdown of the CMEA nuclear energy programme as well.

If the development concept of the Soviet Union will not be under the sign of a fortress under siege, i.e. in an international environment, whose hostility can not even be mildened by the best Soviet will, as used to be postulated under Stalin, then rational forms of cooperation do not necessary evolve within the state border. From the Far East to the Ukraine there is a wide array of examples, that even the incumbent potentialities of division of labour across rather than within the state border, that are for the time being constrained to borderside exchanges, provide such extra gains which a cooperative Soviet Union has no reason to refuse. In the pro-reform alternative, economic – though not territorial – decentralisation will give way to an enormous expansion of unconventional trade with unconventional partners.

As far as implications for intra-CMEA trade are concerned none of the above outlined alternatives allow for the East European countries for continuing their growing imports of primary products from the Soviet Union. The development of the USSR has become increasingly import-oriented in the 1970's. Moreover, this quality has not changed at all at the lower ebb of the political tide, between 1979-84 substantiating the thesis, that deciding over primary product supplies to CMEA partners on political and technological grounds, i.e. abstracting from the need to export to the West, is no longer a viable option for the Soviets.  18 With the time passing, this feature will be even more pronounced, especially if the fuel prices evolve according to our assumptions. It will take more than a five year plan period for Soviet manufacturing exports to be able to take over, even in part, the equilibrating role played in the 1973-83 period by the windfall profits on energy exports to the West.

From the East European point of view it is equally important to see that until now in Soviet economic history any policy drive aiming at speeded up growth resulted in strains in the fuel and raw material supply and hampered the availability of primary products. Therefore it is legitimate to prognosticate the same for the coming decade. The resource saving growth path thus has become a must for Eastern Europe; but the ability to meet the challenge is conditional on reforms. From a CMEA perspective it means that the 'material object' of traditional plan-coordination is of rather shrinking magnitude. In

the inward-looking variant, primary produce and several other items formerly imported from socialist partners are substituted by domestic production. In these cases, there is simply nothing to be coordinated.

But the grounds of traditional harmonising procedures will become even more fragile in the future. This armoury is simply unfit for synchronising interests when physical volumes decrease, nor is it able to transmit continuous changes in technology and in demand. It means that it is becoming less and less appropriate an instrument for representing national interests and major economic policy goals will less and less be amenable to the act of translation into physical terms of deliveries, thus the long-term interstate trade protocols will represent a growingly insignificant part of economic policies. To the degree plan-coordination remains the basic instrument of policy coordination (and not the other way around, as explained beforehand), national economic policies will be less and less synchronised.

Realising this danger the new Soviet leadership tried to institutionalise a move in the other direction. Namely, integration should be redirected to the core of economic modernisation, to the leading, high-tech branches. The Gorbachevian policy takes the constraints on traditional expansionary ways for given. Therefrom the pre-eminent role allotted to technological progress both within the Soviet Union and in CMEA. This is embodied in the Comprehensive Programme for Scientific and Technological Progress in the CMEA Countries until the Year 2000, adopted at the 1985 extraordinary Council Session.19

The Programme in Practice — Implications for the Future

Technology occupies a central place in the new Soviet development strategy both domestically and in the CMEA, since its speeding up may, in fact, function as a miraculous medicine, capable of remedying all or most of the ills of CMEA economies, from wasting raw materials to achieving competitiveness on the world markets. It does not seem expedient to me to plunge into speculations about how long time it will finally take for the Soviet Union to elaborate a pro-innovatory economic mechanism/environment. For the present analysis' sake may it suffice to note, that the Programme reflects certain objective challenges that face CMEA states, not only some new priorities and the style of the new Soviet leadership, therefore it can not simply be overlooked.

Irrespective of the fate of the concrete list of tasks and of deadlines it can be forecasted with a fair degree of certainty, how far-reaching historical conse-

quences it would involve both for CMEA integration and the Soviet Union itself if during the period of prognosis similar a discrepancy emerged between the ambitions of the Programme and reality as had been the case with the Chruščëvian vision of catching up till 1980. With the spectacular advances made by significant parts of the developing world, including the NIC’s, China, India and Japan that will probably accelerate, this trend will fundamentally reshape the world economy until the turn of millenium. Then traditions, past glory, security at the workplace, the number of those employed in fundamental and applied research – will mean even potentially less than today when compared with market successes. Falling back into a category of second or third ranking developing country cannot be without repercussions on international political and military standing. Since the delay in adjustment has already occurred in the last 15 years, a substantial decrease in Third World involvement of CMEA countries seems inevitable for the coming decade at least.

The technological Programme of the CMEA is a politically inspired timetable of actions, that was born under the shadow of a very real danger of lagging behind irreversibly. Since the political slogan of acceleration was interpreted in a rather narrow mechanistic sense in the CMEA, its elaboration took a year less than envisaged. This often appraised feature explains why the Programme consists to a considerable degree of agreements and projects, that have previously been elaborated and partly even signed in other CMEA fora.29 The same is responsible for the Programme’s relatively intimate relationship to the topics that were discussed in the course of coordination of plans for 1986-90, but did not necessarily lead to conclusive outcomes. All this explains the large number of concrete objectives that are set at a sectoral/subsectoral level, and the comparatively meagre elaboration of the overall conditions for technological change and of methods conducive to these under concrete intra-CMEA arrangements. This was also a logical consequence of the fact that at the time of its elaboration the large majority of member states did not even contemplate abolishing the mandatory planning system. Therefore it is no surprise that the Programme of the future reflects conditions and power relations of the present to a great degree.

Since there is a separate presentation on the Programme in the present gathering, I confine myself to some practical aspects of implementation, that has a direct bearing for longer term perspectives. It is known that the Programme was elaborated hand in hand with the Soviet long-term plan, in similar structure moreover each and every coordinative ‘head organisation’

(gosudarstvena organizatsiya) is Soviet. This is why the Programme is somewhat 'Soviet-centred', i.e. from the very outset issues of who and what can contribute to Soviet modernisation endeavours came to the fore, whereas multilateral ties and relations among small CMEA countries remained insignificant. Knowing the problems of Soviet extractive industries and the comprehensive set of issues that make unlimited access to cheap Western credits highly improbable already in the coming years it is quite understandable that the heavier Soviet reliance on East European manufactures enhanced also their qualitative and quantitative requirements. It makes understandable why close-to-official Soviet observers expressed concern over the limited structural change and technological improvements assured by the coordination of plans for 1986-90, that limit the possibilities for expanding integrational trade. And the spillover of the collapse of fuel prices on world markets may turn the Soviet Union into a debtor also in roubles, actual turnover will lag behind the volumes envisaged by the protocols (if equilibrium considerations of the small countries prevail). None of these is really helpful to Soviet interests in importing more — partly by necessity — from East Europe.

Under these circumstances, it is small wonder that provisions of the CMEA Programme calling for global division of labour in technology as well as ones demanding world standards remained much on the paper. Although the jointly adopted text contains explicit references to the need for changing the integrational mechanism as a precondition for implementing the Programme, practical work could unfold only under the traditional arrangements. Moreover, the speed of signing agreements is still a success indicator. Therefore a large number of agreements have been signed, that are only very loosely related to mutual delivery obligations and other substantial chapters of national plans disposing over material and financial flows, therefore the related measures are often rather formal. Others complain of the lack of financial coverage of implementing the objectives formulated in physical terms, wherefore the detailed programmes either can not even be signed, or remain rather unspecified. Another source detailing the resolution of the Executive Committee on financing the Programme notes two relevant features: a) funda-

mental research and experimental production, comprising a large part of
specified Programme tasks must rely exclusively on national financing (no
investment [II] or IBEC credits may be granted), therefore their imple-
mentation becomes a function of limited national investment funds in a
lasting restrictive period, not of timetables and tasks approved on CMEA fora;
b) even joint financing is fit completely in the traditional arrangements of
'target-crediting', i.e. no progress towards multilateral of accounts is even
envisaged.

Equally traditionalist attempts have been made for specifying the exact size
of effective demand as well as investment potentialities and the efficiency of
concrete cooperative actions, that proved to be a failure²⁷ – for the well-
known general reasons. In order to overcome this proposals have been made
to elaborate 'special sections on integration' in the national plans, where
investment funds (in monetary and physical terms) would be preallocated in
the same compulsory way for the Programme as is the case with joint in-
vestments.²⁸ All this is indicative of the fact that under the conditions of the
old mechanism it was inevitable that cooperation projects in concreto stuck to
the established ways – which implies inward-looking and lack, rather than
acceleration of technological progress. The two interrelated facts are, by the
way, frequent subjects to criticisms in the Soviet political press.

Under these circumstances ambitions to increase imports from East Europe
in quantities seem to have dominated all other considerations. Theoretically,
the thesis of the economic system's dominating economic policies seems to
apply more than ever; until the mechanism favouring innovation is lacking
speeded up technological progress may remain an appealing political deliber-
ation, not reality.

What are the implications for the future? In order to attain novel goals,
novel means are required. According to present plans adopted in June-July,
1987, the new Soviet economic mechanism as a system will evolve by 1991.
Some years of 'trial and error' is needed for it to solidify and crystallize.
Therefore not earlier than in the mid-90's one may expect a radical reform of
the CMEA. Whether it will be in 1992 or 1998 – is far not irrelevant an issue.
For its impact on realities of the period under forcast, this, indeed, illustrates
the basic assumption: deeds and their timing by those who were subject to our
prognosis will exert determinant influence on the ex post value of this mental
exercise.

²⁷ Demčuk, V. & Vasil'ev, L.: 'Organizacija vypolnenija Kompleksnoj programmy NTP
²⁸ Zvroupin, J., Nikiforov, A. & Bykova, M.: 'Kompleksnoe planirovanie investicionno-
go sotrudnichestva stran-členov SEV', Ekonomičeskie Nauki, 1987-2, p. 82.