9 East, West, and South: The Role of the Centrally Planned Economies in the International Economy

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I INTRODUCTION

Twenty-five years ago, the Eastern socialist countries had gone as far as they could to isolate themselves from the world economy and even from each other. Stalin’s last year saw the full consequences of the autarchic policies and severe pressures he and his local administrators had imposed on the smaller countries of Eastern Europe as well as on the USSR. The strains proved excessive, the policies impossible to implement consistently, and a new political and economic leadership took a new course.

For different reasons, much the same may be said of the western embargo on sales of ‘strategic’ goods to the East, also at its height in the early 1950s. Thus while trade was rapidly expanding within each bloc, East and West gradually turned towards each other, then each pushed at a door which the other had already opened. Recently, both East and West have appeared to be trying to maximise the volume of trade between them, constrained only by limits on credit and a few residual strategic restrictions. One manifestation of this new climate is the East’s hard currency debt to the West, up from a few billion dollars at the turn of the decade to over $50 billion at the end of 1977.

East–South economic relations have not been so dramatically transformed, and it is perhaps more difficult to discern the underlying forces shaping them. Both Western and Eastern analysts have devoted comparatively little attention to East–South trade and payments, and
even less to the reciprocal impacts of each of the major triangular relationships upon the others. Indeed, the terminological problem of deriving this triangle of First, Second and Third Worlds from North-South and East-West suggests a fundamental substantive issue: For what purposes, and in what contexts, is the East part of the North?

The East has itself been ambivalent, but it cannot long postpone taking positions as North-South negotiations proceed and Eastern involvement in the world economy deepens. Much of my discussion points towards the argument in Section VIII that the East’s long-run interests and identification will be primarily with the North.

This overall identification partly arises from, partly determines Eastern attitudes towards the major separate issues: debt and the international financial system, trade preferences and restrictions cartels and stabilisation agreements for primary products, controls over multinational corporations, etc. It certainly does not preclude East-West conflict on these issues, but it defines the framework in which East-West disagreements can be handled. And if the argument is accepted, it implies that the long-run bargaining position of the South is weaker than it would otherwise be.

East or Eastern Europe means here the socialist, centrally planned economies of the USSR and the smaller countries of Eastern Europe (the Six), thus excluding Cuba, Yugoslavia, and the Asian CPEs. References to Comecon or CMEA (Council for Mutual Economic Assistance) will normally focus only on its East European members. The West is essentially OECD, the South all non-oil LDCs, and OPEC a separate fourth grouping. As indicated, constituents of the North are to be determined, mainly by reference to their relations with the South. Space constraints require that individual countries within these groups be distinguished only when necessary for the argument, but no bloc is monolithic. In particular, the position of some of the smaller Eastern countries may differ from those indicated in broad generalisations about CMEA.

I assume some fundamental geopolitical relationships, notably that the Warsaw Pact and Sino-Soviet hostility continue with little change for at least a generation. Soviet ideology remains Marxist, as do the Six, which stay in the Soviet sphere of influence, by armed force if necessary. East-West global strategic conflict and competition for economic and political influence continue without either East-West or Sino-Soviet War. That these restrictions still allow an extremely wide range of possible developments is suggested by the remarkable turnaround in East-West economic relations over the past twenty-five years.