Europe

Economic Growth in Europe
International Dimensions and Factors

by Professor Dr Bernard Cazes, Paris *

This article is an excerpt from the author's report presented at the Second International Symposium on New Problems of Advanced Societies in which he also discussed possible interrelations between military and economic parameters as well as some of Europe's domestic problems.

There is a rather wide agreement to consider that economic growth rates which Western economies achieved in the last 20 years or so were critically dependent on the continuing expansion of world trade that took place during the same period, and conversely that the more rapidly GNP is growing, the wider outlets for foreign trade are. This positive association was the outcome of several interrelated structural factors in the system of international economic relations of the 1950s and 1960s 1, including the existence of US leadership and its use to gradually build a set of arrangements conducive to freer trade, the dependence of US main economic partners – West Germany and Japan – on American protection, and the fact that increased transactions within the Western world took place in a context of sustained economic growth which helped every country to tide over transitional difficulties generated by foreign competition. All in all, a certain style of economic diplomacy progressively took roots in the "club" of advanced industrial countries, which implied a growing recognition by every member state that it had more to lose than to gain by immoderately using its sovereign right to be a nuisance to its neighbors.

Reversal of the Past "Virtuous Circle"?
The trouble is that this new behavioral pattern, in clear contrast with the one prevailing during the interwar period, is not based on any emotional and/or ideological tendency, but it only stems from a realistic appraisal of the pros and cons of playing a zero (or even worse a negative) sum game in a situation of intensified interdependence, which makes it in my view a fragile attainment liable to be jeopardized, should the aforementioned structural factors become less active and/or political new influences of a more inner-looking character come into play.

Now there are several indications that such a reversal of the past "virtuous circle" between international transactions and economic growth rates could happen. In the first place the emergence of détente in East-West relationships seems to have prompted Western governments to consider that security considerations were of a secondary order, or in any case that they did not take precedence over economic disagreements within the Alliance. Secondly, those European countries that are confronted with serious unemployment and balance of payments difficulties will be tempted to resort to import controls, competitive devaluations and costly import-substitutions in order to compensate for their inability to influence trends in their domestic factor-costs by some sort of incomes policy.

Thirdly, and most important, there are in Western Europe several schools of thought, related in part to left-oriented political affiliations, but where "Gaullist" components and Club of Rome (or "mondialiste", if one prefers) style of ideas come into play, all of which tend to take a distinctive

* Head, Division of Long-term Studies, Commissariat Général du Plan.

view of the international economic environment quite at variance with the one that prevailed during the last two decades.

**New Concept of Dependence**

The two main differences relate to the changes that are supposed to happen in the geographic location of world growth areas and to the interpretation which is given of the concept of dependence:

- According to this new vision of future international economic relations the oldest industrialized countries are no more the places with the brightest growth opportunities, for several reasons including increasingly unfavorable terms of trade between manufactured products and raw materials, saturated demand for consumer durable goods, mounting production costs due to environmental protection, etc. Therefore the only hope for developed countries to keep some growth potential is to take advantage of the promising possibilities provided by the "middle class" countries of the Third World, especially the oil producing ones. New trade patterns would thereby emerge through bilateral State-to-State agreements, in which developed countries might meet their natural resources needs in return for their exports of sophisticated machinery and engineering services. In some extreme variants such as the so-called model of "Mediterranean Europe" these preferential trade and investment linkages would take place among politically like-minded countries, while there would be a loosening up of the former ties with the "citadel of capitalism" and its European extensions such as West Germany.

- Economic dependence is acknowledged as a truly crucial issue, but the emphasis is definitely not on oil and other non-renewable materials because, either it would be politically awkward to recognize that anti-imperialist countries can rely on economic blackmail, or the difficulty is expected to be taken care of thanks to bilateral agreements and their attendant security of supply, and/or by alternative energy sources (with special reference to "soft" energy supplied by wind or sun). Admittedly European dependence on some imported raw materials is occasionally stressed, especially wood pulp and, of course, US provided legume proteins (soya) for cattle feeding, but this is a field where political and neo-mercantilist considerations are so inextricably mixed that one finds it quite difficult, as in the new VIIth French Plan (1976–80) to assess whether import substitutions are advocated to increase one's political leverage in international encounters, to save foreign exchange (by a de facto "commodity devaluation") or simply to seize up previously neglected investment opportunities.

As far as dependence is concerned the main aspect which is most frequently identified is related to advanced technology, with its twin dimensions of vulnerability and "helotization". Vulnerability refers to the damages which the supplier country can inflict with impunity to its partners by interrupting sales at its will or by arbitrarily fixing prices and other conditions of delivery. "Helotization" is a phrase of my own which is meant to describe the fear one finds expressed in books like Servan-Schreiber’s "The American Challenge", according to which any country which refrains from producing technologically advanced machinery is depriving its scientists and engineers from the opportunity of "learning by doing" and eventually will find itself willy-nilly specialized more and more in low added-value lines of production.

Whatever the psychic gratifications or short-term gains in domestic politics this conception of international relations may bring its followers, there are I believe some good reasons to doubt its relevance for significantly improving Europe's geopolitical position.

**Non-Ricardian Specialization**

Concerning the pattern of international relations, the inner-looking approach which I have discussed neglects one crucial element therein, which is the character of the economic specialization process that took place after World War II. According to conventional economic theory trade occurs between unlike countries which exchange unlike goods between themselves according to their natural and other factors endowment, following the well-known Ricardian illustration of Portuguese Port wine being traded for English wool. What happened to Western foreign trade is a quite different story, viz that commercial transactions increased most rapidly between like countries, that is advanced industrial economies, and they mostly concerned like products, in the sense that international specialization which occurred was of an *intra*-branch and *intra*-product nature, while one should have anticipated a broader, less finely-grained *intra*-branch pattern.

This counter-intuitive process actually reflects the new conditions of production and consumption in advanced market economies with their typical

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2 Curiously enough, Eastern countries which used to be considered during the early 50s as quite interesting economic partners (or even as dangerous competitors for the capitalist world) are now viewed with more detachment, in contrast with the high expectations which one finds in the USA toward East-West trade relations.

3 Cf. Nouvel Observateur (1975), special issue on the world crisis.