

Structural Adjustment In The World Economy And East-West-South Economic Cooperation*

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With the assistance of *Dirk Hansohm* and *Peter Oesterdiekhoff*

I. Introduction

In his introductory lecture Karl Wohlmuth (University of Bremen, Federal Republic of Germany), the coordinating course director, gave his views on the subject of the course »Structural Adjustment In The World Economy And East-West-South Economic Cooperation«. He argued that the structural adjustments which are required in the Western, the Eastern and the Southern countries during the 1980s and the 1990s are tremendous, and far greater than can be expected to take place without a concerted effort of the Western, the Eastern and the Southern countries.

II. East-West-South Economic Interactions

The first broad topic was »East-West-South Economic Interactions«. It comprised 14 lectures addressing different aspects of East-West-South, East-South, West-South and East-West economic relations in general or as country case studies.

II. 1. East-West-South Economic Relations

In his lecture »International Economic Interdependence and the Prospects for East-West-South Cooperation« Adam Gwiazda (University of Gdansk, Poland) presented various interpretations of the concept of international economic interdependence, discussed favourable conditions for increased international economic interdependence and gave some empirical evidence for the different fields of energy, food, raw materials and financial links.

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Chong-Ki Choi (Korean Institute of International Studies, Seoul, South Korea) gave a combined lecture about »South Korea and East-West-South Economic Relations« and »Economic Cooperation Among Asia-Pacific Regions«. In this context he outlined South Korea's economic and foreign trade policies and compared its performance with that of North Korea.

II. 2. East-South Economic Relations

As a basis for his assessment of »The East-South Interplay in the 1980s« Laszlo Lang (Institute for World Economics of the Hungarian Academy of Sciences, Budapest) described the history of the East-South trade patterns from the 1960s onwards. He pointed out the »complementarity« of their economies.

Laszlo Lang complemented his general analysis with a case study: »East-South Competition and Hungarian Investment Policies«. He set the Eastern exports and investments and especially those of Hungary in the context of their relations to the West as well as to competition from the South.

In her lecture on »The CMEA Countries and Imports of Manufactures from the Third World« Rozália Bogó (Institute for Economic and Market Research, Budapest, Hungary) started with an elaboration of data pointing to the fact that the low share of Less Developed Countries (LDCs) in imports of manufactures by CMEA countries kept falling during the 1970s, whereas the same share in OECD-imports has risen significantly during the same period. Trade between CMEA and LDCs is much more of a complementary character, raw materials and tropical products accounting for an overwhelming share of the CMEA's import bill.

The lecture by Judit Kiss (Institute for World Economics of the Hungarian Academy of Sciences, Budapest, Hungary) on »Competition or Cooperation? Agricultural Trade of the Socialist and the Developed Countries« dealt with agricultural competition and cooperation of developing countries and small European CMEA countries. The competition in agricultural markets has become keener during the last decade, as can be seen from the deteriorating position of socialist and developing countries in the EEC market. The socialist countries were at the same time able to maintain their market shares of agricultural products in developing countries and even to increase their market share in the Near East and in Africa.

Oluoyemi Timothy Adejumo (Sopot, Poland) gave informations on several aspects of »Bilateral Cooperation Between Nigeria and the Socialist Countries«. Fields of cooperation are inter alia trade, agriculture, building and construction, technology, health, and education. Examples of cooperation with outstanding importance to Nigeria's development are the iron and steel industry, pharmaceutical industries built under licences from CMEA countries, a machine tool industry sponsored by the GDR, and the delivery of port equipment.

Horst Brezinski (University of Paderborn, Federal Republic of Germany) gave a lecture on »The CMEA and its Developing Countries«, which include Mongolia, Cuba and Vietnam. He contrasted the goals of the CMEA charter – raising of the level of industrialization, and equalization of development levels – with the economic reality. His conclusions were that the central planning mechanism of the CMEA and its development aid would force its LDCs to practise a static comparative advantage allocation of resources.

II. 3. East-South and South-South Economic Relations

Dirk Hansohm and Karl Wohlmuth (University of Bremen, Federal Republic of Germany) gave a lecture on »East-South and South-South Economic Cooperation of the Democratic Republic of Sudan«

The lecture gave an account of the several stages of the international orientation of the Sudan and the related changes in foreign trade flows. Two phases of delinking from exclusive dependence on Western countries were identified. The years 1969–71 witnessed an intensive cooperation with the USSR which was stopped abruptly. The new orientation afterwards led to the plans for cooperation in a regional Arab context. The trade with CMEA countries was based on a commodity structure which was similar to the trade with the West, thus rendering no help to the Sudan to effect structural changes in its economy. Cooperation in an Arab context has also failed to give a new impetus to structural changes in the economy. More opportunities are expected from a more self-reliant development path and South-South cooperation in food security programmes.

II. 4. West-South Economic Relations

The lecture »Developing Countries versus Developed Countries and the Problem of Adjustment: The Case of Textiles« by Reinhard Schmale (University of Bremen, Federal Republic of Germany) gave an overview of world trade trends of textiles and clothing and the related policies. LDCs have lost ground in this trade to Newly Industrializing Countries (NICs) which have increased their market position even in the home market of LDCs. Various adjustment strategies are implemented by developed countries, including also governmental subsidies to increase productivity and to maintain employment. It was pointed out that developed countries and NICs benefit from the Multi-Fiber-Agreement (MFA) at the expense of LDCs.

II. 5. East-West Economic Relations

In his lecture »International Economic Relations in the Correlation between Politics and Economics, with Specific Consideration to Economic Relations between East and West« Jürgen Nitz (Institute for International Politics and Economics, Berlin, GDR) gave a brief review of East-West trade during the 1970s and 1980s. Future prospects are linked predominantly to political options which are determined in particular by what the United States call »economic war«. It consists of blockades in the fields of technology transfer, credits and trade, of which only the technological blockade has proved to be successful.

In his second lecture on »Confidence-Building in East-West Economic Relations and Aspects of a Charter of Economic Confidence« Jürgen Nitz first gave an assessment of present troubles in East-West economic relations. The most outstanding problems are identified as the deterioration of international relations (arms race), the instigation of economic war by the United States and the worsening economic situation in the West, which all have undermined confidence in economic relations. In order to restore and to consolidate confidence several declarations and measures should be codified and drafted into a Charter of Economic Confidence-Building.

Franz-Lothar Altmann (Osteuropa-Institut, Munich, Federal Republic of Germany) focussed in his contribution »Traditional and New Forms of Bilateral Trade: Countertrade« on a form of bilateral trade in the East-West relations which had been »rediscovered« by CMEA countries in order to match growing financial deficits during the 1970s. There are several forms of countertrade practised in East-West trade totalling to about 15 % of the overall East-West trade volume.

Adam Gwiazda (University of Gdansk, Poland) gave a lecture on »Poland's Economic Cooperation with the West in recent years«. He began with an outline of the history of Poland's economic relations with the West after 1954. Poland's share in world trade was described as not being appropriate to the country's potential and as not increasing significantly.

III. Extra-Economic Determinants of Economic Relations and of Economic Development

The second broad topic dealt with extra-economic determinants of economic relations and of economic development in general, namely with political and ecological factors.

III. 1. Political Determinants of East-West Economic Relations

In his lecture about »East-West Economic Relations as a West European-American Problem« Hanns-D. Jacobsen (West Berlin) summarized the history of both US and West

European economic policies towards the East after the Second World War in the context of their global political interests. He demonstrated that increasingly contradictions occurred within the Western bloc. They culminated in the conflict concerning the gas pipeline from Siberia to Western Europe.

Adam Gwiazda (University of Gdansk, Poland) started his lecture on »Uncertain Future of the East-West Economic Relations« with the statement that these relations have been subject to much controversial discussion which does not correspond to its quite »negligible« real significance. Setting them in the context of political relations, he pointed out the determinants for their expansion in the 1970s and their decline in the 1980s (one-way character of technology transfer, indebtedness of the East, political tensions).

III. 2. Ecological Determinants of International Development and Cooperation

Udo E. Simonis (Science Center, International Institute for Environment and Society, West Berlin) held a lecture on »Economy and Ecology – Development in Harmony with Nature«. From the world-wide ecological crisis he drew the conclusion that it would be necessary to include ecology in economic theory. The task would be to attain qualitative development. Simonis emphasized that this would not mean to stop growth, but rather to redefine it.

Udo E. Simonis also gave a lecture on »International Cooperation in Environmental Protection« – or: »Ecological Modernization of the Economies«. In its first part the lecture gave informations based on a recent UNEP-report covering the ecological situation during the years 1972–82. It contains a large amount of material on the ecological deterioration in LDC's, concerning the atmosphere, oceans, water consumption, the lithosphere and the social environment.

IV. World Economic Crisis, Global Economic Management and East-West-South Cooperation

The third broad topic was »The world economic crisis and East-West-South Cooperation«, including an analysis of the international trading and financial systems.

IV. 1. The World Food Crisis

In her lecture »Why is Africa Starving?« Judit Kiss (Institute for World Economics of the Hungarian Academy of Sciences, Budapest, Hungary) presented statistical evidence on the worsening food situation in Africa during the early 1980s and discussed several approaches and factors of explanation. She considered the local and the international dimensions of this most pressing world problem.

IV. 2. The crisis of the International Trading System – The Role of the GATT

Peter Williams (GATT, Geneva) gave a lecture on »The GATT Approach to Relationships between Structural Adjustment and International Trade«. He outlined the central objective of this organization – to reduce obstacles to international trade and regarded this as a major task of structural adjustment. He summarized GATT's history since 1947 and concluded that it had contributed to positive structural adjustment by trade liberalization.

The lecture by Nicolas Marian (UNCTAD, Geneva), on »Structural adjustment, technological change and international specialisation: general aspects and the case of textiles and clothing« gave an introduction into definitions of and approaches to structural adjustment policies by the GATT. According to GATT, trade barriers cause imbalances and distortions of production structures; the same effects are attributed to different categories of subsidies. GATT aims at government negotiations in order to abolish these measures, but is hampered by the DC's refuse to negotiate on a sectoral level, preferring to talk in general terms.

IV. 3. The International Debt Crisis – The Role of Commercial Banks and International Organisations

Claudia Dziobek (John F. Kennedy-Institute, Free University of Berlin, West Berlin) gave a lecture on »U.S. Multinational Banks' »Joint Venture« into the Third World«. After giving an overview of the current international debt situation, she explained the rise of private lending as an important structural change and analysed the US banking sector. She pointed out that although the number of bank collapses is rising most banks were doing very well and managed to shift the burden of adjustment elsewhere, to the borrowing countries and to the tax payer.

George Sutija (Florida International University, Miami, USA) gave a combined lecture on »Eurodollars and Latin American Debt« and »Latin American Debt Problems«. After giving evidence on the Latin American debt crisis he elaborated on the reasons for the high level of indebtedness and on the very close connection to the Eurodollar market.

Karl Wohlmuth (University of Bremen, Federal Republic of Germany) gave a comment on »IMF and World Bank Structural Adjustment Policies: Cooperation or Conflict?«. He emphasized that both institutions reacted to the growing demands for supporting the structural adjustment processes of non-oil developing countries. New instruments were developed – the IMF's Extended Fund Facility after the first oil price shock and the World Bank's Structural Adjustment Loans after the second oil price shock. The experiences with these instruments are mixed, but the need for longer-term structural adjustment financing and for new concepts of adjustment and conditionality is evident.

IV. 4. Internalization of International Economic Relations

In his lecture »Internalization of International Economic Relations and Structural Adjustment in the World Economy« Marjan Svetlicic (Institute for Cooperation with Developing Countries, Ljubljana, Yugoslavia) presented quantitative material on the degree of transnational integration through intrafirm trade or, in a broader definition, »related parties trade« for different country groups and different products. Overall, he estimated that between 30 and 45 % of all trade is internalized.

IV. 5. Unequal Exchange and International Raw Materials-Markets

In his lecture »Unequal Exchange – A New Approach« Kunibert Raffer (University of Vienna, Austria) reconsidered the impact of trade on North-South relations. Starting from a critique of traditional approaches in the field of unequal trade theory he elaborated a detailed theoretical basis having regard to the market power of Third World raw materials exporters viz-a-viz TNCs.

In his lecture on »OPEC – The Making and Breaking of Third World Economic Power« Kunibert Raffer claimed that the history of OPEC does not contradict the dependency theory's point of view but, on the contrary, is a good example to corroborate this theory. He argued that after the first »oil shock« the OPEC states had ceased being poor, but they remained dependent. Raffer worked out that this »shock« was serving the interests of the Oil TNCs and the US government.

In the first part of his lecture on »Raw Materials Supply of Western and Eastern Countries: The Case of African Minerals« Kunibert Raffer analysed the West European-African treaties concerning raw materials supply. From his strict »dependencia« point of view he interpreted this relation as harmful for the African economies (resulting in growth without development). However, the Eastern policy in this regard is considered as even more conservative.

IV. 6. International Trade and International Shipping

In his lecture »Structural Change in World Shipping« Robert Kappel (Institute of Shipping Economics & -Logistics, Bremen, Federal Republic of Germany) gave an outline of the dynamics of sea-borne trade and the various aspects of shipping policies. Because of the recessive trends in the world economy growth rates of seaborne trade have decreased in the 1980s. International competition has also been intensified by new technologies in shipping, introduced mainly in the United States and the Far East.

In his second contribution on »Liberia's shipping policies« Robert Kappel described some features of Liberia's participation in international shipping. Liberia offers the open

registry due to special relationships to the United States, but has not much benefitted from this system: in 1980 the Liberian government received not more than \$ 18 mio. of revenues.

V. Regional Aspects of Structural Adjustment

In the fourth section several »Regional Aspects of Structural Adjustment« were analysed and discussed. It was organized into three subsections, dealing with problems and policies of structural adjustment in the East, the West and the South. Before going into the subsections a general debate on economic systems and the significance of entrepreneurship took place, introduced by the contribution of Jan B. Luytjes (Florida International University, Miami, USA) who started his lecture about »Public-Private Sector Relationships in a Changing World« by contrasting the classical model of a *laissez-faire* system with the model of centrally controlled economies. These he set out to clarify the optimal relation (maximum of productivity) of both systems under the conditions of rapid technological change. In this context he elaborated on the role and origin of entrepreneurship.

V. 1. Structural Adjustments in the East

The lecture on »Structural Policy in a Developed Socialist Economy – The Case of Czechoslovakia« by Franz-Lothar Altmann (Osteuropa-Institut, Munich, Federal Republic of Germany) outlined the difficulties of a relatively advanced socialist country in adjusting its industrial structure to economic and technological changes. In the case of a developed country like the CSSR structural adjustment does mean fine-tuning, reacting to tendencies of the world market. Production heavily consumes energy – (imported fuel) and raw materials – (steel and non-ferrous metals) but structural policies have failed in establishing new priorities of investment in the fields of electronics, energy-saving and economizing on raw materials in due time.

The lecture of Horst Brezinski on »Case Study – Mongolia within the CMEA« draws a picture of the economic integration of Mongolia into the CMEA and the related development strategies. This process was based on the development of livestock resources for national demand and export markets (USSR), the increase of energy production, and the exploitation of mineral resources to meet the needs of CMEA countries. But the policies were not successful, as demonstrated by very slow GNP/per capita and productivity rises and an emerging unequal regional pattern of economic activity. The difference in per capita incomes to European CMEA members has risen.

V. 2. Structural Adjustments in the West

In the lecture on »Employment Effects of Structural Change Due to International Economic Linkages in an Economy with Segmented Labour Markets: The Case of the Federal Republic of Germany« by Joachim Wagner (University of Hannover, Federal Republic of Germany) the significance of labour market segmentation in employment effects of structural changes caused by international linkages was discussed. Based on a model of labour market adjustments, the immobilities and costs of adjustment induced by changes of the FRG's foreign trade structure were analysed. Although informations on this topic are scant it can be assumed that labour market segmentation tends to increase the adjustment costs. Further studies on the micro-level are required to investigate processes of adjustment and reallocation of labour.

Lutz Bellmann and Joachim Wagner (both University of Hannover, Federal Republic of Germany) presented an econometric study on »Adjustment Strategies in Import-Sensitive Manufacturing Industries: Determinants and Employment Consequences. An Econometric Study for the Federal Republic of Germany, 1976–1982«. Based on data at industry level they arrived at the conclusion that there seems to be no significant link between employment, import pressure, and strategies of adjustment. This result was assumed to be due to the level of aggregation, as structural change in the FRG tends to be increasingly of an intra-industrial type.

V. 3. Structural Adjustments in the South

The lecture by M.A. Mohamed Salih (University of Khartoum, D.R. of Sudan) on the »Case Sudan: Structural Adjustments« gave an overview on the genesis and the current impact of economic problems of the Sudan and related policies. The »breadbasket strategy«, which was incorporated in the Six Year Plan, gave priority to agroindustries, agricultural exports and import substitution aiming at self-sufficiency in food and the generation of an exportable surplus. In spite of the huge injection of capital into the economy there are no signs of improvement in terms of productivity. The Sudan is still suffering from internal and external adjustment problems.

In his lecture on »The Limited Success of IMF/World Bank Policies in Sudan« Dirk Hansohm (University of Bremen, Federal Republic of Germany) started with a summary of the history of the economic crisis in the Sudan. Against this background the conditions of the IMF for stand-by credits and the more supply-oriented policy concept of the World Bank were analysed. Though the Sudan agreed to the IMF conditions from 1979 onwards, the experiences in the field of overall economic stabilization are not in accordance with the promises of the programme. Not only did the economic situation deteriorate internally and externally, but – in the long-run probably even worse –, the Sudan lost its capability to implement alternative policies.

In her lecture on »IMF Economic Policies Towards Third World Debtor Countries: Purpose, Effects, and Long Run Viability« Claudia Dziobek discussed the position of the IMF which is not limited to a mere mediation between debtors and creditors, but is first of all based on its ability to influence the debtors' capacity to manage external debts. The basic assumption of IMF proposals towards debtor countries is the promise that a lasting solution to debt crises can be effected by a sound management of resources, i.e. a transfer of resources from »unproductive« to »productive« uses within a national economy. Against this view it is argued that a deliberate policy of reducing the LDCs' debts can also be a realistic option, without disrupting the international financial system.

The statement on »Togo – a Case of Structural Adjustment« by Michel Abega, Akouavi Dela Apedjinou and Abraham Teclé (University of Bremen, Federal Republic of Germany) gave informations on structural adjustment problems of an export-dependent African economy. The overambitious industrialization programme during the second half of the 1970s resulted in a sharp rise of external debt, from SDR 50m in 1973 to more than SDR 700m in 1980. Togo agreed to an IMF stabilization programme which envisaged the closing down of several public enterprises and an austerity budget including cuts in public expenditures by about 15 %.

In his lecture on »Non-Factory Small Industry Promotion in LLDCs – An Instrument of Structural Adjustment« Peter Oesterdiekhoff (University of Bremen, Federal Republic of Germany) pointed to the fact that new development concepts pay more attention to small-scale rural industries, particularly to agriculturally-related sectors. Non-factory small industry promotion is a suitable element of structural adjustment because of some of its peculiar features.

VI. New Multinational Forms of East-West-South Cooperation

In the fifth section dedicated to »New Multilateral Forms of East-West-South Cooperation« there was one contribution discussing an increasingly important phenomenon of South-South cooperation. Marjan Svetlicic (Institute for Cooperation with Developing Countries, Ljubljana, Yugoslavia) gave a combined lecture on »Joint Ventures among Developing Countries as a Vehicle for Restructuring Their Position in the World Economy« and »Rationale for Developing Countries' MNCs«. He stated that today the expression »TNC – Transnational Corporation« is more appropriate to characterize most of the new actors in the South than »MNC – Multinational Corporation«, because their management is not multinational. Thus the Third World TNCs would constitute a continuation of unequal relations, by concentrating the power in the hands of owners from one or few countries. The number of effective Joint Ventures between developing countries is still very small. Svetlicic pointed out some fields where Third World TNCs are competitive on Southern markets and more appropriate to the development of these countries: i.a. more adapted technology, smaller size, more use of local inputs, much lower overhead costs and the need for local partners.

VII. Conclusions

In concluding statements some highlights of the course discussions were taken up. Karl Wohlmuth considered the main structural adjustment issues of the South (e.g. in agriculture and in public sectors) and mentioned some approaches to solve the most immediate problems. Nicolas Marian spoke about the structural adjustment problems of the Western countries, emphasizing that restrictive trade measures hampered structural change, shifting the burden of adjustment to the South. Horst D. Brezinski considered the main structural adjustment problems of the East. He referred to the ideological/political divergencies prevalent between socialist countries and the various concepts of planning and reform as determining structural adjustments. Therefore, a consensus on structural adjustment policies has not emerged so far. Franz-Lothar Altmann dealt with the perspectives of the East-West relations. The main bottlenecks in improving economic relations between the East and the West were mentioned (e.g. the limited technological capacity of the socialist countries and the unfavourable political environment for cooperation). Rozalia Bogo spoke on East-South relations and gave a rather pessimistic projection because of the structural weakness in the East and in the South. Political reforms and firm adjustment policies in the East and in the South are important in order to create the conditions for improving economic cooperation. Udo E. Simonis argued in his statement on ecological modernization and structural adjustment that a type of intellectual adjustment is necessary, because of the trend in economics to think only in terms of balance of payments adjustment or internal economic adjustment. Claudia Dziobek considered the perspectives of the international finance system and of the debt crisis. She found out that the main assumptions about the causes of the current crisis are wrong.

The Course was concluded by Karl Wohlmuth, the Coordinating Course Director. A selected number of articles will be published in a book with the same title, 'Structural Adjustment In The World Economy And East-West-South Economic Cooperation'. Information: Karl Wohlmuth, Professor of Economics, University of Bremen, Bibliothekstraße, P.O. Box 330 440, 2800 Bremen 33, Federal Republic of Germany.