10 Conclusions

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This book has focused on a particular historical moment when the socialist regimes of Europe banked their hopes for prosperity and stability on enhanced relations with the West, and more specifically Western Europe. Our specific intent was to explore, and hence reveal, the debate in each country among and within the elites involved in policymaking as they elaborated this strategic view and coped with shortcomings and unexpected turns. A comparative analysis of national cases reveals a shared logic and common patterns, together with national variations and a plurality of views on the desirability of exchanges with the capitalist neighbours and the ways to promote them.

Our first interest was to investigate the European socialist regimes' expectations with regard to East-West relations in the 1970s. Our findings confirm that all the socialist regimes read European détente and the ensuing emergence of a pan-European space for cooperation as an opportunity to quickly and effectively modernise their economies, catch up with the capitalist West and hopefully leap forward, ultimately achieving better living standards for their people. Party leaders and officials did not abandon notions of socialism as a more progressive system, inherently different from and opposed to capitalism. Neither did they subscribe to reformist views of a liberalised and democratised socialism. Instead, they aimed at consolidating their single-party domestic rule and making socialism stronger and more influential on a global scale. To achieve these goals, the socialist economies had to become more productive, efficient, internationally competitive and more responsive to the material needs of their citizens. Among them, the Polish leadership stands out for its ambition and confidence, which was epitomised in the regime's slogan 'Poland, the 10th global industrial power'.¹

The policy all the socialist regimes pursued at the time was one of import-led growth, which relied on increased imports of advanced technology and investment goods from advanced capitalist economies, particularly those of Western Europe, in order to upgrade their industrial structures. These massive purchases required substantial loans, which Western banks and governments were eager to provide at cheap rates for most of the 1970s. The assumption was that the new investments would spur economic growth and expand export capacities. International loans would then be gradually repaid with the increased earnings expected

from this virtuous cycle. In short, a modernised industrial structure would reduce the gap that separated the socialist countries from the most advanced economies and provide socialism with the means to take the best advantage of a fast-growing global economy.

Some regimes also planned to import consumer goods from Western Europe in order to raise living standards before this could be done via domestic production. Yugoslavia stands out for its policies of openness in this respect. In the socialist bloc, the most impressive case was Poland, whose political elite was confident that the country's quality of life could soon equal that of the capitalist European countries. The Hungarian elite was also thinking along these lines but was less bold in its rhetoric. By contrast, the governments of Czechoslovakia and the GDR were more cautious. They tackled the problem of popular satisfaction not only with imports from the West but primarily by means of social policy (e.g. housing, services, holiday programmes). The Bulgarian leadership pursued increased consumption through domestic economic reforms, and imports of consumer goods remained negligible until 1989. Although improvement of the standard of living was considered the ultimate goal of socialism in Romania, the ruling elite gave predominant emphasis to investments in new plants and infrastructure for fully fledged industrialisation.

Appraisal of the opportunities offered by *détente* was not limited to economic aspects. The prominence of security and foreign policy motivations was apparent in Yugoslavia's cautious yet steady path towards closer relations with Western Europe and the EEC in particular. In Yugoslavia, Western Europe and the US, the question of safely anchoring socialist Yugoslavia to the West, or at least of protecting it from any possible direct or indirect Soviet takeover and meddling after Tito's death, was high on the political agenda. For the GDR and Poland, the most important aspects of *détente* were the securing of borders and the international political recognition of East Germany. As Europe increasingly became a space for rapprochement, recombination and convergence, the socialist bloc countries also viewed connections with Western Europe as levers for reconfiguring hierarchies within the socialist bloc and vis-à-vis Moscow. In two cases, this policy was pursued with determination and a distinctive streak of nationalism. The new Polish leadership in the early 1970s believed that their country should (and had the right to) play a central role in European affairs and aimed to be the second most influential socialist country after the Soviet Union. Romania boldly asserted its political autonomy from the 1960s onwards, earning the label of "maverick" of the socialist bloc. Our research shows the fundamental importance that the conceptualisation of national sovereignty had in shaping the Romanian ruling elite's economic visions and strategy, and its determination to go against CMEA common positions and Soviet advice alike on a series of issues. Romanian nationalism went hand in hand with serious distrust of the willingness of the other socialist countries to consider Romanian interests. The most interesting case, though, is Bulgaria, the elite of which conceived of trade as an instrument to open political relations with Western European states and hence to overcome the long-term peripheral condition of the country that it deeply resented. This, however, was done in the name of the

socialist doctrine of peaceful coexistence and hence caused no serious discords with the USSR.

The chapters in this book show the limited extent of Soviet control over the other socialist bloc countries' pursuit of their Western strategies. On several occasions, the Soviets tried to reverse their allies' foreign trade policies. Brezhnev personally, and sometimes harshly, warned his allies of the perils of becoming too dependent on Western markets and loans, but to little avail. Both Honecker and Ceausescu, for instance, actually blamed the Soviets for not satisfying their allies' needs and presented increased exchanges with the West as unavoidable. The Polish leadership avoided confrontation but covered up statistics to prove to the Soviets that the country was not so dependent on the West as they claimed. In Hungary, Kádár and his older generation comrades restrained bolder moves suggested by experts and some ministerial officials for fear that Moscow might withdraw its energy supplies or even decide on political intervention. Nonetheless, Hungary gradually supplemented the idea of socialist integration with rapprochement to Western Europe.

Indeed, a further conclusion that the research behind these chapters validates is that in pursuing their Western strategies, the European socialist regimes developed increasingly national outlooks and goals. Romania openly challenged bloc discipline, to the point of internationally presenting itself as a developing country in order to extract preferential treatment on trade and credit. Although less outspoken, most of the other regimes were no less keen to carve out for themselves a more advantageous position in international relations, and often tried to out-compete their socialist partners. Above all, they pinned their hopes on expanding their trade *outside* the socialist bloc and on multiplying their partners and options. Even the GDR, which was the most committed to improving CMEA cooperation, viewed trade with capitalist countries as a necessity so as to compensate for the shortcomings of intra-CMEA trade. As a result, the bloc was not undone but certainly loosened, and became an even less cohesive coalition.

This is particularly evident when it came to how to deal with the EEC. Its policies, tariffs and expanding membership badly hit the export component of the socialist countries' strategies. No regime considered the Soviet proposal that they should reduce trade with Western Europe so as to diminish their economic vulnerability vis-à-vis EEC protectionism. All, however, bowed to bloc unity by respecting the policy of non-recognition and supporting the idea of EEC-CMEA negotiations. However, what they understood by this varied greatly. Romania constantly refused to release foreign trade policy up to the CMEA level. While Hungary, Poland, Czechoslovakia and Bulgaria initially supported negotiations with the EEC as a group so as to have a stronger bargaining position, they did not give up the possibility of also dealing bilaterally with the EEC. Pending recognition, they devised various strategies to cope with EEC protectionist policies. All tried to insist on bilateral trade relations with EEC member states. With the sole exception of the GDR, European socialist regimes also tried to use international fora to build coalitions against EEC tariffs and barriers – mainly the GATT but

also the UNCTAD in the case of Bulgaria and the G-77 for Romania. This strategy of bypassing the EEC, however, often reached a dead end. With the exception of the GDR, direct contacts with the EEC Commission became inevitable. The socialist countries upgraded their embassy staff in Brussels with officials specifically responsible for Community contacts. In this process, emulation played an important role. Hungary, Romania and Bulgaria explicitly looked at the Polish example when deciding to enter into technical contacts and agreement with the EEC on agricultural exports. Bulgaria imitated Hungary in turning to GATT and Romania in requesting access to the EEC's preferential scheme for developing countries. In this case, both Bulgaria and Romania had the Yugoslav example in mind.

In the first half of the 1970s, all the European socialist countries pursued new trade arrangements, signed license agreements with Western partners and took up loans to finance technology imports. The noticeable exception was Czechoslovakia, where the political *normalisation* process went hand in hand with economic consolidation and fiscal prudence. The initial results were encouraging for all. In the early 1970s, Poland and Romania experienced record economic growth; Bulgaria, the GDR and Hungary also performed very well. The planners' expectations of a stronger and more prosperous socialism therefore seemed to be borne out, thus stimulating further loans and investments.

Ironically, the import-led growth strategy to prompt socialist modernisation and prosperity relied, at least in the short to medium term, on the dynamism of the capitalist economies. Western Europe's recession in the mid-1970s was a serious blow to the socialist regimes' economic strategies because it led to protectionist measures to preserve the worst-hit sectors of the economy. Moreover, they faced growing competition from newly rampant East Asian economies and from African countries that had privileged access to the EEC market. The limited possibility of exporting, and hence gaining hard currency to repay debts combined with the availability of cheaper loans – thanks to the petrodollars flooding Western banks – to create the preconditions for the debt trap. The West's triumphalist narrative has long depicted the socialist ruling elites as unable to understand finance and therefore blindly walking into spiralling indebtedness. Our research proves this to be a misconceived view. For starters, the peril of getting into heavy debt was known and accurately understood. The Czechoslovak elites, for instance, were highly sensitive to the risk of indebtedness and took very cautious decisions. The Bulgarian government was also less risk-prone. Even in the GDR the dilemma of import needs and growing indebtedness was omnipresent. More crucially, the problem of the countries that got into the debt trap was that the party leadership chose not to listen to warnings by experts, central bankers, branches of the state apparatus and Moscow. In Hungary, Romania and Poland (at least initially), the leadership had faith in the strategy adopted and was optimistic about the country's capacity to repay debts through exports. In Poland and the GDR, Gierek and Honecker personally silenced internal opposition (notably from the ministers of defence and of finance) because they knew their regimes'

existence rested on popular satisfaction and hence considered a U-turn too politically costly.

Indeed, another important conclusion that our research brings to the fore is the plurality of voices in the policymaking process in the socialist countries in the 1970s. With the single exception of the GDR, where foreign trade and finance remained under the strict control of the top political leadership, national strategies towards the West opened room for the agency and even some autonomy of ministries and government organisations, the experts they employed or consulted, trade associations and their officials, and managers in key sectors. In Ceausescu's Romania, most surprisingly, ministerial staff, experts and diplomats in Brussels were constantly asked by the party leadership to provide information and solutions, which were then approved in most cases. With the exception of Hungary, where the party was involved throughout, the top leadership usually signed up to the broad guidelines of the strategy and was occasionally involved at the level of crucial symbolic decisions, but the definition and implementation of the strategy's tenets, the actual pursuit of agreements and the search for new venues and means was in the hands of mid- to high-level government officials, managers and experts. Thus, the party's grip became looser and the internal structure of the regimes less cohesive (a process most apparent in Yugoslavia's creeping confederalisation of economic decisions), new areas of expertise were cultivated in the extended networking with international institutions and Western firms, and the socialist elite grew more differentiated by task, training and exposure to foreign experiences. Notably, academics and foreign trade organisation managers had better knowledge and understanding of international economic dynamics together with a direct stake in more contacts with the West, and were usually keen advocates of the Western strategy and of direct relations with the EEC. As the cases of Poland, Czechoslovakia and Hungary reveal, the generational shift was also a key factor in the growing support for these policy lines. In Hungary, the party's young reformist wing even called for a demonstrative *political* agreement with the EEC to prove Hungary's commitment to its most important European commercial partners. Indeed, in some cases, like Hungary, the EEC question caused sharp debates among the elites; in others, like Romania, there were almost unanimous views on how the country should approach the EEC (and the CMEA). Overall, the chapters in this book shed light on how the socialist elites envisioned and debated the coexistence and interaction between adjacent and overlapping spaces shaped by contrasting logics: the socialist bloc and Western European integration; ideological rivalry and a new cooperative stance; important bilateral relations; and emerging multilateral frameworks.

Taken together, this book's chapters give us a detailed historical catalogue of the various factors that contributed both to the early achievements and to the subsequent setbacks and failures of socialism's Western strategy. The insertion of new technologies and procedures without substantial alterations to the overall planning system did not kick the entire economy into higher gear. Slow and shoddy supplies hampered the new production lines. Existing working practices

prevented or hindered the deep restructuring that was common practice in Western factories, thus forestalling the expected productivity boom. Investments decisions often remained hostage to political lobbying by the well-connected traditional heavy industry sectors. By the middle of the decade the balance of trade turned negative for Poland, Yugoslavia, the GDR and even Hungary (see Tables A.1 and A.2). In spite of new technology inputs, socialist manufactured goods made few inroads in world markets. On both quality and price, they were most often out-competed by Western products and, most crucially, by the aggressive competition from fast-rising East Asian economies.

However, the impact of external factors was of great importance in determining the failure of the socialist countries. Their domestic difficulties were crucially compounded by a rapidly evolving international environment. The Western economic crisis deeply changed the premises on which the socialist regimes' import-led strategies were founded. No less relevant was the protected nature of their most obvious export markets, those regulated by the EEC agricultural and tariff policies. Overcoming the EEC protectionist structure would have been hard in any case but was made extremely difficult by adherence to the socialist bloc policy of non-recognition of the EEC, which prevented the negotiation of comprehensive trade agreements. The socialist regimes had to make do with ad hoc sectoral trade arrangements with the EEC. Even a government like Hungary's, despite being very keen to penetrate EEC markets, felt restrained by its strategic and energy dependency on the USSR. And even "maverick" Romania, which obtained access to the EEC's preferential scheme for developing countries – and in 1980 discussed a larger agreement with the EEC Commission – stopped short of granting official recognition to the Community.

The result was that the hard-currency gains the socialist regimes envisioned in order to balance their increasing financial exposure to the West never acquired sufficient mass. The inevitable consequence was a steep rise in debt to Western banks and governments, a dynamic further deepened by ongoing transformations in the international context. The ascending cost of energy supplies and other raw materials exacerbated inflationary pressures. Larger and freer capital flows pressured governments to impose fiscal discipline on their societies and spurred firms towards more flexible modes of production and distribution. Adaptation to these new conditions of tighter interdependence was problematic for Western countries – as was evidenced by the financial crises experienced by the UK and Italy in 1976 and the deep restructuring of the steel industry in Europe and North America – but positively painful, if not impossible, for the socialist ones. Socialist firms could not keep pace with the Western move towards leaner and more flexible industrial practices. When the Polish government tried to contain consumers' expectations of rising prosperity in 1976, social protests forced the authorities to privilege consumption at the expense of investment, thus further deepening the country's long-term financial predicament.

By 1979, when energy prices rose steeply and a new US monetary policy pushed interest rates sharply up, the costs of socialism's Western strategies became

unsustainable. The burden of foreign debt skyrocketed (see Appendix, Table A.5), and most of central-eastern Europe (even though with substantial national variations) joined the ranks of economies that, like in Latin America, precipitated into a most serious debt crisis. Poland experienced a systemic convulsion, with economic grievances sparking an outright social and political challenge to the regime. The other socialist countries had to devise defensive strategies pivoted on a variable mix of domestic austerity, a reduction in investments and renegotiations of their debts. Economic growth faltered and dependence on the West did not altogether diminish, but the previous delusions of an upgraded participation in the international economy faded away.

Overall, by the early 1980s the Western strategy of the socialist regimes was far from the projected success and instead mired in a deep crisis of indebtedness, deteriorating socio-economic conditions and, more crucially, lack of prospects. Rather than reviving socialism in a modernising and competitive fashion, this Western strategy eventually magnified the limitations and shortcomings of the system, evidencing its subordinate and increasingly feeble position in the international economy. Quite revealingly, the proportion of manufactured goods among the socialist countries' total exports declined by the early 1980s (see Appendix, Table A.4). European socialism's attempt to climb up in the transformative whirlwind of incipient globalisation had not worked. Rather than sustained progress, it had brought to the fore an entrenched subordinate dependency on the most advanced Western economies. Steeped in a far more adverse economic and fiscal environment and financially burdened by their own failures, the socialist regimes had to settle for the more peripheral and dependent position that their early 1970s Western strategies had boldly tried to transcend.

Our research also casts a rather oblique light on notions of alternative non-Western paths to globalism and particularly on the kind of engagement socialism looked for in, and with, the global South. Socialist economic strategies came to rely less and less on global exchanges and focused instead on Western capital, technologies and markets, with a particular emphasis on a privileged space for interaction between Eastern and Western Europe. While not abandoning discourses (and occasionally strategic options) of alternative globalism, socialist regimes did not really see trade with the South as the solution to their predicaments. Markets in the developing world were not rich, deep and dynamic enough to attract many exports. Moreover, competition from the West and from East Asia was fierce and most often victorious. In addition, trade expansion would usually require substantial financing via long-term credit, aid and subsidies. In short, it required capital, the most precious resource that the socialist countries lacked and were borrowing in large quantities from the West. Here, once again, the area's condition of dependency comes to the fore and explains the limited options the socialist regimes could select among on their chosen path towards industrial modernisation. In the rapidly evolving global division of labour, the scarce resources of their economies, and the political and institutional constraints they operated in, made the Western and European option the only feasible one. This, in turn, further deepened a path

dependency determined not only by growing financial exposure but also by the fading away of other imagined paths and the corresponding strengthening of a single conception of the future.

In their increasingly composite assortment, the socialist elites – be they of a technocratic persuasion, modernisers, mildly or more radically reformist, or gradually even in opposition roles, as in Poland – discarded notions of alternative global alignments pivoted on anti-imperial positions. Instead, they came to see their path towards Europe and the West, which had meanwhile grown far more familiar by means of multiple and persistent international networking, first as the most preferable and then as their only conceivable horizon. The decisions of Hungary, Poland and Romania to apply for membership of the IMF proves that their socialist elites were left in no doubt that the remedy to their predicaments lay in the West. The same applies to the GDR: while IMF membership was never an option, its avoidance of bankruptcy in 1982 owed much more to West German loans than to scarce Soviet support, prompting some economic experts in the government to argue that the future existence of the GDR ‘depended solely on the West’.² Our research therefore highlights a long-term path – which started well before the fall of socialist regimes – towards the recombination of Europe according to Western institutions and influence. By 1989, even the core communist party leaderships could no longer envision, much less credibly propose, a different prospect.

Of course, several other factors that have remained at the margins of our enquiry contributed to this ending. By the late 1970s, a language of human rights focused on their civic and individual dimension had become predominant in international discourse. It was sustained by an odd but very influential combination of the conservative liberalism preached by Ronald Reagan and Margaret Thatcher on the one hand and the progressive transnationalism of human rights non-governmental organisations on the other. It eclipsed notions of collective socio-economic improvement; it delegitimised the state as an agent of progress; and it erected freedom of choice as the paragon of (post-)modernity. While it affected politics and culture in the West and put Western social democrats on the defensive, it had a far more potent impact on socialist regimes, which were cornered into a very difficult position – first, because it turned their Helsinki commitments against them, and second, because it joined the ongoing discussion on market mechanisms to the notion of democracy and freedom as prerequisites for economic growth.

Whether these transformative influences could have been withstood, rejected or even suppressed by the communist leaderships in the absence of the Gorbachev factor remains a purely speculative question. It certainly mattered, though, that the regimes’ economic strategies had internalised an assumption of Western superiority, had opened their societies up to unfavourable comparisons with Western goods and technologies, had linked the assessment of socialism’s effectiveness to the metrics of productivity and consumption, and had nurtured a diffused familiarity with the West among key elements in the economic technocracy. This long-held attitude of engaging with the West coupled with the heavy burden of

indebtedness eroded the foundations of the regimes' self-confidence, fractured their solidity, and facilitated the peoples' revolutions. The dynamics analysed in this book were at the roots of the 1989 collapse.

Notes

- 1 See Chapter 4 by Aleksandra Komornicka in this book.
- 2 See Chapter 5 by Maximilian Graf in this book.