

East Europe's Reforms and Developing Countries' Trade Prospects : A Medium Term Perspective

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1. Introduction

After years of grim dullness, the European polity is producing so many sensations - totally unpredictable developments - that it is hard to pick the biggest. Who would have thought, for instance, death of communism in the Eastern block and rebirth of democracy? Who would have thought that Soviet empire in the East? Who would have thought that Soviet Union and its Warsaw pact - cousins would begin their journey to a common European home? Who would have thought that the great communist countries like the Soviet Union would uphold the sanctity of market? And yet, we are curious witnesses to spectacle of developments happening in the central and eastern Europe at break-neck-speed - Tearing the East-West division and the post-1945 order of political stability.

While no one could fail to welcome the happenings in Europe, there is increasing concern in the developing world from the erosion of polarisation. They perceive three kinds of dangers from the altered geopolitics. First, the air is already thick with the feeling that this will affect the developmental aid flowing to the poor in Africa, Asia and Latin America, because the size of pie has not increased, but the number of claimants for a slice has, if the countries of the East are added; and given the fact that the latter has thrown off its communist yoke, and given the close religious and ethnic ties between East and West, economic aid to the former will be politically more popular than aid to the developing countries of the South. In all probably, South would then be only at the margin with the usual, though not the necessary, "take it or leave it" attitude. Second, there remains the twin issues of indebtedness and investment. Much of the capital and technology, which might have been transferred to the South, will now be slipping through to the East. Third, it will hurt South's trade opportunities, especially of the countries of Asia, because the latter has gained some comparative advantage in the very sectors where East has gained - machinery and transport equipment, textiles, manufactured goods, to name a few.

Despite the clear indications provided, no study has yet