

Eye on Washington by Nicholas F. Benton

'Experts' fantasize about Europe

Discredited think-tankers speculate about new economic opportunities opening up in the East bloc.

Ignoring the likelihood of ugly reversals in the fledgling moves toward freedom in Eastern Europe, Washington think-tank "experts" and their European counterparts are pontificating on the prospects for the integration of Eastern Europe into the economic orbits of the West.

Such "experts" misjudged the crackdown in Beijing, the upheavals in Eastern Europe, and Gorbachov's growing internal problems in the Soviet Union, but audiences still flock to such discredited experts because, in Washington, that's what they get paid for.

Take the forum sponsored by the Center for Strategic and International Studies (CSIS), on Jan. 18. Billed as a debate between the CSIS's John Yochelson and Corrado Pirzio-Biroli, acting head of the European Community delegation in Washington, the seminar devolved into speculation on how the economies of Eastern Europe would be best exploited by the West.

Reality, the danger of the freedom movement in Eastern Europe being brutally crushed or rolled back over a more protracted period, was ignored. Instead,

spoke of the billion electric toasters the West could sell in the People's Republic of China when the students first filled Tiananmen Square, blind to the imminent massacre.

Glibly, Yochelson told the Jan. 18 forum, "It will be 10 to 15 years before any major investment by the West will bear fruit in Eastern Europe." He said the West will by-pass joint ventures to go for direct investment in the region,

preferring to set up its own plants there to manage directly.

Pirzio-Biroli added that Czechoslovakia, East Germany, and Hungary will move the most quickly into the Western economic orbit, in that order, and that the push from some of them, like Hungary, to seek entry into the Europe 1992 economic bloc has already begun. He said that while formal entry may be a long time coming, de facto participation could occur if they join those nations, such as some of the Scandinavian countries and Austria, who are also waiting to get in and who are making interim trade agreements with the 12 nations that are part of Europe 1992.

However, he said that "all firms that will invest in Eastern Europe will have to be prepared to lose money for a while before turning a profit." He said Honda, for example, was willing to lose money for 10 years in Belgium before it began to turn a profit. There is no avoiding this approach to eventually be successful in Eastern Europe, he said, because of the "importance of establishing an early market presence in what will be a market that will develop over time."

In this regard, Pirzio-Biroli said he "feared" for the relative ability of U.S. firms to compete with European or Japanese firms because of the capital reserves in the U.S. He added that U.S. rules restricting technology transfer to the East bloc are preventing U.S. businesses from having "any chance" to compete.

From a capital reserve standpoint, the Japanese are in the strongest posi-

tion to adopt such a long-term investment strategy in Eastern Europe, he said, while in West Germany, the Social Democrats have already introduced legislation that would radically liberalize trade with the East by eliminating security considerations. Two points are key to the "evolution" of Eastern Europe's integration into the economies of the West, and in particular into the Europe 1992 configuration, he said.

First, the nations of Eastern Europe should begin to adopt legal systems that are coherent with those of Western Europe, and not, for example, with that of the United States. He criticized one U.S. official who returned from Poland expounding the potential of the new Polish government to adopt the American model. "Eastern Europe should follow the path advocated by Austria and Sweden, which will make it easier for it to make association and membership in a unified Europe easier," he said.

Second, nationalist tendencies in Eastern Europe must be quashed in favor of a "federated" Eastern Europe. He cited the example of how the Marshall Plan, following World War II, was consciously designed to undermine any potential for new nationalist currents to gain a foothold in postwar Europe. He said that "nationalism as a reaction to foreign domination is understandable," but that it must be replaced with institutions of confederacy that will make "linking with Western European economies possible."

The closest thing to reality that either Yochelson or Pirzio-Biroli discussed was on the "what if" of an "economic downturn" in the West during the 1990s. Yochelson said "it is almost certain to occur," requiring "vigilance" by the United States. Pirzio-Biroli said that Europe will survive it if it is delayed two years, and that the U.S. will take the brunt.

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