

Focus on Soviet Aid

By Yukitsugu Nakagawa

It is reported that France, Britain and Germany were very much in favor of a strong program to support Soviet reforms but that Japan, the United States and Canada were foot-draggers at this year's London Economic Summit. While it will probably take massive amounts of assistance to bring the Soviet Union into the Western camp and to integrate its economy into the Western economic structure, the question is exactly how much of what kinds of assistance should be supplied when.

In discussing this, the sorry state of the Soviet economy itself seems to be the biggest stumbling block. In 1991, it is estimated, Soviet GNP will decline 15% to 20% on a year-to-year basis, and some people have thus argued that giving money to the Soviet Union in its present state would be like throwing it down the drain. The problem is that nobody knows how bad the Soviet economy will have to get before it starts getting better.

But is that sufficient reason to take a hands-off attitude? Germany and others are concerned that leaving the Soviet economy to its fate may produce a massive influx of refugees that would overwhelm Western Europe. The go-slowers argue that there is not that much danger of a refugee explosion even if the Soviet economy is ignored, since the official GNP decline is offset by the growth of the black-market economy, and the worse things get the more the Soviet Union will have to rely on its market-mechanism black markets and the more conducive a climate will be created for the switch to a market economy. The very fact that there is such a wide gap separating the two sides is indicative of the difficulty of reading the Soviet Union's economic future.

Even if an aid go-ahead is received, there is still the question of how much assistance would be needed to turn the Soviet economy around. Given that it has operated under socialist central planning for over 70 years it is difficult to tell how much money would be needed to bring

the Soviet economy up to West European levels. Yet there are precedents—the Marshall Plan by which the United States helped reconstruct a war-devastated Europe and the GARIOA-EROA funds (funds provided by the U.S. for economic relief and reconstruction in occupied countries) that contributed so much to Japan's recovery. At the time, the United States dedicated about 1% of GNP to assist Europe and Japan. In current terms, 1% of GNP would be about \$55 billion—a massive amount of money.

This same calculation can also be approached from the other end. During the years Japan was recovering, assistance from the United States was equivalent to about 27% of the government's general account budget for fiscal 1950. Since the general account budget is now about ¥70 trillion, 27% would come to ¥20 trillion, or well over \$140 billion.

Either way you look at it, it is clear that the United States invested massive sums in European and Japanese recovery. By contrast, the number that shows up most often in discussions of assistance for the Soviet Union is about \$30 billion. This is not an impossible sum for the industrial democracies.

The problem is that \$30 billion is not the end of the story. Money will also be

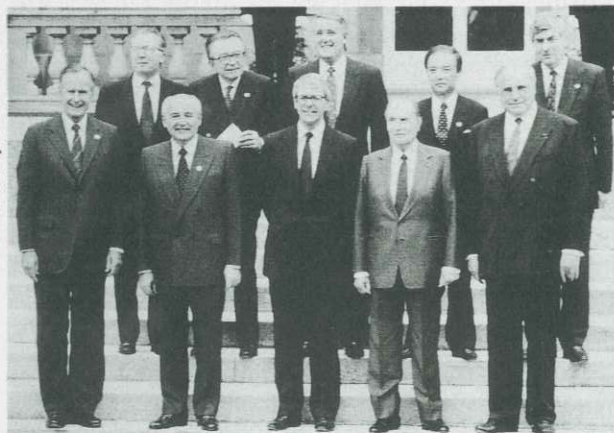
needed for reconstruction in Eastern Europe, for rebuilding in the wake of the Gulf War, for providing debt relief and development assistance for the Third World, and even for offsetting the United States' fiscal and trade deficits. The world will have an insatiable appetite for capital in the years ahead, and there is no way that the industrial countries can afford to devote all of their resources to helping the Soviet Union alone.

Thus it will probably be necessary for the G-7 countries to get together and to discuss how much each of them can contribute to this stabilization and redevelopment pool. Assuming the total is somewhere in the \$30 billion to \$40 billion range, the next step is to examine the global demand and to decide where these funds can be invested to best effect. I suspect there are areas that will have a higher priority than the Soviet Union does.

Japan could radically change the way it is perceived by the rest of the world if it were to make a bold proposal on assistance and to take the initiative in this effort.

Looking at Japan-U.S. relations, it seems Japan will have to give in somewhat on the liberalization of its rice market. Because Japan's development depends on its getting along with the

Photos: Kyodo News Service



The request by Soviet President Mikhail Gorbachev for emergency aid from Western leaders at the London Economic Summit in July was reinforced by stark pictures of shops with bare shelves while Muscovites queued for food.



other countries of the world, it is essential that Japan achieve a breakthrough on rice and then use this breakthrough to take the initiative in pressing the United States and European countries to liberalize their closed sectors too. So far, Japanese policy-making has seemed to be a

process of grudgingly moving inch by inch in response to pressure from the United States. For the future, it is essential that Japan effect the political and administrative reforms needed for it to take policy initiatives based on Japanese thinking and Japanese interests. ■

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Perception-sharing

By Motoo Shiina

Now that the Cold War is over, many people are clamoring for a peace dividend. Yet the fact that no major wars have taken place over the last 45 years seems to me a dividend fully justifying the massive investment that has been made. To me, the question is not how to cut back on the investment but rather where and how we should invest now to continue to reap the dividend of peace.

There has been much talk of burden-sharing, responsibility-sharing, and other sharings to enable Japan to make an international contribution commensurate with its economic superpower status, including decision-sharing enabling Japan to take a greater part in making the decisions that affect the world's future. But even more important than and prerequisite to all of these other sharings is the idea of perception-sharing. It is imperative that Japan undertake to develop security perceptions that are at one with the rest of the world's.

The best security guarantee is to be found in creating conditions worldwide that discourage the exercise of military might. Very generally, military might is difficult to exercise in direct proportion to the size of the destructive force involved. To illustrate, many people are quick to brandish a knife when angry, but pushing the nuclear button compels a bit more thought. The deployment of opposing forces is, however, also a factor in the relationship between the destructive force

and the ease with which it is used. For example, with a balance in strategic weaponry, the threat of nuclear retaliation makes it difficult to use even small-scale military force, which is why the Cold War structures acted as a deterrent to the use of even conventional military force.

In a sense, the Gulf War was one indication that it is becoming increasingly easy to resort to the use of military force as Cold War structures collapse. During the Cold War era, the world was divided into two camps, one headed by the United States and the other by the Soviet Union, and there was little choice for the other states but to align themselves with one of these two superpowers. Now that the Cold War has ended, this structure has collapsed, at least in our minds, and states are less constrained by superpower considerations.

Given this, what are the security parameters in the post-Cold War era? While vigorous efforts must be made in arms control and disarmament, such negotiations are, in a sense, technical issues having more to do with numbers than with reality. Arms control and disarmament efforts alone are not enough, and it is clear that we must make an effort to conceive new security guarantees—especially in that there is greater potential for disorder when we revert to regional alliances and other multifaceted structures such as were suppressed during the Cold War era.

While many people think first of the

United Nations in this connection, it is very important to remember that the member states' military forces have a residual legitimacy. What this means is that there is an inexorable link between the national structure and military force, as has been made painfully explicit in the socialist countries. Unless this is kept firmly in mind, it may be impossible to hope to resolve all of our security concerns with the United Nations alone.

Second is the need for deterrence in the cause of world peace. As the Gulf War demonstrated, sophisticated technology is needed to create a credible deterrent. It would not be realistic to expect to achieve this within the United Nations, where many different countries with many different agendas gather.

Regardless of whether these new security guarantees are developed into a formal institution or whether they are left an informal structure, it is imperative that the countries with the greatest world presence (e.g. the G-7 countries) take the lead in any new security initiative. Japan should also be willing to accept a role within this initiative in line with its perception-sharing. ■

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