I INTRODUCTION: THE TRIPLE R AGENDA

Now that euphoria at the end of the Cold War has dissolved into concern about the disintegration of the Soviet Union, civil war in Yugoslavia and the uneven progress of reforms in the rest of Central and Eastern Europe, many Western governments are reassessing their policy options. If all could still agree with US Secretary of State Baker just prior to the London Summit that these countries "need ongoing support to become lasting democracies," very little else is certain![1] Western policy choices have become more, not less, complex during the two eventful years since the 1989 Sommet de l'Arche where the seven leading industrial countries (G-7) first agreed to coordinate programmes to assist reform in Poland and Hungary. Not only have the forms of assistance multiplied, but so has the number of governments and institutions delivering or receiving them. Now twenty-four Western governments including Japan (G-24) coordinate assistance to all Central and Eastern European countries (CEEC). The cumulative value of their official bilateral commitments has reached more than $30 billion (US) and, when the value of debt reductions is included, this assistance surpasses the global lending of the World Bank in the same period.

Reconsideration of assistance to the CEEC is underway not only because other claimants for scarce resources have raised their voices, but because the transition away from command economies now appears to be a longer, more costly process than many bargained for. Academic debates over the sequencing of reforms — gradualism versus "big bang" shock therapy — have given way to a sober recognition that many economic and political problems inherited from the socialist regimes are intractable. The United Nations Economic Commission for Europe (ECE) exceptionally chose to update its annual report after six months because "the collapse of the Soviet-led Comecon trading bloc had plunged its former East European member states deeper into recession and cut trade among them far more than expected."[2] The reluctance of many private sector lenders and investors in the West to commit resources makes it obvious that the transition to market economies in the East will be neither short nor smooth. Indeed, the first analysis of capital flows — comparing needs to current trends — shows enormous shortfalls which would require either diversion from the Third World or increased interest rates in the industrial countries.[3] The abortive

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1 Secretary of State James A. Baker III, Address to the Aspen Institute, Press Transcript, Berlin, 19 June 1991, p.1.

2 As summarized in the *Globe and Mail*, 10 July 1991.

3 *The Economist*, 6 July 1991, p.61 drawing on GATT studies.