

However, there are also political opportunities in East-West trade. Western governments quite naturally hope to capitalize politically on the needs of the command economy countries for Western technology. This results in the establishment of a nexus between foreign and commercial policies. For example, Western governments have tried to make transfers of technology to COMECON countries dependent on progress in such issues as arms limitation, the protection of human rights and the containment of various "wars of liberation." There is also a temptation to use commercial policy as a means of creating divisions within the socialist camp. For example, some COMECON countries have been admitted to the IMF and the GATT while others have been denied admission on the grounds that they are not market economies. Such a position may be logically inconsistent, but one suspects that it is politically sound.

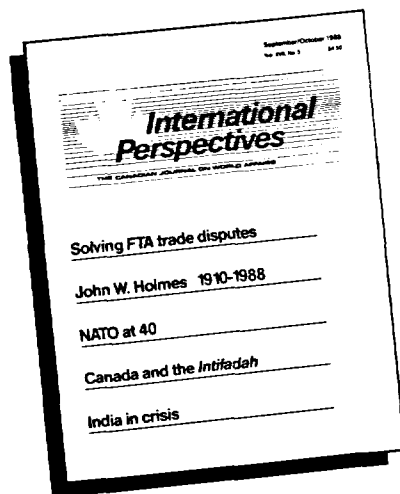
Government involvement grows

The economic responsibilities of Western governments in East-West commerce are also considerable. Naturally, they have had to expand normal commercial and consular activities to service and protect the economic interests of nationals in the command economy countries. Moreover, the AMECs feel compelled to monitor East-West trade closely in order to ensure that the governments of the command economy countries do not attempt to destabilize the world market economy either through debt non-payment or default, through the dumping of commodities on world markets, or through the export of cheap consumer goods from state subsidized industries. Thus, as interaction between the command and market economies continues to grow — a development which the problem of surplus capacity seems to

make inevitable — the range of government services and regulations governing the nature and extent of that interaction can also be expected to expand.

Thus we see that pragmatic responses to new political and economic developments have meant that the governments of the AMECs have been compelled by events to adopt a more activist management role in their international economic affairs. When you consider recent events in issue areas such as currency realignment, the regulation of trade, the coordination of macro-economic policies, and the monitoring of East-West commercial contacts, it becomes clear that a new Mercantilism is emerging.

However, it is apparent that this phenomenon will vary considerably from various forms of historical Mercantilism. At least two important distinctions should be made. First, the new Mercantilism entails much more than simply pursuing a current account surplus. Governments are being forced to pursue a comprehensive set of external economic policies which include external demand management, the regulation of the nature and directions of trade, and the coordination of national macro-economic policies. Second, in commercial terms the pursuit of power has been transformed from a zero-sum to a positive-sum game, that is to say, to the extent that the power of each state is in large part dependent on the stability and growth of the world market economy as a whole, each state must seek national advantage in large measure through mutual advantage. The traditional Colbertian notion that in commerce what one country gains another must lose has been superseded. What these new historical circumstances appear to require is nothing less than the cartelization of their foreign economic policies by the governments of the major market economy countries. □



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