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## East-Bloc Aid to the Third World

The division of the world into spheres of influence of the Western and the Eastern Big Power Centres is visible not only in the fact that the two political systems and the economies of the two camps are fundamentally different. The split between "East" and "West" also moulds the forms and methods of development aid and thus transmits certain shapes of social and political behaviour even to what we have become accustomed to call the "Third World". There are different answers to the question as to which type of economic development should be given preference, and such answers naturally also prejudice the forms of development aid to be chosen, so that, at times, evaluation of these various approaches is subject to polemical judgements. In order to start a discussion, we here publish two contributions of a Soviet and a German author, who describe East-bloc aid and especially development aid by the USSR from their point of view.

### Cooperation with the Soviet Union

by V. Goryunov, Moscow \*

The Soviet Union had entered into trade relations, up to 1966, with about 70 developing countries, and with more than 40 of these, the basis of such ties were agreements made between the respective governments. With Algeria, the United Arab Republic, Guinea, India, Iran, Morocco, Syria, Tunisia, Ceylon, and other developing countries, the Soviet Union has signed long-term trade treaties providing for mutual exchanges of goods. In the same way as all the other socialist countries, the USSR stands foursquare on the principle of genuinely equal rights of the trade partners, and is in favour of basing its trade and other economic relationships with others on the most-favoured nation clause, the developed nations having regard to the special interests of developing countries by granting them preference and special support suitable for increasing the export volume of developing

countries and working for its wide diversification.

Trade agreements between the Soviet Union and the developing countries are usually based on a quota system for mutual exchanges of goods, which are fixed either year by year, or for the entire period for which a longer-term trade treaty has been concluded. This makes the Soviet Union's trade relations with developing countries more stable and susceptible to intelligent planning, which is of equal importance for both trade partners.

#### Type of Trade Relations

It is usual to place Soviet trade with developing countries on the basis of a draft balance sheet, which shows transactions of approximately equal value on the debit and credit sides for each partner, thus enabling the developing countries to pay for the goods they require by exporting their own products, avoiding payment in hard foreign currencies, of which

most of them are chronically short. With some countries the Soviet Union has established an accounting system which evaluates the Soviet deliveries in amounts of freely convertible currencies, whilst in other cases, a clearing system is in use which may only leave over a final balance to be eventually settled in convertible currencies, if the agreed credit ceilings have been exhausted; and to a third group of cases, straightforward clearing methods are being applied.

The Soviet Union has always held that expansion of trade with the countries of Asia, Africa, and Latin America is of great significance. This is an outflow of the unchangeable policies of the USSR which give support to the struggle of the nations living in those countries for their true political and economic independence. In spite of its immeasurable and highly diversified wealth of natural resources, the Soviet Union has been importing from the developing coun-

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tries raw materials and foodstuffs which are not at all being produced on Soviet soil, or else only in limited quantities since increasing such home production would not be economically viable. The type and scope of the trade relations maintained by individual Asian, African, and Latin American countries with the Soviet Union are not only dependent on the decisions of the latter but also on how promising the economical possibilities of the country in question are, and whether it is interested in economic ties with the Soviet Union. In addition, both internal and external influences play a part. As long as most of the Asian and African countries were still heavily dependent on their colonial overlords, the Soviet Union did not have a chance to develop direct contacts with them. After the imperialist colonial system had started to fall to pieces, it became possible for the Soviet Union to build up direct trade and economic relations with developing countries

#### Rising Trade Turnovers

Of all the developing countries, those situated in Asia claim the lion's share in Soviet foreign trade. They represent more than half the total trade turnover of the USSR in dealing with countries of the "Third World". African countries, many of which became trade partners of the Soviets not before the late 'fifties and early 'sixties, claim about one third of the external turnover of goods between the Soviet Union and all developing countries. But the Latin American countries' share represents only about one tenth of the whole.

In 1966, there were among the most important trade partners of the Soviet Union the following

countries (with their trade turnover in roubles [Srb] million): India 346, the United Arab Republic 314, Afghanistan 83, Argentina 103, Pakistan 61.5, Brazil 52, Iran 45, Turkey 42, Syria 39, Iraq 35, Ceylon 35, and Algeria 22.

Between 1956 and 1965, exchanges of products between developing countries and the USSR grew at an annual average rate of over 20 per cent, against overall growth of their trade by only 3.2 per cent annually at the same time, and of their exchanges with developed capitalist countries by an annual rate of 4.8 per cent. The rapid growth of trade between developing countries and the Soviet Union increased the less developed countries' share in the Soviet Union's total foreign trade turnover from 4.7 per cent in 1955 to 12 per cent in 1965.

Soviet exports to the Asian, African, and Latin American developing countries are selected by those countries themselves for various branches of their national economies. Of the Soviet Union's total exports to those countries, more than 90 per cent consist of machinery, equipment and industrial raw materials, of which about 50 per cent are actual machines and pieces of industrial equipment.

Of exported Soviet machines and equipment, those intended for complete production plants represent the most important share (60 per cent in 1965). In addition, Soviet production supplies these countries with electricity generating plant, oilfield equipment, electric machinery, roadbuilding machines, dredgers, machine tools (lathes, etc.), tractors and other farm machinery, ships and shipping equipment, and motor cars. Among other important export items are also

iron and steel, non-iron metals, crude oil and oil products, timber, wood pulp, cellulose, and stationery, cotton cloth etc.

As can be seen from these details, the products exported by the Soviet Union serve mainly "widened reproduction". This helps the developing countries to transform the formerly colonialist structure of their national economies.

#### Increasing Soviet Imports

The Soviet Union is importing from developing countries important raw materials and foodstuffs, as well as a few finished products. Of total Soviet imports of some selected products in 1965, the following shares were supplied by developing countries: 100 per cent of all natural rubber, 97 per cent of animal skins, 87 per cent of small leather goods, 31 per cent of the tobacco, 96 per cent of all coffee beans, 100 per cent of the cocoa beans, 93 per cent of all tea, 73 per cent of all rice, and 67.5 per cent of the oranges imported.

It is supremely important for the developing countries that the Soviet Union is increasing its imports from them at an accelerating pace, since demand by the capitalist world markets for their raw materials and foodstuffs is declining relatively. The capitalist countries' consumption of commodities from developing countries has been growing much more slowly in recent years than the consumption of their manufacturing industries' production. This process is based on both objective causes (scientific and technological progress) and on the monopolistic policies of the imperialist states, which increase their own output of raw materials and foodstuffs and therefore impose numerous restrictions on their imports from developing areas.

The Soviet Union and other socialist states, on the contrary, are in a position to use and consume progressively growing quantities of Afro-Asian and Latin American countries' products. This is a factor of immense importance, as it mitigates the trends prevalent in capitalist world markets which are

**Post-War Trade Turnover of the Soviet Union in its Exchanges with Developing Countries**  
(in Srbl million)

Years:	1939	1946	1950	1955	1960	1965	1966
Total Turnover	55	92	112	272	763	1,743	1,874
of which:							
Export	19	39	29	128	302	1,009	1,091
Import	36	53	83	144	461	734	783

detrimental to developing countries (instability of demand and fluctuations of prices for their export products). In 1965 the Soviet Union absorbed about 12 per cent of the entire rubber exports of all developing countries, about 8 per cent in the case of cotton exports, more than 8 per cent of tobacco, 9 per cent of citrus fruits, nearly 8 per cent of cocoa beans, 6.5 per cent of all vegetable oils, and about 4 per cent of all wool exported.

In recent years, the Soviet Union has also been buying growing quantities of finished and semi-finished industrial products made in developing countries, e.g. cotton and wool cloths, knitted goods, carpets, readymade clothing, shoes, arts and crafts manufactures, pharmaceuticals and drugs, and some engineering products. Increasing exports of their finished manufactured goods enable developing countries to achieve some gradual improvement of their export structure, which was hitherto based exclusively on a narrow range of commodities.

#### **Active Economic and Technological Aid**

The imperialist states' world market and world economic monopoly is now tottering to its grave, and this has brought about new conditions which enable developing countries in Asia, Africa, and Latin America, basing themselves on the Soviet Union's and other socialist countries' support, to resist successfully the economic pressures exerted by the big imperialist powers.

The Soviet Union's active economic and technological aid to developing countries began to come into its own during the 'fifties. In 1954 and 1955, there had been as yet only two economic and technological assistance agreements in force—those with Afghanistan and India; but today, there are such agreements in operation between the Soviet Union and more than 30 independent states. The credit total granted to developing countries has also increased substantially—to about roubles 3,500 million.

Early in 1966, the total number of industrial plants and other projects built, building, or planned under inter-governmental technical assistance agreements made between the USSR and developing countries, amounted to 577, of which 190 have already been handed over to their recipients for use.

In a number of developing countries, the Soviet Union assists in setting up the basic units required for engineering, metal smelting and processing, power generation, in the development of their basic raw materials production, in prospecting activities for natural resources of their own, and in modernising their agriculture. Among projects that are already in production or those still building, there are such vast and modern enterprises as the steelworks complex of Bhilai and the steelworks of Bokaro (both in India), the high barrage across the Nile near Aswan, large engineering plants and oil refineries, as well as smaller processing units for treating ores and industrial farming crops.

Agreements made about the use to which Soviet credits are to be put mainly follow the wishes expressed by governments of developing countries, but are also adapted to actual conditions in the recipient country, the size and type of its population, its natural and financial resources, the level of development reached by its transport and telecommunications, etc. In countries like India, the United Arab Republic, or Algeria, the Soviet Union assists in developing a great number of branches of the national economies, especially of heavy industry; but in smaller countries, the effort is concentrated on setting up plants for processing indigenous raw materials. Of the total credit sum pledged by the USSR under its economic and technological aid programmes, about 70 per cent of all the monies forthcoming are to be spent on industrial development.

As to "aid" offered by capitalist countries to the Asian, African, and Latin American states, this is of a kind fundamentally different from the economic aid granted by

the Soviet Union. Imperialist countries make available to developing countries funds mainly for improving their "infrastructure" (the construction of roads, ports, airports, etc.) and for buying up food-stuffs, but not for industrial development.

#### **Trends in Western Aid**

It should be recalled that only 10 per cent of all US foreign "aid" and only 14 per cent of all the credits granted by the International Bank for Reconstruction and Development are available for setting up industrial plants. This trend to which "aid" is subject will never help to change the colonial character of the economy of any given developing country, because it tends to make permanent its dependence on the exports of farming products and raw materials.

This sort of "aid" is still based on intellectual concepts according to which developing countries ought to remain dependencies of the United States and of other imperialist states, chosen to supply these states with products of their agricultures and with raw materials. Such "aid" bypasses the problems of industrialisation, which alone can become the stepping-stone for guiding developing countries towards their liberation from famine, poverty, epidemics, and ignorance. At the same time, bourgeois propaganda seeks to denigrate the economic aid offered by the USSR and by other socialist countries. This propaganda especially smears the Soviet Union's assistance as being one-sided, as it allegedly tends to develop only plants of the heavy industries which are judged as not being strictly necessary from any economic point of view, but merely serving national prestige.

In a contribution discussing the differences between economic aid supplied by both socialist and capitalist countries, the newspaper, "Ceylon Observer" of March 30, 1967, stated: "Western economists like too much to pour ridicule on Asia's striving for steelworks complexes or, at least, the basic production units of a heavy industry,

as resembling Don Quixote's fight against the windmills, and as serving only prestige requirements. But in doing so, they hide the fact that certain Western countries aim to keep Asia permanently in a position as suppliers of raw materials and as their clients for buying their finished goods." Pointing at three manufacturing plants that had been built in Ceylon with the assistance of socialist countries (a car tyre plant, a steelworks, and a metal goods manufacturing plant), the same paper stated: "These three factories have rent the confines of our economy, that had been colonial up to now. In its character, aid rendered by the Soviet Bloc (i.e. the socialist countries) corresponds best to Ceylon's plans for developing its own economy."

It is typical for the Soviet Union's cooperation with developing countries, that corresponding to these countries' requests, the major part of Soviet development aid is being channelled into setting up public sector industrial enterprises. This is due to actual development conditions prevalent in those countries. Many of them are not inhabited by a mature bourgeoisie of their own which would dispose of sufficiently ample sources of capital accumulation, whilst their petty and medium bourgeoisies are unable to finance modern industry. In such cases, only the State can accumulate sufficient capital sums and channel them into key projects, especially if these are large industrial production units.

#### **Credits to Developing Countries**

The United States and other imperialist powers concentrate their investments mainly in the private sectors of the economy. But in thus hampering the expansion of a public sector economy, whilst favouring expansion of the private sector, the West is promoting far-reaching plans. By supporting private capital activities, which are closely allied to foreign monopolies, imperialist states seek to prevent the developing countries from entering the road towards non-capitalist economic development.

The Soviet Union is granting its credits to developing countries at interest rates of 2.5 to 3 per cent p.a. In most cases, they have to be redeemed within twelve years, and this period is generally long enough to enable these capital sums to start to earn a profit. Also, the Soviet Union accepts repayment of its credits in kind, by taking in lieu of payment the traditional export goods of the debtor countries. The income earned by the plants that have been built with Soviet assistance accrue to the developing countries exclusively, and these plants become their unrestricted property, being run by their own trained specialists.

Soviet economic aid to developing countries is not tied to any economic, political, or other "strings", which would interfere with debtor countries' interests. Trade and economic relations between these partners are based on an equality of rights, on the unreserved respect for their mutual national sovereignties, and on the principle of non-interference in internal affairs. Such relations are free of all exploitation, of all attempts to expropriate the developing countries' rightful possessions, of mutual economic infiltration, and of subjecting the economy to foreign economic or political controls. In addition to the above-mentioned forms of aid, the Soviet Union also offers other assistance—by help rendered freely and without cost in building hospitals, universities, and other institutions of learning and teaching, etc., the Soviet Union makes available to them equipment and expert staff, and it provides needed consultant services. It is of immense importance that the Soviet Union contributes, in favourable circumstances, to the training of national experts on the production floor, at universities, in vocational and trade schools, which have been set up in the developing countries with the aid of the Soviets, and also by training selected students and trainees in production enterprises, state agencies, universities, and research institutes on Soviet territory.

Economic cooperation between the Socialist Camp and the countries of Asia, Africa, and Latin America has put paid to imperialism being able to monopolise international economic relations, especially in the fields of granting credits and technical aid. The laws of World Capitalism have ceased to be the only determining factor in forming the character and development trends of economic relationships. Imperialist states are now compelled to adapt themselves to new conditions, and therefore they sometimes cannot but pay regard to the real requirements of the developing countries. But this does not, of course, change the exploiting design in the background of imperialist "aid"; on the contrary, its new methods are intended to keep the countries of Asia, Africa, and Latin America within the orbit of World Capitalism by new methods, and to control the process of their social and economic development.

#### **Future Forms of Cooperation**

Countries which intend to put their national independence on a more solid basis and which, disregarding the intentions of the imperialist circles, evolve a rich trade and economic relationship between themselves and the USSR and other socialist countries, may encounter real possibilities for taking up independent positions in their economic relationship with imperialism, so that they will be able to a certain degree to profit from credits, subsidies, and technical aid offered by capitalist countries for satisfying their own and proper economic requirements.

A breakdown of trade and economic relations between the USSR and the developing countries goes far to proving that the turnover of products exchanged between these trading partners has expanded rapidly during the past decade. The volume of Soviet economic and technical aid has grown considerably. There are sufficient grounds for assuming that Soviet trade with the developing coun-

tries, as well as the other forms of their cooperation, will grow both in breadth and depth—showing progressively richer diversity—in the foreseeable future.

The Soviet Five Year Plan for the National Economy during the years 1966-1970 provides for the following developments regarding economic relations between the USSR and the developing countries:

□ Consolidation of the Trade relations and of economic cooperation with Asian, African, and Latin American developing countries;

□ Expansion of trade with the developing countries, especially through increasing Soviet exports of machinery and of other industrial products required for building up the national economies of developing areas, together with correspondingly higher imports of the agricultural and industrial products of these countries and of their raw materials.

□ Technical assistance to be rendered to developing countries for building up their national industries and agricultures, the setting-up of research and project design organisations, of a building industry, of modern means of transport and of telecommunications, also help in carrying out searches for minerals and prospecting, as well as in training and educating the required specialists and skilled workers.

During the current five-year plan, the Soviet Union's economic ties to the developing countries will grow in intensity and scope. Under existing agreements alone, the Soviet Union will help them in building work and construction of about 400 projects.

#### **Long-term Trade Agreements**

In the longer view, assessing the future economic relations between the USSR and developing countries in Asia, Africa, and Latin America, can only be made meaningful if the importance of these countries' own development programmes is properly taken into account. These programmes provide for the growth of industrial and agricultural outputs, for larger export production

of raw materials, semi-finished, and finished products. This will lead to improved trade links between developing countries themselves, and between them and the Socialist Camp. The said programmes also prescribe high growth rates for the importation of production implements, and of consumer goods. In order to put such plans into practice, the developing countries intend, as they did in years past, to mobilise not only their own resources but also economic foreign aid of other countries.

In evaluating the long-term prospects of economic cooperation between the Soviet Union and the developing countries, it must not be forgotten that the number of the Soviet Union's trade partners may increase further. As the developing countries intensify their struggle for gaining political and economic independence, they will also lean more strongly towards establishing bilateral commercial and economic relations with the Soviet Union and with other socialist states.

Personal contacts between the leading statesmen of the Soviet country and of developing nations are of immense importance for knitting more closely their trade and economic relationships. During recent years, leading representatives of India, Pakistan, Burma, Afghanistan, Iran, Turkey, the United Arab Republic, the Algerian Democratic People's Republic, Syria, Iraq, Guinea, Mali, Brazzaville Congo, and other states have been visiting the Soviet Union. In their talks with Soviet statesmen, questions about the level and the prospects of trade and economic relations were in the foreground. Through agreements made by the competent Soviet authorities with the corresponding state agencies of developing countries, long-term arrangements have been signed on trade and other forms of economic cooperation, which will bring about a strong increase in the volume of goods exchanged.

It must not, however, be forgotten that there are also numerous elements influencing the economic relations between the USSR and

some of the developing countries which, for a number of years to come, will place obstacles in the path of a more rapid expansion of our trade and other forms of economic cooperation with them. It is necessary to emphasise that foreign monopoly capital is still ensconced firmly in positions in the economies of many developing countries. That is why the evolution of the Soviet Union's trade and of other forms of its economic cooperation with developing countries will encounter mounting resistance on the side of the foreign monopolies and of the homegrown reactionaries within the young nations. Furthermore, it would be inadmissible to overlook the habit of cut-throat competition between leading imperialist states, which put pressure upon the governments of the young nations, trying to discredit Soviet economic aid, in order to put the brake on the expansion of trade and economic relations between the younger nations and the Socialist Camp.

#### **Favourable Development Prospects**

It is very difficult to give a forecast of the physical volume likely to be reached by future exchanges of goods between the USSR and developing countries, as they involve so many variable factors, among them also political ones, whose impact is scarcely predictable, as some of these influences are not even yet discernible. UNO experts and individual economists have repeatedly in the past attempted to prognosticate on the expansion of trade between the USSR and all socialist countries, on the one hand, and the developing countries, on the other side. Their opinions based on different methods were widely divergent. Soviet economists have calculated that the exchange of goods between the USSR and all the Asian, African, and Latin American countries, provided world trade in general would tend to normalisation, might reach rouble 3,300 million by 1970 and about rouble 10,000 million by 1980 (Bulletin of the Institute for Research into the Business Cycle, No. 10,

Nov. 1964, Supplement, p. 96, in Russian). Allowance must also be made for the fact that such general indicators as the turnover of goods between the Soviet Union and an entire group of countries, which display vast differences between their levels of social and economic development, and also between

their individual home and foreign policies, must not be used but with the greatest caution, keeping in mind that their value is usually only an approximation or indicative of relative developments.

However, in spite of a number of difficulties, economic cooperation

between the Soviet Union and the countries of Asia, Africa, and Latin America has indubitably favourable development prospects, as all trade partners involved profit from it and as this cooperation meets the fundamental economic and political interests of all developing countries.

## Terms and Conditions of Eastern Aid

by Dr Edgar Kröller, Paris

During the past decade, the Communist countries have become a significant, though somewhat erratic source of development finance for the less-developed world. While denouncing Western aid as a "masked form of colonialism by the imperialist powers", the Soviet Union, its European Satellites and Red China have increasingly used their foreign assistance policy as a powerful tool to gain influence in the "tiers monde". It is noteworthy that the political propaganda effect resulting from East Bloc aid has been far greater than would be commensurate with the amounts involved.

### Commitments and Disbursements

This may be partly due to the confusion between aid "commitments" and "disbursements". Commitments refer to the firm obligation undertaken by a donor country to provide a certain amount of assistance at certain terms to a certain recipient country for a specified purpose. Disbursements, on the other hand, represent the actual international transfer of the financial resources. While there is always a certain time lag between commitments and disbursements, this time lag has been very large as far as East Bloc aid is concerned.

In recent years, all East Bloc countries taken together have disbursed about \$ 330 million annually as foreign assistance (net of repayments). Compared with a total aid flow—official and private—of about \$ 9 billion per year

by Western countries<sup>1</sup>, Eastern aid amounted to only 4 per cent of the Western volume.

In relative terms, the Western countries as a group have disbursed over the past years close to one per cent of their national income as external assistance, whereas aid by the Eastern countries has reached only about one-tenth of one per cent of their national income. On a per capita basis, the West may have spent five times as much as the East in the form of foreign aid.

It is somewhat surprising in this context that in spite of its limited absolute and relative assistance efforts, the East Bloc has never been seriously criticised by the developing countries at a time when the Western donors are under constant attack for their insufficient aid performance. It is not clear to what extent these different stand-

ards of judgement are motivated by the acceptance of the Communist thesis that the present misery of the developing countries is an integral part of their colonial heritage. According to this view, Western aid, especially by the former Metropolitan powers, is extended primarily in compensation for the economic exploitation of their dependencies in the past.

### The Soviet Aid Programme

The largest single East Bloc donor is, of course, the Soviet Union. It accounts for two-thirds of total East Bloc commitments in 1954 to 1965. Another quarter has been committed by the European Satellites: Czechoslovakia, Poland, Eastern Germany, Hungary and Roumania. The remaining tenth is the share of Red China.

Right from the start, the Soviet Union has attempted to identify the world Communist movement

<sup>1</sup> These are the countries which are Members of the Development Assistance Committee (DAC) of the OECD.

**Table 1**  
**Development Assistance by the East Bloc and DAC-Countries 1956—65**  
(\$ million)

Year	East Bloc		DAC Countries-Disbursements	
	Commitments	Disbursements	Official	Total
1956	608	100	3,289	6,261
1957	227	100	3,879	7,644
1958	556	200	4,419	7,315
1959	894	150	4,398	7,164
1960	1,165	200	4,937	8,097
1961	957	300	6,054	7,316
1962	507	400	5,990	8,577
1963	319	375	6,086	8,665
1964	1,527	375	5,871	9,180
1965	1,202	325	6,210	10,443

Note: Disbursements are net of repayments (Source: "The Flow of Financial Resources to Less-Developed Countries 1961—1965", OECD, 1967). East Bloc disbursements represent estimates.