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to the antiquated political structures prevailing in the majority of the Central American republics. Such prospects are not at present being discussed openly in the area, but small and expanding local intellectual groups—containing a surprising number of foreign-educated and nationalistically-oriented sons of the present politically backward elites—raise with growing frequency though not yet publicly, the following crucial question: Central American economic integration for whom? Put blandly, what is being questioned more and more is the socio-political variability

of an economic integration experiment which would bring benefits mostly to local and foreign business communities and their political backers.

In brief, the long-run success of the CACM will depend not only upon its effect on trade and industry creation in the area, but also upon the ability of the participating countries to absorb peacefully the unavoidable impact of economic change on the still largely backward structure of Central American societies.

East-West Trade

More Trade with the USSR

by I. Simonov, Moscow

The Soviet Union stands for as broad and wide trade relations as possible with all countries. The volume of Soviet foreign trade is mounting year by year, and Soviet trade relations with foreign countries are progressively being placed on a firmer basis.

It is the policy of the Soviet Union to foster matter-of-fact cooperation with countries having different socio-economic systems. The Soviet Union's guiding principles in this endeavour are equality, mutual advantages, and paying heed to the national interest of all trading partners.

Since the last war, the rate at which Soviet foreign trade has expanded, was greater than the growth of the Soviet Gross National Product. Annual GNP growth rates in the two decades between 1946 and 1966 were on average about 13 per cent in the Soviet Union.

Foreign economic relations have become an important factor for the Soviets, facilitating the successful fulfilment of plans designed to promote the economic development of the country, and increasing the national economy's efficiency.

Greatly Varied Forms of Cooperation

The Soviet economy's rapid growth and achievements in science and technology have laid the material foundations needed for expanding Soviet foreign trade.

During recent years, new forms of economic cooperation with Western countries have been born. Among them are mutual exchanges of goods based on long-term agreements, the buying and selling of production licences authorising the use of advanced technological methods and processes, the bartering of consumption goods, direct retail deliveries in frontier zones, construction of complete industrial plants with the aid of foreign specialists, the shipping trade between the ports of partner countries adjacent to the Soviet border

areas, commercial cooperation in the field of inland shipping, etc. In order to enliven economic and trade relations, we promote, on an exchange basis, the running of national and specialised industrial and commercial fairs and exhibitions staged in the USSR, and conversely, Soviet foreign trade organisations exhibit abroad at international fairs and big trade shows. Frequently, it is also the case that economic and/or scientific and technological missions and delegations visit each others' countries on the basis of exchanges between the Soviet Union and its foreign trading partners.

The combination of Soviet efforts to enlarge its economic and trade relationships with Western countries, and of businessmen of the West to intensify trade with the USSR in view of the mounting difficulties on the capitalist world market, has consistently pushed up the volume of goods exchanges. The following figures highlight the growth of trade between the USSR and developed capitalist countries (in Rouble million):

	1950	1955	1960	1966
Total volume of goods exchanged	440.2	904.3	1,917.3	3,181.4
Soviet exports	235.9	502.5	913.3	1,580.8
Soviet imports	204.3	401.8	1,004.0	1,600.6

It is shown in the above table that the volume of Soviet foreign trade has almost trebled. However, it must not be forgotten that inspite of the steep rise in the exchange of goods between the Soviet economy and the West, both its absolute volume and its share in total foreign trade turnovers of the Western countries are, in most cases, still relatively small.

Obstacles for Trade by the West

Actual possibilities which exist for economic cooperation are far from being fully exploited, because a number of Western countries have artificially placed

obstacles in the path of trade. Trade between the Soviets and Western countries might greatly expand, and this for their mutual advantage, if a number of big capitalist countries, notably the United States, would desist from imposing their own policies of trade discrimination on the smaller powers. It is, above all, this kind of policy which prevents most-favoured-nation treatment from being extended to the Soviet Union—though this is the most essential principle underlying international trade, upon which are also built the trade treaties and agreements that have been made between the Soviet Union and most of its partners.

Among measures of discrimination is the prohibition binding upon NATO members and Japan to supply to the Soviet Union goods and commodities which have been listed as so-called "strategical goods". Another obstacle for the free flow of trade is the use of quota restrictions, compulsory licensing of imports, inflated import duties, etc., impositions from which imports from other Western countries are free.

A grave hindrance in the way of a free and mutually advantageous evolution of world trade are all policies aiming at setting up closed economic groups among developed capitalist countries, especially the West European "Common Market". Common Market arrangements are conspicuously discriminatory against non-member states, and this affects adversely the interests of both the socialist and the underdeveloped countries.

The Soviet Union stands for normalisation of world trade, basing its attitude upon the view that world trade ought to serve the interests of all countries, and that practical steps must be taken for dismantling trade discrimination.

It is well known that public opinion in many capitalist countries is progressively coming round to the firm conviction of the advantages connected with trading with the Soviet Union, and that this trade has extremely hopeful prospects. This comprehension stimulated the exchanges of goods between the USSR and the United Kingdom, Italy, Japan, etc. One of the most spectacular examples of good-neighbourly, mutually advantageous relations based on equality is the highly successful development of trade between the Soviet Union and Finland. In order to accelerate its expansion, a permanent Soviet-Finish Commission for Economic Cooperation has been set up.

For Improved Relations

The general improvement of relations between the Soviet Union and France has enabled the two nations to take several significant steps towards strengthening their economic cooperation in recent years. Among such measures have been the signing of an agreement on scientific and technical cooperation, the formation of a mixed Soviet-French Commission, the conclusion of an accord on cooperation in the fields of coloured television, atomic energy,

and automotive construction, the setting-up of the mixed Soviet-French Chamber of Commerce, and of a permanent trade delegation in Moscow. When the Chairman of the Soviet Council of Ministers, A. N. Kosygin, spent some time in France in December, 1966, he took part in negotiating an agreement on planning long-term cooperation in trade, economic affairs, in science, and in technology. An additional agreement provides for the two governments actively promoting industrial and technical cooperation between the production plants of the two countries.

For the future development of economic relations between the USSR and Italy it has been of enormous importance that the FIAT Group and Soviet organisations have started to cooperate in setting up a big automotive manufacturing plant. When the Chairman of the Supreme Soviet of the USSR, N. Podgorny, was in Italy in 1967, it was agreed that it would be necessary to search for new and additional possibilities to broaden economic, scientific, and technological cooperation between the two countries.

During negotiations between the Soviet Union and the UK in 1967, both parties expressed the desire to draft an agreement envisaging longer-term cooperation, in order to enable the two partners to evolve their production capacities in line with the envisaged growth of their mutual trade.

For trade relations between the USSR and Japan, the agreement made on goods exchanges and mutual payments, which covers the years 1966-1970, is of immense significance. To put this Five-Year Agreement into practice, and to make trade between the two countries grow, is the task set to the Soviet-Japanese Committee for Economic Cooperation.

Trade with the Federal Republic of Germany

Given this background of successful increase in trade between the Soviet Union and a number of Western countries, the stagnation of goods traffic between the Soviet Union and the Federal Republic, which has remained virtually unchanged for the last seven or eight years, looms conspicuously.

In 1958, the USSR and the Federal Republic had made a number of trade agreements, which then exerted a favourable influence on the increase of trade: between 1958 and 1962, mutual exchanges of goods rose two-and-a-half-fold. One of the said agreements, that about general problems of trading and shipping, has remained in force to this day.

Between the Soviet foreign trade organisations and many West German companies, there are close trade links. However, businessmen frequently see their honest efforts, borne by an immense amount of good will, frustrated by measures of discrimination imposed by the West German authorities. Soviet imports into the Federal Republic are, in part, subject to licensing. Confidence in the Federal Republic as a trading partner was undermined by the prohibition

against supplying the Soviets with big diameter steel pipes, and West German businessmen were revolted by this measure.

The growth of trade between the USSR and the capitalist countries provides sound evidence that all

the states which desire to develop their economic relations with the Soviet Union on the basis of equality and of mutual advantage will always meet with the full understanding of their Soviet trading partners.

Economic Rehabilitation

United States Aid to Vietnam

by Professor Karel Holbik, Boston/Mass.

There is little that can be undertaken in the way of economic rehabilitation and development so long as the war in Vietnam continues. In fact, the production of agricultural and other primary goods, on which the economy would normally be based, has declined steeply. Meanwhile the inevitable chronic inflation in the towns has only been controlled by massive imports of both foods and consumer goods—a serious condition for a country that was once a substantial net food exporter!

Vietnam's Deficiencies and Needs

Beneath the outward well-being, there are serious economic weaknesses, for much of Vietnam's present level of living represents a shaky prosperity in that it is based on large-scale military and consumption-oriented American aid. Military aid has given Vietnam a measure of security, while economic aid in the form of imported consumer goods has generally maintained living standards. Inasmuch as American aid represents a large-scale relief project more than an economic development program, its termination would almost certainly produce both political and economic collapse in Vietnam.¹

During the 80 years of French colonial rule, the two segments of Vietnam (the somewhat industrialized North and the agricultural South) were developed as an economically integrated unit. The northern part of the country contained most of the fuel and mineral supplies, and the South had the best agricultural and fishing resources. This territorial specialization stimulated a considerable degree of trade between the two areas: coal, raw materials, and industrial products moved to the South, while part of the agricultural and fishing products of the South was sent to the North, the remainder being exported. Before World War II, about half a million tons of rice were shipped annually from the South to the North, and another half million tons were available for export. On the other hand, the South received much of its coal supply for the production of electricity from the

North, as well as most of its cement, paper, chemicals, glass, and fertilizer.

Independence resulted in an exodus of French firms together with their managers and skilled personnel, the repatriation to France of considerable capital, and of course, a halt to new French investment. The withdrawal of the French military caused a loss of the most important income-generating factor in the country. Assimilating nearly a million refugees from the North into the economy constituted a heavy burden on productive resources. Meanwhile, the dual pressures resulting from the financing of military and other governmental programs brought about inflationary pressures, which were contained only by massive amounts of American aid.²

US Economic Assistance

As far back as 1951, the United States signed an agreement with Vietnam for direct economic assistance which turned out to be the beginning of American economic involvement in the Vietnamese internal struggle. Over the ten-year period from 1955 to 1964, US non-military economic aid to Vietnam (including estimated expenditures for fiscal year 1965) amounted to \$ 2.8 billion. The US foreign aid projects in Vietnam involve rural life, vocational education, general education, health, public administration, transportation, water supply, electric power, industry, and communications. In the period 1950 to 1955, \$ 1.1 billion of military aid and \$ 865 million of economic aid to Indo-China (which included Laos and Cambodia) was authorized by Congress. In the 1956 to 1962 period, \$ 750 million in military aid was sent to Vietnam. (Figures since 1962 are classified.) In the period from 1956 to 1964, \$ 2.1 billion in economic aid was approved.

When the United States began to demand that its aid be used for purchases in America, Vietnam was compelled to spend more for many goods than it would had it been able to use this massive American aid where prices were more advantageous. Unavoid-

¹ Bernard Fall, *Last Reflections On a War*, New York, 1967, p. 199-200.

² Richard W. Lindholm, *Vietnam: The First Five Years*, Lansing, Mich., 1959, p. 75.