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# Relations between Communist and Third World Countries

by Henrik Bischof, Bonn \*

**Despite the unproportionately low level of Soviet economic assistance, Soviet influence in the Third World is quite considerable at present. Taking this fact as a starting point the following article examines the principles guiding relations between communist and developing countries.**

The East-West conflict which decisively influenced the postwar international scene is being shifted to the Third World. Starting from the early seventies, Washington has been losing ground in the developing countries. On the one hand, it was the complete lack of any basic political conception concerning the developing countries on the part of the United States which allowed the Soviets to establish a foothold in this area. On the other hand, the Brezhnev-Kosygin administration — quite different from the Krushchev government — has since the mid-sixties shown a remarkably realistic approach towards development trends in the Third World.

## Ideological Background

The ideological background of the relationship between communist and developing countries reflects the pluralism in the international communist movement.

Soviet-oriented communists consider the dispute between the "socialist" and "capitalist" world systems as main feature of our present epoch. In this dispute the "socialist" system — according to their version — draws support from three sources:

- ☐ the communist states,
- ☐ the communist parties in Western industrial countries and
- ☐ the national revolutionary liberation movements in developing countries.

In this theory there is no room for any "third force" in between the "socialist" and "capitalist" systems.

The Yugoslav communists, on the other hand, are trying to build up the non-aligned movement as an independent political force between East and West. Moscow lends tactical support to the non-aligned movement as long as its activities are anti-Western and indirectly supporting the "socialist" position vis-à-vis the "capitalist" system. According to Soviet ideology the non-aligned

movement can, however, only survive in its confrontation with "imperialism" and "neocolonialism" under the protective cover of the "socialist" system. Or putting it bluntly, the "Conference of the Non-aligned" should be replaced by an "anti-capitalist" alliance of "socialist" and developing countries.

According to Chinese theories — which approached the views of the "Group of 77" — the main conflict of our present age is the one between the "rich" North and the "poor" South. The Soviet Union strongly rejected any such attempts to place developed communist states on one level with Western industrial countries. Soviet communists would only go as far as to accept a historically justified conflict between Western industrial countries ("imperialism" and "neocolonialism") and developing countries ("revolutionary national liberation movements") which they consider, however, a constituent part of — and overshadowed by — the East-West conflict. The "revolutionary national liberation movement", i.e. the developing countries' efforts to reduce their political and economic dependence on Western industrial countries, is — as long as it undermines the political, military and economic strength of the Western industrial countries — in Soviet eyes one of the main features of the overall struggle against the "capitalist" world system to be carried on under the leadership of the Soviet Union. Soviet-oriented communists consider the mere existence of the "socialist" world system, which according to their opinion determines the tenor and trend of the "world revolutionary process", as a guarantee for the success of the developing countries' efforts towards political, economic and social independence.

Communist and workers parties are — within the framework of Soviet ideology — assigned the task to establish "international unity of action" (i.e. setting up a united front against "imperialism" on the basis of "scientific socialism") with "revolutionary national" parties, organisations and

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movements as well as non-marxist left-wing parties in developing countries, whereby the state parties in Afro-Asian countries are conceded priority over the illegal or semi-legal indigenous communist parties. Legal communist parties are advised to seek "unity of action" with other marxist or non-marxist left-wing parties or mass organisations in the form of "popular fronts" or electoral alliances and to support "progressive" measures of the ruling parties. Peaceful ways and means are generally recommended to achieve political aims, except in such cases as the former Portuguese colonies, Rhodesia, South Africa, South West Africa and Indochina, where Moscow accepted armed fighting as an instrument to achieve a redistribution of political power.

Special exponents of the above mentioned Soviet-oriented ideologies are, apart from the Soviets themselves, the East German communists who have been particularly keen on a showdown with West Germany in the Third World in recent years.

Chinese communist theorists see the present international scene dominated by the two superpowers (USA and USSR) which are trying to distribute the rest of the world between themselves dividing it into spheres of influence. On the other hand, there is, according to Chinese ideology, the "Second World" (industrial states of Western and Eastern Europe) and finally the Third World of Afro-Asian and Latin American countries of which China itself claims to be a member. Within this setting China is seeking the alliance of the "Second World" to support the Third World's struggle against the two superpowers.

Apart from Moscow, Peking and Belgrade, Romania, North Korea, Vietnam and Cuba have their own deviating ideological formulae to explain their relationship with the Third World. Going into further details of these "models" would, however, lead too far in this connection.

### **Targets of Foreign Policy**

The objectives of Moscow's foreign policy are based on the necessity to maintain the Soviet Union's position as a world power. Since the postwar period the Soviet Union has considered the USA its main enemy and the US military alliances such as NATO, CENTO and SEATO which were set up to hold back the Soviet Union as an imminent danger to the existence of the USSR. Paralysing these military alliances has ever since been a priority objective of Soviet foreign policy. Developing member countries of these alliances were conceded a prominent part within the framework of Soviet foreign policy which was supplemented by the slogan of "peaceful co-existence" proclaimed at the 20th Congress of the Soviet

Communist Party in 1956. This slogan was fundamentally designed to support the Soviet claim to play the part of an international power in the newly independent Afro-Asian countries and simultaneously to encroach upon the traditional positions of Western powers in Africa, Asia and Latin America. Accordingly, the Soviet Union gave priority treatment to developing countries located in strategically important areas such as the Arab world, the Near and Middle East, Southern and South-East Asia.

Characteristic features of Soviet foreign policy in the Third World are the simultaneous expansion of diplomatic, political and economic relations and the allocation of major portions of economic aid to strategically important countries irrespective of their political outlook. As far as other COMECON (Council for Mutual Economic Aid) and Warsaw-Pact countries are concerned, the Soviet Union is trying — with varying success — to make them toe the Soviet line. This policy explains why pro-Western countries such as Turkey, Iran and Pakistan received considerably more economic aid from COMECON countries than pro-Eastern countries such as Guinea, Congo, Mali and Tanzania which originally did not play any special role within the Soviet strategy. Since the mid-seventies, however, Soviet foreign policy has become more offensive expanding to more far-off regions such as Black Africa, Southern Asia and the Caribbean area, particularly in view of the fact that the United States, unable to offer any kind of alternative, was on the retreat.

In the Arab world the Soviets have been trying to impose a policy of "positive neutrality" on important countries like Egypt, Algeria, Syria, Iraq, South Yemen and more recently Libya. Since the 1967 Middle East war the Soviet Union has, indeed, succeeded in expanding its influence in these Arab countries binding them by long-term economic and military aid. This explains why Moscow is interested in a latent Middle East crisis, but fearing any aggravation of the conflict which might let the situation slip out of control. The temporary setback in Egypt — since 1973 — has been offset by a growing Soviet influence in Libya.

Another major target of Soviet foreign policy is the Middle East comprising the CENTO-Pact countries and Afghanistan. In an effort to paralyse the CENTO-Pact Moscow established important economic and commercial links with Turkey, Iran and Pakistan trying to revive Soviet-Turkish relations of the Atatürk era, adopting a positive attitude towards the Shah's "white revolution" and attempting to mediate in the Kashmir and Cyprus conflicts. Soviet relations with non-aligned

Afghanistan, which is already largely dependent on Soviet economic aid, are praised as a model of peaceful co-existence.

In Southern and South-East Asia India ranks far and away first as a recipient of Soviet aid. Soviet influence in India has, in fact, reached a stage suggesting the establishment of a "Moscow-New-Delhi axis". Apart from that, Moscow is trying to establish a foothold in South-East Asia by the expansion of economic and commercial ties with countries like Laos, Singapore, Malaysia and Indonesia. In an effort to fill the vacuum left after the American withdrawal from South-East Asia and simultaneously to hold back Chinese influence in the area Moscow has put forward its project of a "collective security system in Asia".

Latin America was "discovered" by the Soviets only after the victory of the Cuban revolution at the beginning of the sixties. Latin America's growing anti-US nationalism, the radical nationalist military regime in Peru and the Popular-Front government of President Allende in Chile, though overthrown in 1973, are assets on the political balance sheet in Soviet eyes. Main aim of Soviet policy in this area is to hold back US-influence. This is to be achieved mainly by an expansion of political and economic relations of COMECON countries with important countries like Brazil, the Argentine, and Mexico. Cuba's successful effort to overcome its long longstanding isolation in Latin America relieved the Soviet economy which had for years spent vast amounts to maintain the Castro government.

In the present offensive phase of Soviet foreign policy new spheres of influence are evolving. Moscow's range of action is particularly being extended in Black Africa and increasingly evident in countries like Somalia, Mozambique, Nigeria and Angola.

China which after its "Cultural Revolution" started a diplomatic and economic offensive in Africa and scored special success in East Africa is hard-pressed — particularly after the Angola debacle — to offset Soviet influence on the African continent. In Asia Chinese cooperation is mainly confined to Pakistan, Cambodia and Sri Lanka, so far.

### **Economic Aid**

More than other countries communist governments tie up development aid with foreign policy. Moscow started to grant development aid in the mid-fifties when the newly independent Afro-Asian nations began to emerge as an international political factor at the 1955 Bandung Conference. Until today COMECON development aid has been confined to a small group of countries considered of strategic importance within the above explained

political conceptions: Algeria, Egypt (until 1973), Iraq, Turkey, Iran, Afghanistan, Pakistan and India.

The link-up between development aid and foreign policy is particularly evident in the case of the German Democratic Republic and Romania. Comprehensive GDR-aid has been given to Algeria, Syria, Iraq, South Yemen, Somalia, Tanzania, India and Sri Lanka. Romania, claiming to be itself a "socialist developing country", has systematically extended its economic relations with developing countries since the early seventies as an instrument of its increasingly independent foreign policy.

Political considerations are playing a minor part for other COMECON countries which have evolved more liberal and de-centralised economic systems. Particularly Hungary's foreign aid programme takes account of the specific interests of its leading industrial companies which have the privilege of exporting their products directly — and the problem of finding their own export markets.

Some form of coordination of COMECON development aid was started by the so-called "complex programme" in 1971. Subsequently a credit pool for joint projects in developing countries and a scholarship pool for Third World students were set up. Mexico and Iraq have recently concluded cooperation agreements with COMECON.

Communist countries reject East-West cooperation in developing countries on government level. The Soviet Union is, however, prepared to accept cooperation of Western countries on company level as long as this does not affect Soviet positions — in countries like Afghanistan, Iran, Syria and Algeria — and as far as it is convenient from the point of view of the Soviet export potential. Various forms of East-West cooperation on company level are practised by Poland, Czechoslovakia, Hungary and Romania.

As far as the economic sectors of development aid are concerned, the Soviet Union and Czechoslovakia emphasize heavy industry (metallurgy, steel and oil industry, heavy engineering), the GDR gives priority to technical aid and light industry, Poland supports mainly mining, shipbuilding, the construction of shipyards and textile factories, Hungary electrical engineering, precision mechanics and the pharmaceutical industry, Romania mining, oil and petrochemical industry, Bulgaria the processing of agricultural products and civil engineering and Yugoslavia the construction of power stations and other civil engineering projects, while the bulk of Chinese aid goes into agriculture, health service, transport and light industry.

Cultural and public relations play a major part in the COMECON countries' relationship with the Third World. Cultural exchange programmes are concluded regularly for periods from 1 to 2 years on the basis of government agreements on cultural and scientific cooperation. Apart from that, there are agreements on the exchange of news, radio and tv-programmes, on town partnerships and on cooperation among academies, universities, colleges, journalists associations, youth and students organisations, trade-unions and friendship societies.

Research on developing countries is done in all COMECON countries. The Soviet Union, which has a tradition in this field reaching back to Czarist Russia, and the GDR are trying to coordinate their efforts by organising regular meetings of experts on Afro-Asian and Latin American subjects. Third World experts in USSR, GDR, Poland and Hungary give priority to problems connected with economic planning and foreign trade. Soviet research got a shot in the arm by the setbacks suffered in countries like Ghana and Indonesia in the mid-sixties. This prompted a general survey and the drafting of new conceptions. The COMECON countries are, in fact, faced with similar problems as Western industrial countries in the Third World. In recent years quite a number of studies have been carried out by COMECON experts on specific socio-economic problems of developing countries. A more discriminating approach was used to assess the influences of the army, the church and other religions, the one-party system, Western capital aid and regional markets. Eventually COMECON countries were in principle prepared to continue their aid programmes even in the case of political upheavals which fundamentally changed the political outlook of countries like Ghana and Indonesia — with the exception of Chile whose economic relations with the communist world are presently confined to China.

Soviet development policy advertises the "non-capitalist road" of development for Afro-Asian countries. This will, according to Soviet ideology, enable developing countries to skip the capitalist phase of development, proceeding directly to socialism. This would, however, require: nationalisation of key industries, natural resources, foreign trade, banks and insurance companies, agricultural reforms leading to the establishment of a co-operative system, a centrally planned economy, initial deployment of private national and foreign capital to strengthen the public sector of economy, establishment of a state party and of mass organisations on the Soviet model and, last not least, increased cooperation with communist countries.

The organisational structure of development aid follows the Soviet pattern in all COMECON coun-

tries, although there are certain differences depending on the stage and type of economic reforms in individual East European countries. Basic decisions on development aid matters are taken by the party in all COMECON countries. Implementation and control are up to the government and the ministries concerned (the State Committee for Foreign Economic Relations and the Foreign Trade Ministry in the USSR and China and the Foreign Trade Ministries in other communist countries). Cooperation on the spot — from the signing of contracts to the commencement of operation — is the business of foreign trade organisations together with designing offices and production enterprises. As far as educational aid, health, agriculture, shipping, communications etc. are concerned, development projects come under the responsibility of the relevant ministries (for higher education, health, agriculture, transport and communication etc.).

Development aid and credits are usually extended on the basis of government agreements on economic and technical cooperation or on scientific and technical cooperation. Government agreements on health, transport, post and communications might also refer to development projects. On a lower level mass organisations (trade-unions, youth and women organisations), professional associations, sports organisations, cultural institutions etc. participate in development activities. Special mention should be made of the "FDJ-friendship brigades" of the GDR youth organisation organized on the pattern of the American Peace Corps.

Educational aid was in recent years conceded a leading role. This includes the granting of scholarships for COMECON colleges and universities, employment of trainees from developing countries in COMECON factories, the dispatch of teachers for universities and secondary schools in developing countries, the setting up of training centres and research institutes in developing countries and on-the-spot training of local labour by COMECON experts within the framework of development projects. Some 28,000 to 29,000 students from developing countries were enrolled at Soviet and other East European universities and colleges in the 1975/76 academic year.

Special features of COMECON development aid are: the establishment of joint government committees for the implementation of development projects; joint ventures in industry; preparedness to extend soft-term credits to private firms (India and Latin America). Romania, Hungary and Yugoslavia are particularly willing to enter into joint ventures. Main partner in COMECON joint ventures is India. In the commercial field communist countries are

aiming at long-term (3 to 5 years) trade and payments agreements. Until recently the COMECON countries' trade with developing countries was handled mainly on clearing basis. Recently there has been a growing trend towards the conclusion of new payments agreements on the basis of free convertible currency. Within the framework of trade agreements COMECON countries grant short-term export credits (3 to 6 p.c. interest, 3 to 6 years duration) or "company credits" which are extended through foreign trade organisations.

Long-term capital aid credits (2.5 p.c. interest, 8 to 12 years duration) are usually granted within the framework of agreements on economic and technical cooperation. It is extremely difficult to assess the exact amount of COMECON capital aid due to the complete absence of authentic statistics. Special difficulties arise out of the differences among credit offers, allocations and disbursements. According to the author's own research,

communist countries have officially promised an aid total of \$ 25,400 mn until the end of 1975. Out of this total the USSR accounted for \$ 12,000 mn and China, whose credits are usually interest-free and extended over periods from 10 to 20 years, for \$ 4,800 mn.

Some interesting recent developments: COMECON countries are prepared to implement projects in developing countries with the financial support of oil-exporting countries. On the other hand, oil-exporting countries such as Libya, Kuwait and Iran have provided credits for projects in COMECON countries. There has also been a recent trend towards joint ventures of COMECON and developing countries like India and Iran in third countries. Last not least, mention should be made of the COMECON countries' growing interest in the exploration and exploitation of strategic raw materials such as oil, gas, copper, lead, zinc and bauxite in developing countries.

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## EAST-WEST RELATIONS

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# The GDR's Foreign Trade Policy

by Ulrich Dietsch, Hamburg \*<sup>1</sup>

**Before the German Democratic Republic (GDR) achieved worldwide political recognition in 1972 and 1973 many Western observers were of the opinion that the GDR's trade with Western industrialised countries was still not very developed. A closer look at this field of activity shows, however, a different picture.**

**T**he GDR's efforts to expand its economic contacts with Western industrialised countries began as early as the fifties and have been resolutely continued in the sixties and seventies, not without success. That these measures have received so little publicity in Western countries is primarily due to the fact that the GDR was not politically recognised, which meant that in the absence of any official contacts, effective public relations could not be established. Press and media in the GDR for their part largely ignored their country's economic relations with the West because by comparison with the relations with the socialist countries, and even with the developing countries, they were considered to have a low priority.

The complex of measures which has been created to expand trade and cooperation with the West was set up not only for economic but also for

political reasons. From the point of view of the GDR the political objectives weighed even more heavily than the economic ones: "Foreign policy ... determines foreign trade policy"<sup>2</sup>. This maxim, which expresses to a greater or lesser degree the order of priorities observed in all centrally directed economies with their foreign trade monopolies, applied more especially to the GDR be-

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<sup>1</sup> cf. Ulrich Dietsch, *Außenwirtschaftliche Aktivitäten der DDR, Maßnahmen gegenüber westlichen Industriestaaten* (The GDR's external economic activities, Measures concerning Western industrialised states), Hamburg 1976. A further study by the author of the foreign trade activities of the GDR in its relations to EC-countries is due to be published shortly. The study comprises the GDR's largest Western trading partners. These are the EFTA countries Norway, Austria, Sweden and Switzerland, all EC countries except Ireland, and Japan.

<sup>2</sup> *Ökonomisches Lexikon* (Economic Encyclopedia), Berlin 1964, under "Außenhandel" (foreign trade), and Max Schmidt, *Wirtschaftsbeziehungen zwischen sozialistischen und kapitalistischen Ländern im Lichte neuer weltpolitischer und -wirtschaftlicher Prozesse* (Economic relations between socialist and capitalist countries in the light of new world-political and world-economic processes), IPW Berichte, 5th year (1976), No. 9, p. 3.