

Schultz, Siegfried; Machowski, Heinrich

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Economic Relations with the Third World

by Siegfried Schultz and Heinrich Machowski, Berlin*

While foreign policy as well as economic, ideological and purely humanitarian considerations all continue to play a role in economic relations between the CMEA countries and the Third World, a shift in the relative weights of these various aspects has become discernible in recent years. What conclusions can be drawn as to the future behaviour of the CMEA countries towards the developing countries?

The economic relations between the CMEA countries and non-communist developing countries (here "Third World") have a politico-strategic, an economic and an ideological dimension. Over the years the ideological factor has become less important, but it remains nevertheless an important determinant. At the same time, economic interests in the Eastern European states have come to have a greater effect. The decisive factor, however, was and is that of foreign policy aims. As far as this is concerned, nothing will change in the future: at the 27th Congress of the CPSU (25th Feb.-6th March 1986) the Soviet Prime Minister promised the developing countries further economic support, "in which those countries with a socialist orientation will be accorded particular attention". The competition of both systems for political influence in the Third World will continue. However, the political ambitions of the USSR and the other CMEA countries will be limited by their economic potential.¹

Analysis of political and economic relations between CMEA countries and the developing countries encounters some difficulties. There is, for example, no public discussion of goals and resource commitment; the same applies to gains and costs incurred by the relations with "the South". Public policy statements and the press are laden with ideology; often they are hollow slogans that do not lend themselves well to analysis. Published economic statistics have only limited information value and are incomplete.

Only with reservation is the term "Third World" used by Soviet authors and academic scholars in the other CMEA countries, as it is a reminder of the concept of the "third way" (between the two major political groupings) which the Soviet Union has consistently fought against. Similarly, the Chinese concept of "three worlds" does not fit into the view of the global antagonism between

communism and imperialism. Self-reliance is well propagated by the Chinese as better suited to the needs of the Third World. The present Chinese programme of modernisation, should it succeed, constitutes a major challenge to the USSR and its East European allies.

The foreign policy of the USSR and the other CMEA countries towards the Third World has several dimensions. The main objective of Moscow's foreign policy over the past 25 years, and thus also the chief determinant of its policy in developing regions, has been "its claim to act, and to be treated, as a superpower equal to the United States".² A large portion of Soviet commitment in the Third World may be explained by this necessity. Contrasting with this claim the goals of the Eastern European allies of the USSR are definitely more limited in scope. In general their relations with the Third World are much more tailored to their economic potential.

Soviet exports to the LDCs in 1984 amounted to more than \$ 13 billion (Table 1). Soviet imports from this group of countries stood in the same year at \$ 9 billion. Over the years, the share of Soviet trade directed towards the non-socialist developing countries has held fairly steady: at about 15 % on the export side and at 11 % on the import side respectively.

Table 1 also displays the long-recognized significance of the "unspecified" exports in Soviet-LDC trade. This "unspecified" share increased from 39 % in 1970 to over 51 % in 1984, i.e. these deliveries were by far the most dynamic part of Soviet trade with the LDCs.

¹ For a more comprehensive analysis of USSR - Third World economic relations see H. Machowski, S. Schultz: Soviet economic policy in the Third World, in: Vierteljahreshefte zur Wirtschaftsforschung, No. 4/1985, pp. 406-417.

² John C. Campbell: Introduction: The role of the Soviet Union in world politics in the 1980s, in: Lawrence T. Caldwell, William Diebold, Jr.: Soviet-American Relations in the 1980s, Superpower Politics and East-West-Trade, 1980s Project Council on Foreign Relations, New York et al., McGraw-Hill, 1981, pp. 12-13.

* German Institute of Economic Research.

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Two features of Soviet "South" trade may be named briefly: for the USSR, the significance of Third World countries as trade partners is relatively small. The main feature is the extreme concentration of Soviet trade. For instance: in 1985 more than three-quarters of Soviet exports were absorbed by 10 countries, the corresponding figure for imports was about 82 % (cf. Table 2).

From an LDC perspective, the USSR has never been an important market. Recently the share of developing countries' exports to the USSR hardly reached 3 % of their total exports while on the import side close to 5 % of developing countries' total imports stem from the USSR. For comparison: in 1983 developing countries contracted about one fifth of their foreign trade each with the member states of the European Community and the United States while the respective share with regard to Japan was about 14 %.

For the rest of the CMEA countries in Eastern Europe the significance of trade with the Third World is even smaller; neither exports nor imports exceed 10 %. From the perspective of developing countries this trade volume is rather marginal. As a reflection of the Soviet predominance within the CMEA grouping the lion's share of total CMEA trade with developing countries is

taken up by the Soviet Union (cf. Table 3, column 3). Although there may be significant annual increases in "East-South" trade in individual cases there is – contrary to Eastern claims and Western perceptions – no empirical evidence for a general trend of increasing economic interdependence discernible between the CMEA member countries and the Third World. Of course this does not deny the fact that economic dependence on the Soviet Union has gone up in the last 15 years for a number of developing countries, e.g. for Afghanistan, Ethiopia, Libya, Sudan, Syria and South Yemen.

With respect to *commodity composition* the largest share of identified Soviet exports to the LDCs consisted of machinery, vehicles and equipment; in 1984 it was close to 50 %. The second most important export items were fuels and industrial raw materials, whose share has more than doubled in the past 13 years (1984: 40 %) – a development that may be primarily attributed to energy price rises. This commodity group has significantly increased its share also on the import side – to 41 % in 1984. Third World energy sales have also increased in importance to the Soviet economy, even though the USSR has remained an important net energy exporter. Identified Soviet imports from the Third World remain, however, dominated by agricultural products of

Table 1
USSR Foreign Trade with the Third World¹

Years	Exports, f.o.b.			Imports, f.o.b.			Export surplus			Share in total trade	
	Total	Specified	Un-specified	Total	Specified	Un-specified	Total	Specified	Un-specified	Exports	Imports
	– in billion US-\$ –									in per cent	
1970	2.04	1.24	0.80	1.27	1.26	0.01	0.77	– 0.02	0.79	16.0	10.8
1971	2.03	1.33	0.70	1.41	1.38	0.03	0.62	– 0.05	0.67	14.7	11.3
1972	2.45	1.36	1.09	1.63	1.62	0.01	0.82	– 0.26	1.08	15.9	10.1
1973	3.97	1.82	2.15	2.36	2.28	0.08	1.61	– 0.46	2.07	18.6	11.3
1974	4.49	2.44	2.05	3.16	3.11	0.05	1.33	– 0.67	2.00	16.4	12.7
1975	4.60	2.69	1.91	4.17	4.13	0.04	0.43	– 1.44	1.87	13.8	11.3
1971/75	17.54	9.64	7.90	12.73	12.52	0.21	4.81	– 2.88	7.69	15.8	11.4
1976	4.96	2.59	2.37	3.78	3.69	0.09	1.18	– 1.10	2.28	13.3	9.8
1977	7.27	3.35	3.92	4.09	4.04	0.05	3.18	– 0.69	3.87	16.0	9.8
1978	8.41	4.24	4.17	4.17	4.14	0.03	4.24	0.10	4.14	16.0	8.2
1979	9.65	5.35	4.32	4.87	4.82	0.05	4.78	0.51	4.27	14.8	8.4
1980	10.55	5.81	4.74	7.82	7.62	0.20	2.73	– 1.81	4.54	13.8	11.5
1976/80	40.84	31.32	19.52	24.73	24.31	0.42	16.11	– 2.99	19.10	14.8	9.6
1981	12.03	6.98	5.05	10.79	10.58	0.21	1.24	– 3.60	4.84	15.1	14.8
1982	14.04	7.46	6.58	9.25	9.03	0.22	4.79	– 1.57	6.36	16.1	11.9
1983	14.23	7.18	7.05	9.69	9.41	0.28	4.54	– 2.23	6.77	15.5	12.1
1984	13.43	6.44	6.99	9.30	9.12	0.18	4.13	– 2.68	6.81	14.7	11.6
1981/84	53.73	28.06	25.67	39.03	38.14	0.89	14.70	–10.08	24.78	15.3	12.6
1971/84	112.11	59.02	53.09	76.49	74.94	1.52	35.62	–15.95	51.57	15.2	11.3

¹ Asia (without China, Japan, Korea DPR, Mongolia, Vietnam), Africa (without South Africa), Middle East (without Israel), America (without Canada, Cuba, USA).

Source: USSR Foreign Trade Yearbook, various editions.

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all kinds (55 to 60%). Among them foodstuffs rank significantly. Here, Soviet grain imports from Argentina are primarily noticeable: because of the American partial embargo on grain enacted by Carter in January 1980, and lifted again by Reagan in April 1981, the USSR bought about 15 billion tons of grain from Argentina. The growing role of food in Soviet imports from the LDCs could partly be seen as an aberration, reflecting the series of bad Soviet grain harvests in the late 1970's and early 1980's, combined with a diversion of grain imports towards the developing countries as a result of restrictive US policies.

As mentioned before there are considerable data problems involved with the analysis of economic relations between "East" and "South". For the CMEA countries as a group it can be stated that their exports are dominated by manufactures, in particular exports of capital goods (SITC 7), i.e. machinery and transport equipment. Here the share of the Eastern European countries is noticeably higher than that of the Soviet Union (cf. Tables 4 and 5, top section). With regard to

imports it can be seen that the bulk consists of primary products – with higher shares of food items in the case of the Soviet Union. The figures clearly reflect the higher fuel dependency of Eastern Europe as compared with the USSR while the import shares for manufactured items produced in Third World countries range in about the same order of magnitude for both the USSR and the other CMEA countries (Tables 4 and 5, lower section).

Basically, the overall picture still shows the predominantly traditional pattern of exchange between North and South, and no fundamental change of this structure is likely to take place in the foreseeable future. From the figures there emerges little evidence of a significant "deepening" of the international division of labour between the CMEA countries and the Third World. Even if the value of imports of manufactures from LDCs should rise substantially in the future, their share may remain constant, due to the considerable amounts of food and raw materials that the CMEA countries will need to import. There may be a growth of trade, but its pattern will remain rather traditional.

Table 2
Main USSR Trading Partners in the Third World

– in per cent (USSR Total = 100) –

Exports							
1970		1975		1980		1985	
Egypt	2.9	India	1.2	India	2.1	India	2.2
Iran	1.5	Iran	1.2	Iraq	0.9	Afghanistan	0.8
India	1.0	Iraq	1.1	Turkey	0.7	Syria	0.4
Iraq	0.5	Egypt	1.1	Iran	0.5	Iraq	0.4
Turkey	0.5	Algeria	0.5	Afghanistan	0.5	Egypt	0.4
Algeria	0.5	Syria	0.4	Egypt	0.3	Ethiopia	0.4
Afghanistan	0.3	Brazil	0.4	Syria	0.3	Nicaragua	0.3
Syria	0.3	Afghanistan	0.2	Libya	0.3	Iran	0.3
Pakistan	0.3	Morocco	0.2	Pakistan	0.3	Nigeria	0.2
Morocco	0.3	Turkey	0.2	Ethiopia	0.2	Yemen, P. R.	0.2
Share I ^a	47.8		47.1		42.5		41.4
Share II ^b	78.6		80.6		77.2		79.3
Imports							
1970		1975		1980		1985	
Egypt	2.7	Egypt	1.7	Argentina	3.0	India	2.2
India	2.3	India	1.5	India	2.0	Argentina	1.8
Malaysia	1.0	Iraq	1.2	Libya	0.6	Libya	1.3
Iran	0.6	Brazil	1.1	Iraq	0.6	Iraq	0.8
Algeria	0.6	Argentina	1.1	Afghanistan	0.6	Brazil	0.5
Ghana	0.4	Iran	0.9	Brazil	0.6	Saudi Arabia	0.5
Afghanistan	0.3	Malaysia	0.4	Malaysia	0.4	Afghanistan	0.5
Pakistan	0.3	Syria	0.3	Thailand	0.3	Egypt	0.4
Turkey	0.3	Afghanistan	0.2	Syria	0.3	Algeria	0.4
Indonesia	0.3	Turkey	0.2	Philippines	0.3	Syria	0.3
Share I ^a	79.1		76.0		73.3		79.0
Share II ^b	79.8		76.8		75.2		81.9

^a Countries listed above as % of USSR total exports to, or imports from, the Third World.

^b Countries listed above as % of specified exports to, or imports from, the Third World.

Source: USSR Foreign Trade Yearbook, various editions.

With the exception of a few sporadic and very general reports, there is no systematic public reporting in the CMEA countries on the subject of foreign aid. This applies to both the "internal" aid flows to Communist LDCs and the Third World countries outside the CMEA grouping. For a detailed analysis of the volume and structure of aid programmes it is necessary to rely on Western estimates. These are prone to some uncertainty due to the risk of multiple counting of commitments – not to speak of non-transparent information on actual payments. Also, there is only a hazy dividing line between development aid in its strict sense, i.e. aid given on concessional terms, and commercial credit or military aid – not dealt with here. It would be greatly helpful if the CMEA (or recipient) countries' statistical authorities were to make much more information available so that Western estimates would have less justification. Misinterpretation and arbitrary judgement could thus be curbed if not altogether avoided.

According to OECD estimates, total Soviet net payments (actual payments less repayments on earlier loans) at the beginning of the 1970's ran to an annual figure of around US \$ 2 billion. This amount rose on average over the first half of the 1980's to a yearly sum of about US \$ 2.5 billion.³ Three-quarters of this figure was allocated to the three developing countries within the CMEA (Cuba, Mongolia and Vietnam), and only the remainder was available to the non-communist developing countries. Out of this remaining sum, countries with a "socialist orientation" were treated preferentially.

³ OECD: Development Cooperation (Chairman's Report), 1984 Review, Paris 1984, p. 208.

The relationship between development aid and the gross national product was estimated for the USSR to be 0.24 %; if aid to CMEA countries is excluded, then this proportion is reduced to 0.01 % – an extraordinarily low figure in world terms.

In fact, the USSR has never formally accepted the United Nations goal for the Third Development Decade (1981 to 1990), i.e. to set aside 0.7 % of GNP for development aid. However, in a surprising statement in 1982, the Soviet representative to the United Nations announced that the USSR had from 1976 to 1980 given aid to a level of 30 billion roubles (roughly US \$ 44 billion), which was allegedly equal to between 1.0 and 1.3 % of the GNP of the country. In May 1985 the Permanent Representative of the USSR to the United Nations revealed in addition that Soviet development assistance in 1983 had amounted to 9 billion roubles, or 1.2 % of Soviet GNP. It is, however, not known how these figures were calculated and what they include – which leaves much room for speculation.

One of the few possibilities of checking the magnitude of Soviet flows (gross disbursements) is the item in the foreign trade statistics "equipment and materials for projects built abroad with technical assistance from the USSR". According to this source, the USSR provided assistance valued at more than 8 billion (valuta) roubles to developing countries between 1970 and 1983. That is about the equivalent of \$ 11 billion; very roughly, two billion dollars more than the US estimates of Soviet disbursements to Third World countries in these 13 years.

While the USSR has always been the largest aid donor among CMEA countries – accounting on average

Table 3
Percentage Share of Individual Socialist Countries of Eastern Europe
in the Total Exports or Imports of Major Groups, by Regions of Destination and Origin, 1983

	Exports					Imports				
	World	Developed market-economy countries	Developing countries	China	Socialist countries of Eastern Europe	World	Developed market-economy countries	Developing countries	China	Socialist countries of Eastern Europe
Bulgaria	7.0	2.9	4.8	3.5	10.2	7.8	4.0	4.0	2.6	11.0
Czechoslovakia	9.5	5.9	6.2	8.9	12.8	10.4	6.4	5.7	10.5	14.0
German Dem. Rep.	13.6	14.7	6.0	8.0	16.4	13.7	14.3	6.4	2.9	15.7
Hungary	5.0	6.0	4.0	4.6	5.0	5.4	6.8	5.4	3.2	4.8
Poland	6.6	8.0	4.6	9.0	6.7	6.7	7.1	4.0	16.5	7.3
Romania	5.8	7.6	7.3	31.3	4.0	4.9	3.2	9.8	31.0	3.9
USSR	52.4	54.9	67.1	34.6	44.9	51.0	58.2	64.7	33.3	43.3
Soc. countries of Eastern Europe	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: UNCTAD, TD/B/1063/Add. 1; Secretariat calculations based on national and CMEA statistical publications, ECE/GEAD CPE data file.

for 75-80% – there are also some significant contributions from Eastern Europe, notably the German Democratic Republic (cf. Table 6) and Czechoslovakia. Most of the moderate increase in recent years went to the prime target group, i.e. the CMEA members at an early stage of economic development like Cuba, Mongolia and Vietnam. Bulgaria also maintains a small aid programme; the same applies to Hungary and Poland. Romania is in a somewhat peculiar position since it is (according to a UK study⁴) believed to be a net recipient of aid as a result of drawings on aid loans from the World Bank while, according to OECD files, the country's net aid given to other developing countries allegedly has been negative for a number of years⁵ – due to received repayments exceeding new disbursements.

Supposedly the ODA/GNP ratios for the East European CMEA members are consistently lower than that calculated for the Soviet Union. Thanks to the "weight" of the Soviet Union the CMEA average is close to the latter's national figure (cf. Table 7).

In the wake of the first steps by the Soviet Union to publish some of its aid figures, some other CMEA

countries also made careful attempts to shed some light on their aid programmes. This applies in any case to Bulgaria, the GDR and Poland. With regard to the GDR this turned into an annual exercise on the occasion of General Assembly meetings of the United Nations or the UNCTAD VI conference in Belgrade in June 1983. However, as in the case of the Soviet Union, the figures provided⁶ are highly aggregated and thus do not lend themselves to detailed analysis. One of the core elements of these announcements are the figures given on the ODA/national income ratio of the GDR aid programme (about 0.8% during the last couple of years). When trying to cope with the problem of the Eastern system of national accounts by a rough transformation to the GNP concept as customarily used in the West, the respective ratios necessarily slip downward. The exact amount is unknown but the UN target of 0.7% of the annual GNP does not seem to be reached yet either.

Development aid from the East is characterized among other things by the fact that it has always been subject to considerable fluctuations. However, this is not always the sign of a changing political attitude toward

Table 4
Structure of the Foreign Trade of the USSR
with Developing Countries¹ by
Major Commodity Groups
(in percentage shares)

Commodity groups	1980	1981	1982	1983	1984 ²
Exports³					
Food items (SITC 0+1+22+4)	4.5	4.3	4.0	3.4	3.7
Agricultural raw materials (SITC 2-22-27-28)	3.7	5.6	4.5	3.1	3.7
Ores and metals (SITC 27+28+67+68)	3.8	3.3	3.9	3.0	2.7
Fuels (SITC 3)	23.9	26.0	25.7	24.5	26.8
Manufactured goods (SITC 5 to 8 less 67+68)	30.2	27.8	26.6	28.1	27.1
Imports					
Food items (SITC 0+1+22+4)	53.7	55.7	57.4	58.0	55.0
Agricultural raw materials (SITC 2-22-27-28)	6.4	7.0	5.4	6.2	5.6
Ores and metals (SITC 27+28+67+68)	6.5	4.4	5.3	5.7	5.7
Fuels (SITC 3)	6.5	3.2	3.1	4.2	3.3
Manufactured goods (SITC 5 to 8 less 67+68)	26.4	29.3	28.4	25.3	28.5

¹ Including China. – ² Estimated. – ³ The considerable share of non-specified exports is reported in UN statistics as "not classified elsewhere" (SITC 9).
Source: UNCTAD, TD/B/1063/Add. 1 (based on the International Trade Data Base of the UN Statistical Office).

Table 5
Structure of the Foreign Trade of the Socialist
Countries of Eastern Europe with Developing
Countries¹ by Major Commodity Groups
(in percentage shares)

Commodity groups	1980	1981	1982	1983	1984 ²
Exports³					
Food items (SITC 0+1+22+4)	7.7	7.4	7.4	5.3	6.8
Agricultural raw materials (SITC 2-22-27-28)	3.9	5.7	4.7	4.4	4.1
Ores and metals (SITC 27+28+67+68)	6.2	5.2	5.5	4.7	5.1
Fuels (SITC 3)	15.4	17.9	17.8	17.4	18.2
Manufactured goods (SITC 5 to 8 less 67+68)	45.4	42.5	40.2	42.8	41.5
Imports					
Food items (SITC 0+1+22+4)	41.7	45.0	44.8	44.3	43.3
Agricultural raw materials (SITC 2-22-27-28)	7.3	7.0	5.7	6.3	6.0
Ores and metals (SITC 27+28+67+68)	8.8	7.2	6.8	7.2	8.4
Fuels (SITC 3)	16.1	13.0	17.0	17.4	15.4
Manufactured goods (SITC 5 to 8 less 67+68)	25.6	27.4	25.3	24.2	26.2

Footnotes: see Table 4.
Source: see Table 4.

the Third World. It is much more a reflection of two factors: the realisation of new, large-scale projects does not proceed continuously, and the framework agreements on economic and technical cooperation only lead to concrete projects after a certain interval.

Traditionally, the main items in the CMEA aid programme are to the state sector of the economy and to projects in (heavy) industry, such as iron and steel production, metalworking and mechanical engineering. However, an increasing proportion of funds are being used for prospection and exploration of mineral resources in the case of the Soviet Union, above all for natural gas and crude oil. This reorientation reflects both self-interest on the donor's side and a departure from large-scale projects by the developing country. It ought to be mentioned that an increasing emphasis has been placed on agriculture in recent years.⁷ To a certain extent a tendency can also be observed for aid not to cover just a single project but to become more comprehensive (horizontally or vertically), affecting more than just one branch of production.

Just as is the case in the West, there are a variety of *motives* behind CMEA development assistance. Foreign policy as well as economic, ideological and purely humanitarian considerations all play a role, although economic factors are ever more coming to the fore. These factors include the need to extend one's own raw material base and to assure the supply of strategic products. Also, the supplying of efficient machinery as part of capital aid, as well as appropriate basic and advanced training for managerial staff in business, industry and administration, can have positive repercussions on the home economy, just as in the West. In both East and West, to the same extent, there is always the consideration of gaining foreign policy ground and containing the influence of the other side.

According to official statements the loans have an average maturity of about 10-12 years, and the interest rate as a rule is 2.5-3 % per annum. The repayment period of the loan and the interest rate vary, however, according to the country and/or the project concerned – this tendency towards increased diversification can be noted in the recent past. It is impossible to quantify the grant element within these loans. In addition the socialist creditors charge no availability commission for credit not yet taken up. Repayment may become due directly after the completion of the project; in special cases the grace period may last up until three years after the project has been completed.

In general, capital aid from the USSR and the other socialist countries of Eastern Europe is characterised by

the fact that – due to the predominance of aid in kind – it is almost completely tied to procurement in the donor country. It must be stressed that for the developing countries there is an advantageous proviso for the repayment of loans: in general the debtor countries are permitted to pay back the loan for the most part with products from the production plants which they used the loan to set up, but also with supplies of traditional export goods. Only a few Eastern European countries demand repayment in convertible currency. With the exception of scholarships – being treated as outright grants – technical assistance may also be liable to a charge. A common characteristic of all development assistance by the USSR and the other socialist countries of Eastern Europe is the continuously low level of multilateral aid, which due to the close link of trade and aid is a reflection of a bilateral trade structure.

With regard to *regional* distribution, the bulk of aid is concentrated on a small number of countries: of course, it is primarily the underdeveloped CMEA members, which account – as stated above – for about 75-80 % of total disbursements. The geographic distribution of aid to other developing countries in the long run reflects to a large extent the desire to strengthen (a) relations with sympathetic governments (Angola, Ethiopia, Kampuchea, Korea PDR, Mozambique, Yemen PDR), (b) relations with politically and strategically important countries (Afghanistan, India, Nicaragua, Pakistan, Syria, Turkey) and (c) the interest in exports and/or in securing essential (raw material) supplies (Algeria, Egypt, Guinea, Iraq, Morocco, Peru). The lion's share of Soviet assistance goes to South Asia, i.e. predominantly to neighbouring countries or countries close to the Southern Soviet border. Also a few key positions on the African coastline are involved. The former seems to have helped neutralize CENTO members, the latter helped to establish naval facilities.⁸

The demands made of the CMEA countries by the LLDC group have received only a limited response. While Western countries were prepared, after negotiations at UNCTAD, to write off debts and to provide assistance in the form of grants, the CMEA countries have scarcely reacted to similar demands

⁴ Foreign and Commonwealth Office: Soviet, East European and Western Development Aid 1976-82, Foreign Policy Document No. 85, London 1983, p. 9.

⁵ OECD: Development Cooperation (Chairman's Report), 1985 Review, p. 115.

⁶ For details see Wochenbericht des DIW, No. 51-52/1985, p. 583.

⁷ Cf. footnote 5.

⁸ Daniel P i n e y e : The bases of Soviet power in the Third World, in: World Development, Vol. 11, No. 12 (1983), p. 1087.

made of them. At UNCTAD VI the Soviet Union has expressed its "special understanding for the problems of the least developed countries" and has claimed to have set aside funds for this target group amounting to 0.18 % of its GNP.⁹

Special features

Economic relations with LDCs (irrespective of whether they are CMEA members or not) can be characterized by a few features that go beyond traditional economic ties and cannot be found to the same extent in "West-South" relations. The ones worth mentioning here are as follows:

Long-term co-operation agreements are considered to be one of the cornerstones of East-South cooperation. Concluded bilaterally, they are supposed to serve economic and scientific/technical cooperation. Intergovernmental commissions, convening at regular intervals, are the institutional body with a steering capacity. In the context of the medium and long-term planning of a number of LDCs, the cooperation agreements allegedly produce an important element of stability and predictability. With this kind of cooperation the USSR is, inter alia, aiming at the strengthening of key sectors, notably heavy industry and the public sector in the partner country.

The CMEA cooperation programmes have a relatively *high training component*. As the OECD stresses in one of its annual reports on world-wide cooperation efforts,¹⁰ one of the most noteworthy new features of CMEA countries' relations with the developing countries in recent years is the increasing emphasis put on technical assistance activities, either in the form of scholarships or through the provision of experts and technicians. The precise number of students and trainees trained in the CMEA countries is difficult to evaluate, since figures

quoted are often contradictory. They were estimated (on the basis of statements made at the United Nations) at about 85,000 in 1983, of which 60,000 were studying in the USSR, the remainder being in one of the six East European countries. Training in the USSR is usually provided free of charge. In the Eastern European countries the rules vary from one country to the other. In the GDR, scholarships are frequently provided by public enterprises, the various ministries or youth organisations; other countries, such as Poland or Romania, do not usually provide scholarships to students from the richer developing countries. It is also known that students and trainees educated in Czechoslovakia, the GDR and Hungary work for two years in their host country after the termination of their studies. The same holds true for the Vietnamese trainees in the USSR, the number of whom is believed to be very high. Over half of the workers and technicians trained by the CMEA countries are trained in their countries of origin, either directly on the construction sites of CMEA-supported projects or in vocational schools frequently built with the support of the donor country.

Other forms of co-operation: Obviously there is expanding economic cooperation with a growing number of developing countries through *production-sharing arrangements* and *joint ventures*. The number of developing countries which have concluded economic and/or technical *co-operation agreements* with CMEA countries has risen in recent years. Leaving aside military assistance to a large number of developing countries, CMEA countries provide

⁹ UNCTAD TD/302, p. 3.

¹⁰ OECD: Development Cooperation (Chairman's Report). — The following paragraph is, almost exclusively, taken from the 1984 Review, p. 119.

Table 6
ODA Net Disbursements

(million US dollars, 1982 prices and exchange rates¹)

	1970	1975	1980	1981	1982	1983	1984 ²
DAC members, total	17 740	20 836	25 958	24 881	27 731	27 560	28 686
Other OECD countries	189	270	278	118	...
OPEC members, total	1 039	9 396	9 038	8 341	5 891	5 504	4 545
USSR	2 097	1 919	1 999	2 378	2 327	2 461	...
GDR	81	79	170	203	196	161	...
Eastern Europe, other	436	276	337	329	337	332	...
CMEA members, total	2 614	2 274	2 506	2 910	3 026	3 167	...
Other donors	229	206	202	203	...
Grand total	21 393	32 506	37 920	36 608	37 128	36 552	...

¹ If applicable, individual countries' figures are deflated by the GNP deflator. — ² Preliminary.

Sources: OECD: Development Co-operation (Chairman's Report), 1984 Review, supplemented by data from the 1985 Review; Paris 1984 and 1985 respectively.

substantial economic support through favourable *pricing arrangements* for sugar, nickel and oil. "The system of intra-CMEA pricing arrangements is the principal means through which the USSR and Eastern Europe use pricing arrangements to confer advantages on the CMEA developing countries. The main beneficiary is Cuba, which has been able to sell sugar and nickel at above world market prices whilst importing Soviet oil (at some 20 %) below world market levels."¹¹ Vietnam and Mongolia are said also to have benefitted from cheap Soviet oil, though to a much lesser extent than Cuba. But the system may also work to the detriment of LDCs: there are indications that Cuba, for example, pays a higher price for imports of some Soviet manufactures than the USSR charges other purchasers.

There is little evidence to indicate the extent of the CMEA donors' price support schemes outside the CMEA. Afghanistan, for example, may have received up to US \$ 30 million from the USSR in 1982 as a result of importing Soviet oil at concessional prices. As the UK study concludes,¹² Laos too may have benefitted from commodity price support from the USSR. But without sufficient evidence to allow quantification of the costs and benefits to the developing countries, it is impossible to gain an overall view of the net resource impact of the CMEA donors' price support scheme.

These price benefits are not eligible for ODA recording according to DAC definitions. For this reason the adjusted figures for the CMEA aid performance are fairly low. However, to the extent procurement took place in OPEC countries (Iraq, Venezuela) at official rates, in principle these transactions would qualify as concessional flows even under OECD-DAC criteria. Since the quantities involved are unknown the matter is dealt with in Western statistics as a memo item. It is also said that there may be offsetting movements through refusal of world market prices for LDC's deliveries (as allegedly happened with bauxite from Guinea as well as Iranian and Afghan natural gas).

Finally, another feature of the CMEA aid programme should be briefly touched upon. Due to definite preference for bilateral assistance, multilateral contributions are negligible: about one per cent of overall commitments. They are limited to small payments to UNDP¹³ and UNICEF and special contributions to UNIDO. The contributions are in non-convertible currency, which further diminishes their usefulness because it is a de facto tying of procurement. Since CMEA countries certainly have no intention of supporting pro-Western developing countries, but rather of deliberately promoting the "non-capitalist road to development", there is no motivation to support international development institutions, which would curb their freedom to decide independently which countries should receive development aid.

With regard to the New International Economic Order, a subject which is cultivated by the nonalignment movement as one of the focal points of the North-South dialogue, the CMEA countries have so far taken only a small part in this dialogue. At international conferences on issues related to the NIEO, they usually support the position of developing countries, while rejecting any attempt to group the CMEA states with the industrial "North" as firmly as any obligation to distribute wealth more evenly on a world-wide scale.

For many developing countries, this attitude is just as disappointing as insufficient economic assistance. Among such countries a pragmatic conception of the Soviet Union and the CMEA countries is growing: they are useful during the fight for independence while there is need for arms; however, when political independence is gained, capital and technological know-how become the most important, and at this point the countries

¹¹ Foreign and Commonwealth Office, op. cit., para 33.

¹² Idem, para 35.

¹³ None of the CMEA countries contribute to IFAD, WFP, UNHCR, UNWRA or the regional development banks. The USSR's cumulative share in the provisions to UNDP since its inception is slightly above 1 per cent.

Table 7
ODA Net Disbursements as a Percentage of GNP

	1970	1975	1980	1981	1982	1983	1984
DAC members, total	0.34	0.36	0.38	0.35	0.38	0.36	0.36
Other OECD countries	...	(0.03)	0.09	0.13	0.14	0.06	...
OPEC members, total	1.18	2.92	1.84	1.51	1.02	1.03	0.86
USSR	0.17	0.17	0.18	0.19	0.18	0.19	...
GDR	0.08	0.06	0.15	0.17	0.15	0.12	...
Eastern Europe, other	0.14	0.07	0.10	0.11	0.11	0.12	...
CMEA members, total	0.16	0.14	0.17	0.18	0.17	0.17	...

Sources: see Table 6.

concerned prefer to turn to the Western industrialized nations.

Despite the unconvincing position of the CMEA countries in development policy, a stronger – and material – commitment will be demanded from them in the future. For the economic development of the Third World has to be brought about in a joint effort by all industrialized countries, in the interests of the world economy as a whole. The CMEA countries will only be able to play a greater role in the world economy if they manage to raise the efficiency of their economies to the extent that their performance as compared to the other industrialized nations is sound, and not least to the extent that they can increase their Third World support.

Conclusion

On the basis of the above analysis the following can be concluded:

□ CMEA-Third World economic relations have become less laden with ideology but they are still an important factor. A somewhat more pragmatic approach to economic issues is covering up orthodox recipes. There is a discernible shift in emphasis away from ideology towards a growing understanding of the importance of underpinning aspirations with economic deeds.

□ In the case of the Soviet Union, exhibiting worldwide presence has its economic price. The claim for extensive cooperation has a considerable bearing on the economic potential. Consumer demands, capital expenditure and the military budget – and an inefficient economy – curtail economic capacity to match political aspirations on a world-wide scale.

□ The CMEA countries strongly emphasize the significance of their cooperation with the Third World along the lines of bilateral country-to-country relations assuring equal treatment and mutual benefits. This view is in contrast to that of the developing countries who demand a privileged position in world trade.

□ Claiming to stand up for the improvement of international trading conditions of LDCs while securing advantages from the exchange of goods with the Third World in the conventional pattern causes a dilemma for the Soviet Union and Eastern Europe.

□ There are special features but no special relations in "East-South" cooperation. They are neither extremely cordial nor shock-resistant – as a number of sudden "divorces" has proven.

□ Growing export surpluses vis-à-vis developing countries will aggravate the problem of indebtedness and dependency of the Third World.

□ Recent negative net disbursements of aid to some recipient countries must lead to the provision of new funds, debt relief, or a deterioration of relations.

□ International image seems to be a (new) governing force in the CMEA countries: although they have never accepted any international aid target the claiming of noticeable ODA/GNP or ODA/national income ratios looks like a signal of change in attitude.

□ The concentration of aid on CMEA members and the reluctance to enlarge the group of beneficiaries are reflections of a growing resistance against increasing the economic burden.

□ In the NIEO discussion a problem arises from the fact that the CMEA countries' demand structure and their supply profile resembles that of the North.

□ The vast majority of LDCs are no longer looking for those responsible for their present economic state; rather they prefer to be helped out of it quickly.

What conclusions can be drawn from the behaviour of the CMEA countries in the past about their *future* relations with the developing countries?

Future attitudes towards the Third World are likely to have the following elements:

□ There is little evidence that a "socialist division of labour" would differ greatly from the capitalist one, which currently assigns to the Third World the role of primary commodity producer and customer for manufactures.

□ The autonomy of the Eastern planning authorities will not be given up unnecessarily by entering into long-term global obligations of a recurrent nature. The government will emphasize its freedom to provide (and withdraw) aid and to set stipulations as it deems fit. The possibility of concentrating resources on selected recipients or sectors will be maintained.

□ In general, the CMEA faces in the developing countries the same obstacles and constraints as providers of Western assistance, e.g. lack of local skills and poor management. There is no magic key to overcoming these problems more efficiently than the West.

□ As in the West, the economic policy of the Soviet Union and the other CMEA member states has different dimensions including humanitarian, ideological, political and economic interests. Despite a trend indicating the growing importance of economic considerations in shaping trade and aid policy towards the Third World, foreign policy will never lose its prime role.