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Summary

SOVIET-THIRD WORLD RELATIONS: THE ECONOMIC BIND

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This report examines the strains and binds that have recently appeared in Soviet-Third World economic relations. Their sources are principally three: (a) the failure of the USSR to become a viable trade partner and an adequate aid donor; (b) the emergent discrepancy between Soviet economic interests and diplomatic goals; (c) the Soviet adoption of a far less hostile attitude toward capitalist institutions in the development process and toward the Western role in the world economy. New perceptions on these three issues have not as yet produced any startling departures in Soviet policy. Nevertheless, they produce ambiguities and dilemmas that weaken the Soviet posture and operations in the Third World.

During most of the post-Stalin expansion into the Third World there had been a congruence between economic activities, political objectives and Marxist theory -- all being aimed at undermining, if not liquidating, the Western presence. This was as true during the initial phase (1955-64), when the motivation for the aid-trade programs was primarily political, as it was during 1965-75, when the pursuit of economic advantage became an important motivation.

Since the mid-1970s, however, signs of conflict between the USSR's economic interests and its diplomatic goals have appeared. Unable either to make a significant expansion into Third World markets or to establish a common anti-Western economic front, the USSR has been trying to resolve these difficulties by dealing with the LDCs rather as a distinct economic component of an interdependent world economy. This approach clashes with Moscow's diplomatic stance, which continues to treat the Third World as a political entity to be manipulated in the East-West competition. The resulting discrepancy creates noticeable ideological disarray at home that prevents the formulation of a coherent policy, in turn causing difficulties with individual LDCs (particularly those of "socialist orientation") and at international forums (the NIEO debates), and dissension with the East European allies.

The extent of the failures and difficulties faced by the Soviet Union and its Bloc can be sketched with a few statistics. In the latter 1960's, the USSR refurbished its aid and trade program, expecting that the new forms of cooperation would replace its unilateral aid handouts with a steady and advantageous flow of trade, attract an increasing number of LDC partners into a stable division of labor, and create surpluses to cover some of the deficit with the capitalist countries.

Initially, there was success. The LDCs' share in Soviet total turnover rose from 10.3% in 1964 to 14.6% in 1974. And by the early 1970s, the USSR and its Eastern Bloc began converting trade accounts
from clearing to settlement in convertible currencies. These develop-
ments seemed to confirm the expectation that the USSR could launch a 
viable program wherein it supplied the LDCs with machinery and 
technology in return for raw materials and goods that were either in 
short supply or too costly to produce at home.

Nevertheless, neither the USSR nor CMEA managed to make a 
significant breakthrough on the Third World markets. By 1975, the 
LDCs conducted not more than 6% of their trade with the USSR and 
Eastern Europe. And although machinery exports (considered to be the 
most lucrative trade item) came to constitute almost 25% of Soviet 
exports to the LDCs and over 10% of East European exports, still they 
constituted less than 7% of LDC imports.

Moreover, beginning with 1975 Soviet-LDC trade registered a down-
turn. By 1979, it amounted to 11.8% of the Soviet total and its 
annual rates of growth declined from 23.8% in 1974 to 3.8% in 1977. 
At the same time, the share of the Soviet Union and of East Europe 
in the total aid receipts of the developing countries fell from 8% 
in the early 1970s to only 2% in 1977.

The decline in trade and aid created difficulties on two fronts. On the one hand, the downturn in trade coincided with the growing 
Soviet and CMEA need for larger hard currency earnings to pay for 
Western technology and for increased raw material imports to sustain 
domestic needs and/or export programs. On the other hand, the de-
crease in aid coincided with a marked increase in LDC needs. The 
radical states kept asking for more assistance in the name of socialist 
solidarity. And the proclamations of the Group of 77 no longer made 
special provisions for the Communist Bloc, but demanded the same "aid 
tax" from capitalist and socialist states alike, as well as a one-sided 
system of preferences to boost their exports of manufactured products.

While such facts do not offer much hope for a substantive improve-
ment in the situation, both the USSR and the East European states 
nevertheless plan to increase economic exchanges with the LDCs. The 
draft guidelines for the 11th Five Year Plan (published in December 
1980) give no specific figures but merely mention the need to utilize 
foreign trade to supply the national economy with raw materials and 
other goods. However, Hungarian economists have calculated that in 
the next ten years there will have to be substantial increases in the 
Bloc-LDC trade, mainly because of the growing demand for raw materials. 
They posit that the share of the LDCs in CMEA imports is to rise between 
1978 and 1990 from 7.6% to 15-17%; and their share in CMEA exports 
from 12.2% to 14.5-16.5%. For the Soviet Union, the corresponding 
figures for increases in imports are from 8% to 18-20%; and for exports, 
from 15.8% to 17-20%.

My report does not analyze specific economic binds created by the 
evident discrepancy in the needs, wishes and capabilities of the USSR, 
its European Bloc and the LDCs. It does describe to what extent these 
problems create difficulties and dilemmas for the USSR in five areas: 
(I) the NIEO discussions, (II) development theory, (III) trade exchanges,
(IV) administrative reforms, and (V) CMEA coordination.

Moscow's recent stance on the New International Economic Order (NIEO) negotiations shows that the USSR has ceased identifying its own grievances about the world market with those of the South. At the V UNCTAD in 1979, it produced the rudiments of a separate program for the reconstruction of international economic relations. It was noticeably less hostile to Western ascendency: for example, it admitted the possibility of "democratizing" the world market even before the "inherent defects of capitalism had been eliminated." And it argued that the NIEO program could not center solely on issues affecting the South; it had to be a "comprehensive restructuring in all areas of world trade" so as to include the centrally planned economies (CPEs) and East-West trade as well.

The evident divergence in economic interests, however, is unlikely to result in clear-cut new policies, for the USSR simply cannot afford to disassociate itself from the Third World on the diplomatic front. Thus, it pursues an ambiguous and hybrid policy. At the III UNIDO Conference in 1980, Moscow voted for the New Delhi Declaration and Plan (duly vetoed by the West). But at the same time it tabled a statement, saying that its vote could not be taken as "automatic support of the actions enumerated by the Declaration and the Plan," thereby, in effect, disavowing its solidarity with the South.

Current Soviet development theory also tends to diverge from Third World doctrines with their normative assumptions, their stress on self-reliance, and the various implications this has for normal economic interaction with the rest of the world. Although most of the official Soviet pronouncements still propound that the final and complete liberation of the LDCs will come with the total elimination of capitalist relations on the domestic and international levels, this position no longer holds uniformly. Specialized writings tend increasingly to discuss economic issues more realistically and not in terms of systemic irreconcilables. This shift follows from two new theoretical constructs: the recognition of a single world market that dictates degrees of interdependence on all nations; and the differentiation made between "dependent" and "national" capitalist development that permits recognizing the contribution to growth made by private entrepreneurs and foreign investment. The exigencies forcing Moscow to condone operations in a wider global context are such that the discussion of moderate development policies (predicated on the utilization of capitalist techniques, market mechanism and foreign capital) is not limited to the pages of specialized journals. These ideas are also expounded to Third World specialists and political activists at various seminars, where they often meet with adverse reaction from the participants.

A novel turn is seen in recent discussions of the unsatisfactory level of East-West trade. The slow tempos of growth and instability are attributed to a lack of complementarity between the CPE and the LDC economies. Thus, the feasibility of the principles on which Soviet aid-trade programs have been based since their reorganization in the late 1950s is being questioned. It is argued that reliance on supplying heavy industrial equipment in exchange for repayment in kind ignores
that advances made by the LDCs necessitate a different mix of exports. Moreover, as the LDCs continue developing, many are becoming competitors of the Bloc on Western markets. These difficulties are compounded by the realization that Soviet industry is not geared to making the necessary technical adjustments to rapidly changing demands. In addition, it is now acknowledged that the development strategy of the Third World does not coincide with the thrust of the CPEs' aid-trade programs: the CPE concern with raw material extraction and imports collides with LDC ambition to industrialize and become exporters of manufactured products. Finally, there is concern about the lack of economic leverage. Accounting for only about 6% of Third World trade and unable to match the financial resources of the World Banks or Western commercial banks, the CPEs admit that they are too often treated as expendable trade partners.

There is also pessimism about the future of domestic and intra-Bloc reforms that are necessary to expand the CPEs' economic operations. Discussion of reform is much more outspoken in Eastern Europe than in the USSR. While many Soviet specialists concur in the need to change the administrative framework, they are not sanguine about the prospects for effective reform. Multilateralization is one reform that is favored by East European economists, recognized by the Soviets as necessary and advocated by the LDCs. Yet, changes permitting departures from bilateralism are difficult to institute. Multilateralization works when the oil-rich LDCs invest in Bloc ventures. But the tripartite agreements (involving East, West and South), in which the East Europeans are keenly interested, face ideological snags in the USSR. Large, joint Bloc undertakings in the Third World are not easy to organize since the CMEA planning is not geared to operations outside the Bloc. The transferable ruble cannot serve as means for the multiple settlement of trade surpluses with the LDCs, since it does not perform that function within the Bloc. It is also recognized that the state monopoly of trade and centralized decision making act as a brake on diversifying and increasing exchanges. But, reform-minded specialists doubt that any significant measure of flexibility can be introduced given the dogmatic devotion of the Soviet leadership to state monopoly and the preference of socialist enterprises for safe, time-tested forms of contacts rather than the risks of innovation.

Being more trade-dependent than is the USSR, the East European states have been taking initiatives in multilateralizing and decentralizing their foreign economic operations. These steps by themselves do not seem to arouse undue concern in the USSR. But other aspects of these initiatives run counter to Moscow's interests. For one, the East Europeans expect the expanded trade to revivify their lagging economies by benefiting the consumer. The mounting consumerism in Eastern Europe (in conflict with the Soviet philosophy that favors the industrial sector) presents the USSR with economic, as well as political, problems in managing the Bloc. Second, behind the East Europeans' pressure for better adaptation to the world market and for lowering the systemic barriers is the desire to lessen dependence on the USSR. In this respect, attempts to infuse Bloc-LDC economic relations with new dynamism affect Soviet security interests. Third, there is no common front among the CPEs regarding the NIEO. Romania no longer signs the Bloc statements to the UNCTAD conferences. Economists from the other Bloc states disapprove of the low
economic profile the USSR presents on their behalf at NIEO deliberations. They hold that it is no longer either feasible or advisable for the CPEs to rely on ideological verbiage alone, and they urge a substantive response so that the socialist states are not excluded from international negotiations and agreements.

From the trend of discussion in these five issue-areas and the range of solutions that are proposed or attempted, it is evident that the emergent disjunction between Soviet economic and political aims in the Third World poses many foreign policy dilemmas. The needs of the Soviet economy make it impossible to revert to the older practice of identification with the LDCs on all fronts. The persistent demands of the LDCs and the recent East European stance question the long-range viability of the current "two-stools" policy: e.g., of pursuing maximum economic advantage (which is basically not inimical to the West) without compromising the traditional Soviet diplomatic posture of siding with the Third World against the West.

While Marxist-Leninist ideology feeds Soviet geo-political aims, it cripples substantive reforms to accommodate the newly perceived economic interests and needs. Quite obviously, in the short run the Soviet leadership is caught in a series of dilemmas that permit little movement either forward or back. Nevertheless, there are signs that in some respects the USSR has crossed a threshold that offers opportunities for Western initiatives.

The articulation of a new, separate Soviet stand on NIEO and related issues moves the Soviet position closer to Western views in three respects: it is quite moderate and evolutionary; it is expressly critical of the Third World demands; it accepts a long-term Western presence in the Third World and insists that East-West trade form an integral part of the new economic order.

Naturally, what motivates the USSR is the need to eliminate the restrictions that affect the CPEs on the world market. But since this self-serving search derives from the recognition of the Bloc's weakness and from the decoupling of Soviet-Third World economic claims against the West, adroit American diplomacy could take advantage of this vulnerability and moderation. The opportunities the situation offers could be pursued in three areas, separately or in convenient combination: to initiate some fresh starts on global economic negotiations; to reduce Soviet prestige and influence in the Third World; to extract concessions from the Soviet Union in return for help with its own economic problems.
The pronounced changes in Moscow's response to the debates on the new international economic order (NIEO) is a very graphic attestation to the growing strains in Soviet-Third World economic relations.

The economic, not just political, complementarity of the interests of the developing and the socialist states vis-a-vis the capitalist West has been a cornerstone of Russia's search for influence and power in the former Western colonies ever since Stalin's death. Economic relations began to play a significant role in the Soviet rapprochement with the newly independent countries once the Kremlin had decided to treat them not as part of the imperialist sphere but as a progressive factor in international politics. (This enhanced status was fully formulated by Khrushchev when he designated the LDCs as a "zone of peace" at the 20th CPSU Congress in February 1956.)

One of the first signs of the changing Soviet outlook was the unprecedented decision to start contributing to the United Nations Technical Assistance program in August 1953. That gesture was followed by the goodwill trips of Khrushchev and Bulganin to India and other Asian countries in 1955 that were marked by the lavish distribution of aid to undermine Western influence and to gain allies. The ouster of Khrushchev in 1964 was in part caused by these "hare-brained" schemes in Afro-Asian
countries and was followed by a reassessment of Soviet largesse. As a result, aid projects and trade agreements began to be tied more and more to the needs of the Soviet Union rather than to the demands of its LDC partners.

But no matter whether Moscow granted huge sums for dams or stadiums (mainly for their demonstration effect) or whether it began to seek some tangible benefits from its aid-trade program, the assumption underlying these policies remained the same: They were rooted in the beliefs that the economic interests of the USSR and the Third World against the West coincided, and that there was a complementarity in their economies, with the USSR supplying machinery and technology in exchange for raw materials.

The emergence of the Third World economic offensive against the West in the early 1970s was welcomed with satisfaction in the USSR. The demands of the Group of 77 were interpreted as in part resulting from the exemplary economic relations ("self-less" and "equivalent") that had been instituted by Moscow in its dealings with the former colonial areas. The character of the socialist aid and trade program, the Russians believed, opened the eyes of the developing countries to Western exploitation and served as a model for the just economic order that the LDCs were seeking. And it was further assumed that any concessions the LDCs managed to wrest from the West would automatically result in political and economic gains for the USSR.

Given this outlook, when the LDC grievances and demands coalesced into the Declaration on the New International Economic Order, adapted at the 6th Special Session of the UN General Assembly in 1974, the Soviets gave it their support. In the words of Andrei Gromyko, the Soviet
representative at that Session, "it was a progressive code of rules by which states should be guided in their economic relations."¹

The optimistic appraisal of the NIEO demands was apparent on many levels. To begin with the most obvious propagandistic level, the May-Day and October-Revolution slogans began to include expressions of support for the "transformation of international economic relations on a just and democratic basis" in the context of their appeals to the newly independent peoples to struggle for the consolidation of their independence and for a progressive road of development.² Similarly, the June 1976 Berlin Conference of Communist and Workers' Parties mentioned the common struggle of the socialist countries, the non-aligned movement, and the LDCs for the "establishment of new international... economic relations on the basis of justice and equality."³

Among scholars specializing on Soviet-Third World economic relations the same upbeat note prevailed. For example, L. Zevin, a prominent spokesman for the adoption of more effective forms of cooperation to transform the aid program so that it would benefit the Soviet economy, commented that the reforms he had been advocating would make an important contribution to the "common struggle" for creating a NIEO based on justice, sovereign equality and the right of the LDCs to manage their own resources.⁴ And George Skorov, at that time a leading expert on Third World economic problems at the Institute of World Economics and International Relations (IMEMO), wrote on the eve of the IV UNCTAD a sanguine appraisal of the growing role of the LDCs in world affairs. His optimism was based on three arguments regarding the evolution and substance of "the attack against the positions of imperialism, colonialism and neo-
colonialism," mounted by the Third World.

First, the initial inchoate movement for partial concessions had developed into a united front and into a comprehensive program for the reconstruction of international economic relations that undermined the very basis of the world capitalist economy. Second, these demands carried weight since the newly independent states controlled the world's supplies of natural resources. Third, a number of concessions already granted to the LDCs (regarding the removal of trade discrimination, price stabilization, compensatory financing, etc.) had not only started to redistribute resources in favor of the LDCs but also weakened their dependence on international capital.5

Optimism about the thrust of the LDC demands for the reconstruction of global economic relations, the weight the LDCs carried, and the ability of the Soviet Union to participate with its own constructive proposals in that reconstruction was evident in the joint statement the Soviet Bloc presented to the IV UNCTAD conference at Nairobi in 1976. It welcomed various "progressive resolutions" proposed by the LDCs at the UN forums as "important milestones" toward a "radical restructuring of the capitalist international division of labor." It went on to enumerate the baneful consequences the LDCs had suffered in their interaction with the capitalist states and to argue that "there exist in the world . . . two fundamentally different bases for the conduct of commercial and economic relations with the developing countries." Not merely did the joint Statement delineate the diametrically opposed ways of dealing with the LDCs offered by the socialist and the capitalist systems, but it went on to offer the practice that had evolved in Soviet Bloc-Third World contacts as
a "new kind of economic relations," as a model for the further implementa-
tion of the NIEO. After stating all this in the four pages of preamble, the
following 20 pages outlined the existing or slightly expanded and improved
pattern of Soviet Bloc-LDC exchanges as the basis for a new system of the
international division of labor that would constitute an alternative to
the current, capitalist-dominated one. (The new pattern included such prac-
tices as specialization in industrial production, coordination in national
planning, pooling of resources for the development of entire regions,
improving the commodity market through compensatory agreements, etc.)

The details of these Soviet proposals are not central to the subject of this report. What is pertinent is the spirit in which they were offered. The underlying assumption was that the principles and methods of the Soviet aid and trade program offered viable guidelines for improving the operations of the world economy and that the LDCs could well use them in shaping their new, more advantageous relations with the capitalist West. (In general, the principles of planning, long-term inter-governmental agreements, production cooperation, and compensation agreements between states to establish fair prices and limit the effects of market forces and of the multinationals, were set forth as measures that would improve both the functioning of international trade and the position of the LDCs.)

Just as it was believed that the LDCs' struggle for a NIEO involved "issues that go to the heart of the capitalist system," so it was believed that the development of "diverse and firm links between the young national and the socialist states" would have "a strong impact on the relations between the developing and the advanced capitalist states and would
speed up their reconstruction." According to one of the Deputy Directors of IMEMO with whom I spoke last April, the Socialist states' proposal at the IV UNCTAD represented a separate, independent vision of the new order which offered the LDCs an alternative model and new opportunities. To this opinion, which conforms with Soviet intentions, I'd add that the Soviet Bloc statement was based on the continuing assumption of common and complementary interests between the CPEs and the Third World. Why else, in the Soviet view, should the LDCs feel drawn to consider and adopt the Soviet model for NIEO?

Three years later, in May 1979 at the V UNCTAD session in Manila, the Soviet Bloc presented what was in effect an entirely different proposal. To be sure, many of the old arguments were still present, especially the reiteration that the industrialized West was responsible for the LDCs' plight, that Soviet Bloc-Third World relations were qualitatively different from those between West and South, that most NIEO demands should not apply to the CPEs either because the latter did not engage in exploitative relations or because they had already implemented those provisions, and that there was a close affinity between the socialist and the LDC desire to change world economic relations.

But these familiar allegations were cast in an entirely different mold. Gone was the former confident assurance about the "exemplary" nature of East-South relations that would either draw the LDCs closer to the Soviet Bloc or serve as a model for the new international division of labor. First of all, the Bloc statement acknowledged that the LDCs were being more and more closely "bound to capitalism's main industrial centers" (p. 4, pt. 8). Second, because of this closer association between the South and
the West, it was difficult to the Socialist countries to "increase their participation in the world-wide division of labor and to develop ... new forms of long-term, large-scale economic, scientific and technical cooperation" (p. 6, pt. 13). Third, there was an implicit distancing from the LDC demands in the sense that the "restructuring of international economic relations" was treated as a separate issue that was not equivalent to the "efforts to ensure normal conditions for the development of the young states" (p. 2, pt. 4). Fourth, there was a much more explicit articulation of the idea (only tangentially mentioned at the IV UNCTAD) that what was required was "a comprehensive restructuring in all areas of world trade," including the specific mention of "East-West trade" (p. 8, pt. 21). And finally, that it was possible to "democratize" international economic relations and to "ensure the equitable and mutually profitable participation in such relations of all groups of countries and systems of property ownership" even while the "inherent defects of capitalism" had not been eliminated from the operations of the world economy (p. 9, pt. 22).

All five points represented a major retreat from the previously held and doggedly articulated socialist positions. As my above-mentioned contact at the IMEMO informed me (who, by the way, was one of the co-authors of the Soviet version of the statement, which was subsequently revised by the appropriate Party authorities): Since the opportunities the Soviet Bloc offered at the IV UNCTAD had not been picked up, the CPEs presented at Manila a statement that was much closer to the Western position. Whether and in what ways it is really closer to the Western position may not be so readily apparent (and will be dealt with in the concluding section). But it is certainly evident that the Soviets were not so
committed to the delusion that the economic interests of the Bloc and the Third World coincide wholly.

Since the V UNCTAD, although the traditional ideological exhortations have not been eliminated, there have been other signs acknowledging the divergence of interests. In October 1976, the USSR issued a separate Declaration on the Restructuring of International Economic Relations which articulated Soviet objections to specific points in the LDC program. Beginning in 1978, the anniversary slogans stopped including the NIEO demands among the anti-imperialist and anti-capitalist issues that merited praise and support of the CPSU. And recent specialized works on international economic problems make a distinction between three different programs for the new world order. According to one study: The developed capitalist countries strive to overcome various crises that afflict them by proposing a world order that will firmly integrate the LDCs into the capitalist system; the LDCs want to attain an equivalent position through the redistribution of world resources in their favor; and the Socialist Bloc seeks to utilize the international division of labor to further disarmament and detente, to aid the LDCs, and to create more favorable conditions for socialist construction.

As a result of the changing outlook, the Soviet Union is facing some difficult and embarrassing policy decisions: How to combine the traditional anti-imperialist posture with the economic needs of the country. Illustrative of the well-nigh insoluble fix the USSR finds itself in is Moscow's behavior at the III UNIDO Conference in February 1980. The USSR voted for the New Delhi Declaration and Plan of Action, which were duly vetoed by the West. But at the same time it also tabled a statement by
the delegations of nine Socialist countries disavowing this vote. It could not be taken as "automatic support of either the actions enumerated by the Declaration and the Plan or of the decision of international organizations and conferences in the preparation of which [the Socialist] countries did not participate." In short, the Bloc voted for the resolutions and then shelved them. (The Socialist states principally objected to the call for the establishment of a Global Fund to which all the richer countries, without any allowance for the differences in their social systems, had to contribute.)

One does not get very far, however, by exposing the hypocrisy or inconsistency that are becoming more and more evident in Soviet behavior at international gatherings other than to prove the point that it exists. What is much more rewarding, in the sense of offering insight into the dilemmas that the USSR is facing and trying to resolve, is to map out the range of factual and ideological discussion that has been going on among the Soviet and the East European experts regarding the difficulties the Soviet Union and its Bloc are facing in their economic relations with the Third World. The frankness with which these problems are discussed indicate a full awareness that the Bloc's needs for the resources of the Third World collide not only with the increasing self-assertiveness on the part of the LDCs but also with Soviet ideology, diplomatic stance, and economic institutions. These discussions, moreover, give us insight into the full meaning of the more or less tentative departures from the customary treatment of Third World claims and into the likely changes in Soviet economic behavior toward the Third World.
II

The changing Soviet theory concerning the role of capitalism in
the LDCs undermines the traditional dogmatic assumptions that created the
supposed identity between the Soviet stance and Third World claims against
the West. It is an ironic twist that at the same time as the LDCs are
more vociferously protesting (with varying degrees of cogency and sophistica-
tion) against their exploitation, Soviet theory regarding the prospects
for economic development under capitalism has mellowed noticeably. The
closer Soviet theory moves toward recognizing and accommodating economic
realities, the more it distances itself from Third World views and
aspirations.

It used to be a firm tenet of Soviet development theory that
after attaining political independence the former colonies remained sub-
ject to economic exploitation by the metropoles and the operations of
world capitalism. The next step in the liberation process concerned
economic independence—unshackling the colonial economy from its subordina-
tion to the economic interests of the imperial powers—which was to be
achieved through the stringent limitations and/or expulsion of foreign
capital. Final and complete liberation would result from the total
elimination of capitalist relations on the domestic as well as the inter-
national levels.

In rough outline, this still remains the Soviet theory in most
ex cathedra pronouncements both at home and abroad. In part this is due
to the force of habit, in part to the felt-need to differentiate the Soviet
position from that of the West vis-a-vis the Third World.

However, fissures in this scenario for liberation have been
appearing since about the mid-1970s. First to show was the emergence of a theory that a single global economy operates over and above the world capitalist economy and the world socialist economy. In one way or another and in varying degrees, the global economy modifies the operations of both component parts, capitalist as well as socialist, and necessitates varying degrees of interdependence and interactions on the part of all nations. 12 This recognition of the existence of a global economy perforce tempers and qualifies the interpretation of world economic issues in terms of systemic irreconcilables, be they socialist, capitalist or Third World.

Second, there has been discussion of the measure of development that can be attained by Third World countries within the world capitalist system and through capitalist institutions. On the statistical level it is, of course, a well-documented and accepted fact that great economic differentiation exists among the LDCs. 13 The next step, essentially still factual but edging toward the interpretative-ideological side, is the argument advanced by some specialists that several LDCs (like Brazil, for example) have reached or are about to reach the same medium level of capitalist development as have the less advanced countries of Europe (for example, Greece, Portugal, or Southern Italy). Although primarily fact-oriented (and in this sense incontrovertible), this argument has met with considerable ideologically-based criticism. Its proponents are accused of deviating from the Marxist-Leninist theory of the dependent nature of the economic development taking place in Africa, Asia and Latin America. 14

Third, and of much greater portent, is the theory differentiating "national" from "dependent" capitalism. It is significant on two counts: First, it is being propounded not by ordinary researchers but by very highly
placed specialists and thus reflects not merely the personal views of the individuals but also a trend of thought that has currency among some members of the ruling elite. Second, this view is now being propagated by the Soviets to the Communist and proto-Communist parties of the Third World at meetings that discuss the NIEO.

The theory began to be propounded in earnest among specialists in 1978 in order to introduce a measure of realism into the inflexible old formulas. This view was clearly stated by Evgenii Primakov, Director of the Oriental Studies Institute and now an Academician, when he criticized the authors of Developing Countries: Regularities, Tendencies, Perspectives for having reduced "the problem of liquidating . . . the dependency of the LDCs to their joining the world socialist system. To be sure, it is the shortest and the most radical method, and one that safeguards the interests of the broad working masses. At the same time it seems . . . that the liquidation of the dependency of individual countries has become possible without their leaving the world capitalist system."

A similar argument has been expressed by a politically more important person—namely, Karen Brutents, who is on the staff of the Central Committee's International Department, dealing with the Third World. In 1978 an article of his appeared in Pravda which was meant as an elaboration on Brezhnev's statement that the "classical system of imperialism had been replaced by a modernized and adapted neo-colonialism." Modernization, he explained, involved the fostering of higher levels of economic growth in the LDCs and the development of dependent capitalism. Brutents made his position much clearer in a book published the following year. He argued that one should get away from a "fatalism" about the "inevitably"
publications. They also surface in Soviet lectures to Third World audiences. Thus, V. Yashkin, a young economist from the Oriental Studies Institute, speaking to the UNITAR Seminar in Moscow not only drew the distinction between dependent and independent capitalism but also maintained that "compared to the traditional forms of existence, capitalism is undoubtedly a more advanced social structure." I was told by a Western participant at the Seminar that assertions of this sort, i.e., that "capitalism can play a positive role," encountered serious objections from the Leftist representative from Ethiopia. And one moderate Third World delegate told me here in New York that it was evident at the Seminar (as well as in general) that the USSR had no intention to exert itself to change North-South relations.

More symptomatic of the general drift of recent Soviet thinking is Moscow's attempt to convince Third World Communists and radicals about its changing views on the utility of capitalism. The Commission on the National Liberation Movements in Asian and African States, which operates under the auspices of the World Marxist Review, organized in early 1979 an international research group to study the restructuring of international economic relations. George Skorov, who at that time was still working as a Third World specialist with IMEMO and was a member of Soviet delegations to the UNCTAD conferences, served as the Soviet representative and coordinator. The study group came, among other things, to the following conclusion:

At one time it appeared that imperialist exploitation would be limited only with the transition of more and more liberated countries to the actual building of socialism or . . . their adoption of the road of non-capitalist development opening up a socialist perspective. . . . These are the most radical means. . . . At the same time, in present-day conditions, the strengthening of the world socialist system, the total collapse of the colonial system, and the radical change in the
deepening subjugation of the LDCs, for it was possible for them to progress from dependent-capitalist to national-capitalist development. Second, he maintained that the development of capitalism in the former colonies, especially in its "national forms," in no way lessened the antagonism between these countries and imperialism. On the contrary, as Lenin had said, by speeding up the development of capitalism in the most backward countries, imperialism "broadened and sharpened the struggle against national oppression." 16

The change in emphasis may seem like scholastic hair-splitting to a Western reader, but it is highly significant in the context of the ongoing debates on how the USSR should adjust to the challenge of the world economy and global issues. A formulation of this sort, once it is launched by a person sufficiently prestigious, serves as a stepping-stone in the slow process of readjusting outdated theories to changing reality. And Brutents' formulation is being cited to this purpose by those who favor updating Soviet economic theory and practice to take cognizance of current-day global issues. 17 Although the arguments advanced by Brutents have found supporters and allies, they also create consternation. An epigrammatic expression of this unsettling effect is a reader's letter to Kommunist, taking issue with the ideas "advanced by some scholars of present-day capitalism." They were arguing in contravention to Lenin's theories about the fifth stage of capitalism—namely, the territorial division of the world—that an "imperialism without a colonial empire" had superseded the collapse of the colonial system. 18

Revisionist views about the nature of imperialism and of capitalist relations are not confined to the pages of Soviet scholarly or party
balance of world class forces have opened before all countries the possibility of curbing . . . imperialist and neo-colonialist exploitation even before the abolition of the capitalist system in the chief centers of imperialism. This opportunity must be used. 20

The more moderate attitude toward the role of capitalism in economic development is also demonstrated in the changing Soviet theory about "socialist orientation." The term came into use in the late 1960s, in part to supplant the term "non-capitalist path," in turn devised in 1960 to allow for a period of transition toward socialism by the newly independent countries. Gleb Starushenko, the Deputy Director of the Africa Institute who specializes in institutions and ideology (and frequently participates in CPSU meetings with various proto-Socialist parties), told me that the change in appellation resulted from pressures by the Third World radicals who did not want their progressive strivings belittled by what they considered to be a demeaning formulation. So the transition period, to accommodate the ambitions of the Third World radicals, was advanced from the neutral "non-capitalism" to the more positive-sounding formulation that included the talismanic word, socialism.

Ever since the term came into fashion (but it is still used almost interchangeably with the old phrase), it has been the subject of numerous articles, books, and conferences that have tried to define its essence and parameters. To indicate the range of interpretations is not a purpose of this report; but the evolution of one line of interpretation is relevant, for it demonstrates how the Soviets are trying to overcome the bind in ideology resulting from the growing incompatibility between political commitment and economic rationality.

In the past few years there has been a very marked change in Soviet comments on this topic. Before the mid-1970s, there was a tendency
to equate socialist orientation with the experiences undergone by the Soviet Central Asian republics after 1917, by Mongolia, and even by the People's Democracies in Eastern Europe. More recently, there has been a pronounced trend to treat this phase of the national liberation movement as a novel socio-political phenomenon causing unprecedented problems that necessitate original solutions. 21

In earlier writings, economic problems were likely to be treated in a superficial manner, and principally from a political viewpoint. There was no substantive discussion of what economic difficulties might arise and possible ways of coping with them, for it was assumed that the socialist orientation would somehow solve all the problems through administrative measures. It was expected that the socialist orientation would create, at the optimum level, a set of economic institutions aimed at a more or less speedy elimination of ties to the world capitalist market and, at the minimum level, very strict controls over the private sector. 22 The economic tasks of that political formation were largely reduced to the questions of by-passing, minimizing, or eliminating the capitalist stage.

Recent theoretical writings have addressed themselves in a more pragmatic and positive manner to what should be the role and position of the private sector in the radical states. A book by Gleb Starushenko admitted that the 1960 formulation of the concept of non-capitalist development addressed itself only to the political role of the national bourgeoisie but left unmentioned its contribution to economic development. Elaborating on this neglected issue, Starushenko proposed the following policies: fostering the economic activity of the national bourgeoisie under state control, and encouraging foreign investment under a system of
regulations that would both safeguard the interests of the state and provide a sufficient attraction for investors.\textsuperscript{23}

Whereas previously, backwardness was interpreted as an asset because it would enable the LDCs to by-pass capitalism, it is now regarded as an obstacle on the path to socialism. In the words of Anatoly Gromyko, Director of the Institute of Africa: "The overriding objectively inhibiting factor is backwardness, which has persisted for centuries and cannot, of course, provide the foundations for building a socialist society, which requires the creation of certain essential material prerequisites."\textsuperscript{24} Consequently, policies incorporating elements of a mixed economy—as happened in the Soviet Union during the NEP period—are discussed in theoretical writings as offering viable means for overcoming backwardness. References to the NEP indicate an emphasis on economic factors, with an implied criticism of voluntarism (i.e., bureaucratic tinkering). Resuscitation of the NEP as a model for the transition to socialism indicates interest in steady, sound economic development (rather than radical, ultra-socialist policies). More than that, it means approval of a strategy of development that utilizes capitalist techniques, market mechanisms and foreign capital.\textsuperscript{25}

At the same time as the evolution in Soviet theory tends to modify the former hostility to domestic and foreign capital, it also tries to create a certain distance between the Socialist Bloc and Third World aspirations to be regarded as socialist. Many official pronouncements aimed at the international audience tend to stress the number of countries that have chosen the socialist orientation. Of course, this is done to bolster the claim that socialism is becoming the predominant force in world development. But on the domestic level, especially in the more specialized
literature, misgivings are voiced about embracing these states too closely by identifying their aspirations with socialism proper and by accepting their choice of policies as final. Thus Anatoly Gromyko and Gleb Starushenko have criticized a Soviet book for making too strict a distinction between three groups of states in Africa--those which have chosen the capitalist path, those proceeding along the non-capitalist road, and those still undecided. They cautioned that the situation on the continent was still much too fluid to make such a neat and final classification possible. (And R.A. Ulianovsky has written recently that the socialist orientation is not equivalent to the building of socialism because one of the characteristic traits of the former trend was its reversibility.)

Economic realities have much to do with taking a pragmatic stance on the economic policies of socialist orientation. In private conversations, Soviet specialists often note that most of the radical Third World states happen also to be the poorest or the least developed--the implication being that the Soviet Union is saddled with having to support them. This is not mentioned in publications; but here the point is being made that not only the Third World in general, but the socialist-oriented countries as well, are part and parcel of the capitalist world market. And no one proposes to rescue them from this position. On the contrary, theories are being devised to make it possible to utilize this opportunity (the resuscitation of the NEP model being one of them).

In 1969 L. Tiagunenko, the doyen of post-war theorists on the Third World, insisted that the most important precondition for the non-capitalist path was strengthening the economic and political ties with the USSR. By contrast, economists tend to argue now that the political
changes that the countries of socialist orientation contemplate do not re-
quire excessive reorientation toward the CPEs. One example to cite is
the argument that joint Soviet-Western projects should be considered
seriously as a form of aid to these states. 29 (On the practical level, I
was told both in Moscow and by Jay Klinghoffer, who has made a thorough
study of Soviet policies in Angola, that Soviet advisers urged the MPLA not
to expel Portuguese businessmen and specialists. Similarly, I was told
in Moscow, that South Yemen is being advised to seek aid from Saudi Arabia.)

Convenient as this shift would be for the Soviets, it does create
difficulties with the Third World radicals. First of all, they notice
and object to Soviet ideological slippage, as they did at the UNITAR
seminar in Moscow when the Ethiopian representative objected to a positive
assessment of capitalism by the Soviet speaker. Second, they find it use-
ful to be able to claim Soviet aid on ideological grounds—in the name of
international solidarity. For example, at the World Marxist Review discus-
sion group on restructuring the international economic order, the South
Yemeni representative argued that "the most important factors for all our
changes are the international revolutionary forces' increasing solidar-
ity with our country in its struggle against imperialism and reactionary
intrigues, for progress, socialism and peace, growing support in various
fields from the socialist system with the Soviet Union at its head, and
the Democratic Yemen's planned economic development on the basis of
coordination within the framework of the CMEA. This is necessary in
order to eliminate the impact of the capitalist market on the establishment
of new economic structures in harmony with the development trend of the new
society." 30
The specter of having to support more Cubas haunts the Soviets. They are changing their theory in order to avoid having to recognize unwanted "socialist" countries and to assume additional burdens. As an example of this one could cite the fact that despite pressure from the People's Republic of Yemen for full membership in CMEA, it had been granted only an observer status. It seems that thus far membership is reserved for such countries as Vietnam, where the process of socialism is considered to be irreversible.

The attenuation of the once firm normative assumptions in Soviet development theory collides with the rise of radical Third World economics. In order to keep up the myth of a united Socialist-LDC front against the economic institutions and practices of the West, the criticism of radical LDC economists in Soviet publications is infrequent and circumspect. However, in private conversations Samir Amin is presented as the personification of the Third World extremism that is blind to the fundamental principles of economics. He has been described to me as a "madman" and his theories as "wild."

The clearest expression of concern about the "irrationality" of the radical Third World theories appeared in a Polish report on the First Congress of Third World Economists, held in Algeria in February 1976. Written by an economist of note, it frankly admitted to being appalled at the ideas propounded by both Celso Furtado, the chief speaker at the Congress, and Samir Amin, its Deputy Chairman. The Polish scholar was disturbed by the fact that universal technical principles were being jettisoned in favor of political solutions. As a result, the objective achievements of economic science were being ignored and economic obscurantism prevailed.

Nothing that specific has appeared in the Soviet press. However,
one cannot but suspect that the frequent and lengthy attacks on Chinese economic theory are motivated in some degree by the fact that many of its tenets (especially self-reliance) bear close resemblance to ideas popular among the Third World spokesmen. And indeed, as it happens, self-reliance is the only tenet of Third-World economics which has met with adverse Soviet commentary. It is criticized in the specialized literature; and the Soviets speak out against it at international gatherings. As an example of the latter instance, one can quote the words of V. Yashkin at the UNITAR Seminar in Moscow in defense of the need for the LDCs to operate in an open system of economic relations. In referring to the concept of "collective self-reliance" (most recently reiterated by the Arusha Declaration of February 1980), he gave it due recognition as an attempt to gain strength in relations with the developed capitalist countries. But the brunt of his argument was devoted to stressing the short-sightedness of being exclusive:

"One should not forget, however, that this integration pattern as such has also negative sides because the centers of scientific and technical progress and those of the international division of labor are at present beyond the reach of the developing countries, and the system of exchange [among the LDCs] for all its importance is nevertheless of minor significance. Therefore, every attempt on the part of the LDCs to shut themselves up within the framework of such groupings would actually mean their deliberate renouncement to share the world scientific and technical progress. And on the contrary, if such pattern of cooperation is to produce a maximum effect, it will have to . . . promote cooperation among all nations irrespective of their socio-economic systems."34

Another Soviet speaker at the same Seminar waxed lyrical about the benefits to be derived from participation in world economy. He called the "expansion of world-wide system of business relations between states" a "global democratic school" from which each participant would derive
great benefits. And, carried away in linguistic flight, he equated exclusion from that "ever durable boon-school" with "emasculation."  

The ideological bind is evident not merely in connection with the changing views on the economic aspects of national liberation movements. It affects another area—the introduction of necessary reforms at home. Ideological strictures prevent the creation of a more open economy and the institution of more profitable relations with the LDCs—moves that are recognized as necessary or advisable by many specialists in the ministries and research institutes. How sensitive the whole issue is was demonstrated to me during several interviews in Moscow last spring. For example, one specialist, after reading my *Problems of Communism* article, advised me that it would be wiser on my part and helpful to the Soviet side if I avoided using phrases like "liberal" in characterizing one group in the discussions. He had no objections to my describing in some detail the arguments in favor of opening up, but he would have preferred to see the politically more neutral tag of "modernists" or "non-traditionalists" pinned on the advocates of these reforms. On another level, time and again when I pressed on with questions about the future of institutional changes, the "modernists" emphasized that numerous ideological obstacles would make implementation extremely difficult at best or well nigh impossible at worst. Or, when we talked about mixed companies and joint East-West projects in the Third World, a number of Soviet economists wistfully said that it was much easier for the East European states to engage in the pursuit of pure profit, for they were unlikely to get blamed for violating socialist principles.  

Although things may look greener in Eastern Europe to the Soviets,
ideology has been an obstacle there as well. But by now there seems to be a consensus that these barriers are being lowered. Thus a Hungarian publication frankly admitted that ideological considerations had at one point prevented introducing reforms into economic relations with the Third World. The criteria on which socialist cooperation with the LDCs was once supposed to be based were described as being "ideologically motivated" and "too general" to provide useful guidance for correct actions. Specifically, insistence on the following principles proved to be counter-productive: the elimination of exploitation in international economic relations; the equality of partners and the exclusion of one-sided economic dependence; the promotion of industrialization.36

In Hungary one can openly argue that such criteria collide with the development needs of the country and had caused in the past a "certain cautiousness in the application of new methods." But the same principles still have to be officially adhered to by the USSR in its pronouncements abroad and by Soviet specialists in their public statements (or at least in the prefaces to books) as being the guiding light and the distinguishing characteristic of socialist aid and trade programs.

III

One of the novel developments in East-South economic relations is the increasingly open and detailed reference in Soviet publications to the difficulties that afflict these exchanges. Such comments have been appearing in the East European specialized studies since the mid-1970s.37 But it is a new phenomenon in the Soviet Union. One is so used to the
hortatory descriptions of mutually advantageous and ever-accelerating exchanges (with only occasional and fleeting reference to unspecified minor malfunctions) that it comes as a surprise to read in the most recent Soviet publications that this trade had not been dynamic. The following problems are now enumerated: the slow, almost static tempos of growth since 1966; the rising and consistent excess of Bloc exports over imports; the wide fluctuation by country and by year; excessive concentration on a few partners.  

It is evident that such facts are a source of considerable worry since they do not coincide with the economic strategy that has been in process of formation since the late 1960s. The Soviet Union and its East European allies have been showing increased interest (though in varying degrees) in trying to derive benefits from more active participation on the world market. The Third World countries were expected to perform a specific role in this strategy: namely, to supply raw materials in exchange for CPE machinery and equipment, with the sizable surpluses the CPEs expected to derive from this exchange going to pay for the increased imports from the West. (While the first two aspects of this strategy are amply discussed in Soviet specialized literature, the third element is admitted mainly in private conversations.)

In order to promote such an "international division of labor" (as the program was called) new forms of cooperation were devised to replace the simple trade exchanges and aid handouts that prevailed during the initial period of economic penetration. Among the most vaunted new forms were long-term production agreements wherein the CPEs would supply machinery and know-how for heavy industry or the extraction of raw materials in
return for repayment in kind. The exact forms of cooperation are not germane to the purpose of this paper, except in so far as their advocates based their plans on three assumptions: That there was a complementarity between the CPE and the Third World economies; that this complementarity would persist for the foreseeable future, with the CPEs always maintaining a sufficient technological edge over the LDCs; and that the exploitation suffered by the LDCs in the West would make them eager to take up such arrangements with the Bloc.

Yet, the new forms of cooperation failed to bring the expected results. Trade has remained pretty much on a constant level. Whereas the inauguration of this new economic policy was accompanied by considerable optimism, recent publications and personal interviews indicate disillusionment, worry and stock-taking. There is now a realization that the former expectations did not materialize; and there is a widespread review with a search for causes and scapegoats.

The most cogent reason advanced for the failure of the program is the argument about the changing economic profile of the LDCs. Although Soviet specialists have been commenting on the economic differentiation in the Third World for some time and several have been arguing that some countries could now be classified in the "semi-developed" category together with the less-affluent European states, they have not touched upon the practical implications of this phenomenon until recently. Vneshniaya torgovlia still considers it an advantage that 53% of Soviet exports of complete arrays of industrial equipment go to the Third World. But a recent book notes that the advances scored by many LDCs in the last decade make them less dependent on imports of this type. It posits that
what is needed to expand the lagging exports of the CPEs is to take note of this change, to give up concentrating so exclusively on heavy machinery (which can now be produced in some LDCs), and to shift to a larger assortment and a more sophisticated mix. 41

Discussion of the rising competition from the Third World is another sign that the CPEs are faced with the lack of complementarity. It is a new thesis in the Bloc literature. The East European publications are much more outspoken on the subject. A Polish economist has written: "The process of industrialization of the developing countries and the concomitant changes in international specialization are certainly going to continue at high rates. Under such conditions, trade in industrial production between the capitalist countries and the Third World—especially the most advanced countries within the latter group—will be gaining in importance and the character of the international division of labor will become increasingly competitive."42 A Hungarian economist carried the argument a bit further and frankly stated that "there is increased competition on the world market from a whole series of finished manufactured goods of the developing countries and this has had an increasingly unfavorable effect on socialist countries wishing to export similar products."43

Soviet economists have been commenting on the growing capacity of the more advanced LDCs to produce manufactures and machinery. But I have not come across any explicit discussion of competition in print. (And, unfortunately, this question did not arise in conversations in Moscow.) In keeping with the current policy of seeking more profitable and varied forms of cooperation, this new capability of LDCs has been interpreted as offering the Soviet Union and its LDC partners an opportunity to engage in
joint ventures in third countries. However, the likelihood of less harmonious relations must be taken into account, for one comes across such cryptic statements as: "Conditions for Soviet-Third World cooperation will become more difficult as a result of changes during the 1970s."

Soviet Bloc specialists show concern about several points in their version of the international divisions of labor not coinciding with the aspirations of the LDCs. As mentioned, the basic thrust of CPE economic activity in the Third World has been to obtain raw materials either in short supply or too expensive to produce at home. This aim conflicts with the desire of the LDCs to diversify their export structure and to break away from their position as raw-materials suppliers in the world economy. The dilemma was forthrightly acknowledged at the UNCTAD Seminar in Hungary in 1978. T. Szentes stated that the fully justified demands of the LDCs to end their one-sided specialization in primary production "did not answer the question of how Hungary, a country poor in natural resources, could satisfy her growing need for raw materials by imports from the developing countries without strengthening thereby their one-sided cooperation."

These conflicting interests fully emerge in the LDCs' campaign to expand the export of manufactures. In publications and in speeches aimed at the international audience, the Soviets invariably claim that they have lowered the trade barriers on, and increased their imports of, these goods more than the West has done. But in private it is conceded that there is no easy, automatic (even less, one-sided) way in which the USSR could increase these imports since no extra cash is available. Given this bind, increased imports would have to result either from production cooperation
or from increased LDC purchases in the USSR, which in turn would enable the Soviets to purchase more from their trade partners. A third way out was mentioned in one Moscow interview—improvement in the Soviet standard of living. But my informant at the Institute of the Economy of the World Socialist System thought that there was little chance of a radical change in his country’s policy regarding the welfare of consumers.

When problems of expanding imports of manufactures are mentioned in print, the discussion tends to stress the difficulties that originate in the LDCs and not the inability of the Bloc to oblige. The following stumbling blocks are mentioned: the limited volume and range of goods the LDCs produce for export; unsatisfactory standards and styling of many goods; prices that at times exceed the world market prices; lack of interest on the part of the LDC business community to enter into broad, mutually beneficial cooperation. 48

Technology transfer is another area in which incompatibility is increasingly apparent. It is a generally acknowledged fact, one of which the CPEs are proud and for which the LDCs have been grateful, that the technical assistance of the Bloc had been rendered on preferential terms. But several points of contention have emerged lately. Indicative of the present mood of the LDCs is their demand that "technical assistance must be technical assistance and not export promotion." This was stated by an LDC participant at the UNCTAD Seminar in Budapest, who went on to say that "far too often export follows the expert"; and that after consulting the CPE experts the LDCs must be given the chance to decide for themselves how and to whom they should commit their resources. 49

Such expectations clearly ran counter to the Hungarian wishes
and plans, as expressed at the same seminar. Reference was made to the resolution of the Hungarian Socialist Workers' Party (adopted on Oct. 20, 1977) on increasing exports, which, among other things, stated that "scientific and technical cooperation and the training of experts must be placed in the service of this goal," in order to underscore that too many Hungarian projects "play a much larger role in technology flow than in the development of economic and commercial relations although they are frequently set up for the latter purpose." 50

Similar differences were evident at the UNITAR seminar in Moscow. The audience was informed that the transfer of advanced technology from the Soviet Union was meant to raise the demand for Soviet machinery and equipment, leading to the "growth of deliveries" of these goods to the Third World countries. 51 This did not go well with the LDC participants, I was told by a Westerner who was also present. They voiced objections to this aim as well as to Soviet policy of tying technology transfer to specific Soviet projects.

Specialists from the Communist countries readily admit in conversations that despite quite a substantial growth of East-South economic exchange, the Bloc still does not carry enough weight to be able to assert its interest. I was told at the Hungarian Institute of World Economy, that the small share of the Bloc's trade in the Third World's total transactions (about 5%) renders the CPEs impotent to prevent greater integration between the former colonies and the West. In addition, international decisions affecting the flow of world trade are taken without any consultations with the Soviet Bloc and without taking its interests into consideration.

As for actual trade transactions, in too many cases the CPEs are
such insignificant partners that they simply have to accept what the LDCs are willing to give or want to dispose of. For example, I was told at the IMEMO that many LDCs prefer only to enumerate in trade agreements the goods to be exchanged rather than to specify the quantities. Then, when it comes to the annual negotiations, they offer the Soviet Union large amounts of those goods which they cannot sell elsewhere and the Soviets have to take it. Similar complaints came up in several other interviews; both the Soviets and the East Europeans saw themselves as the aggrieved or helpless party. Even with as stable and long-standing a partner as India the USSR seems to lack bargaining power. I was told at the Oriental Institute that when the terms of trade for cotton yarn as against cotton cloth changed on the world market in favor of the latter, India began to concentrate on textile production and reneged on the yarn production for the USSR from raw material provided from Soviet Central Asia.

Because the Soviet Bloc seemingly has so little leverage, the LDCs feel free to take advantage of it, or so at least the relationship is often interpreted in the Bloc these days. Bloc specialists have become quite vocal in referring to the readiness of the LDCs to take up contacts with the CPEs merely to wrest concessions from the West. Once this is accomplished, they lose interest in concluding negotiations. Complaints of this sort abound in private conversations. For example, the head of a research section at the Latin American Institute told me that the main reason Mexico had recently started economic contacts with the USSR and its Bloc was to gain better bargaining power vis-a-vis the US. This problem is also admitted in print: "Political support of the socialist countries for the LDCs, as well as the economic presence of the former on the LDC markets,
are of big significance for the LDC bargaining position in their relations with the capitalist countries. It should be admitted that many LDCs avail themselves of such a situation. It is undoubtedly very advantageous to them, but at the same time it does not influence the development of economic relations with the socialist countries."

Lack of solidarity with, and gratitude to, the Socialist Bloc is evidenced in yet another way. Iraq, after all, owes the development of its national oil industry to the Soviets. In 1972, the Bloc bought Iraqi oil after the Western boycott that followed the nationalization decree. Subsequently, substantive aid was rendered for prospecting and production in Rumelia. Still, once Iraq's chances on the capitalist market improved, Baghdad started selling oil to the West and asked the Soviet Bloc to purchase more manufactured goods (which were not selling well in the West) instead. As one of the Deputy Directors of IMEMO told me, Iraq prefers to export oil to the West and figs to the USSR. (Here, the term "fig" has a double meaning: First, the literal one, and, in popular parlance, a contemptuous expression denoting "nothing." )

The Bloc's financial position also places it at a disadvantage. Soviet statements at the UN indignantly reject the Third World demands for a set percentage of the GNP from both East and West as aid, on the grounds that the socialist states have had no share in causing backwardness. At the same time there is only occasional reference to the fact that Moscow's "ability" to provide aid is not "limitless," as was done in the Soviet Declaration on the Restructuring of International Economic Relations of October 1976. But in private exchanges the simple unavailability of extra resources for additional aid looms as a major problem—so much so, that the
arguments in the official Bloc proposals that extra funds for aid should derive from savings realized through disarmament measures no longer look like mere propaganda.

When the International Investment Bank (including its Special Fund) was set up in 1973 to offer loans for CPE projects in the Third World, it was hailed as an effective counterpart to the IMF and the World Bank. This interpretation still prevails in official statements and most publications. But recently it has been admitted that the capitalization of one billion transferable rubles (5% of which is in convertible currency) is dwarfed by the huge resources of Western financial institutions. It is much too insignificant to prevent the "growth of financial ties between the imperialist and the developing countries" and to engender substantial "currency-financial relations between the socialist countries and their international organizations and the developing countries and their international organizations." 54

Last, the CPEs face various problems that afflict them as newcomers. There is the admission of persisting difficulties in breaking into new markets because of the unknown quality of Soviet and East European goods. This obstacle was well described in the UNCTAD Seminar in Hungary:

In many developing countries ... neither the private nor the state sector is really prepared to import goods about which they have no previous experience. It is not only a question of an atmosphere of incredulity and distrust created by well-established and not very scrupulous competitors. Even an honest and open-minded importer would be afraid to buy equipment unless he knows it will function well in the long run, it is economic and easy to repair and if supply spares are available.55

As for the quality of the Bloc's products, the established export lines in heavy machinery from the USSR and the engineering equipment from
Eastern Europe have withstood the test of time. But several Soviet specialists I talked to expressed doubts that Soviet exports could adjust quickly and efficiently to the changing pattern of LDC requirements. While the need to adjust was recognized, pessimism was expressed mainly in regard to the difficult and slow process of implementing technical innovations. By contrast, Polish and Hungarian economists were much more sanguine about the chances for adaptation.

There is discussion not only of the need to adjust exports of the CPEs to the changing needs of the Third World but also the need to improve their quality, servicing, sales' promotion, and insurance provisions in order to effectively withstand Western competition and to better acquaint the LDCs with the assortment of goods that are available among the CPEs.56

Mention of these specific marketing difficulties is not new. They have been aired in the pages of Vneshniaya torgovlia for over a decade. But when taken in conjunction with the recent focus on the more serious problems, they take on added significance, tightening the interconnected web of binds that affect the CPEs on the world market.

IV

The institutions through which the CPEs have been trying to generate broader exchanges with the LDCs have shown signs of malfunctioning and a faulty structure. On the part of the LDCs there has been growing pressure for multilateralization in all three dimensions: with the capitalist West, with the LDCs, and within CMEA. Concurrently there has been a growing realization in the Bloc that it cannot meet the needed changes through the partial reforms and adaptations that have thus far been undertaken. In
Eastern Europe, there is a feeling among specialists that reforms have been too timid or too partial; among Soviet specialists there is the feeling that the political climate is not encouraging for reforms.

Multilateralization has been one of the Third World demands consistently directed at the Soviet Bloc. It has figured in various statements since the Manila Declaration (Feb. 1972) alongside the insistence on preferential treatment based on non-reciprocity. Unlike the latter demand, multilateralization has not been rejected by the CPEs. Their statement to the IV UNCTAD (May 1976) spoke of "reinforcing the multilateral aspects of trade and economic relations" through "multilateral accounting on the basis of the transferable ruble"; "multilateral cooperation of CMEA with individual LDCs and their organizations"; as well as tripartite schemes involving East, West and South.57

Tripartite agreements wherein the Bloc, capitalist and developing countries cooperate in joint ventures have received favorable and quite extensive coverage in the specialized Soviet press. Reduced to its simplest components, the formula looks attractive to the Soviet experts for the following reasons: it combines in an efficient and effective way the labor resources of the South, the advanced technology and plentiful funds of the West, and the intermediate technology of the Bloc. However well the scheme looks on paper and despite the fact that about one hundred such undertakings are already in operation, I did not encounter in Moscow last spring any sanguine hopes for the future of this form of cooperation. Those Soviet economists familiar with my article in Problems of Communism, describing the shift in Soviet theory and practice favoring greater intertwining with the world economy, in part on the basis of this type of multilateralization, reacted almost uniformly with pessimism. All admitted its desirability for,
and effectiveness in, opening up the Soviet economy; but all stressed
the numerous obstacles. One thought that ideological opposition within
the Party leadership to cooperation with Western capital in the Third World
was still so entrenched as to preclude any meaningful expansion in the fu-
ture. Others insisted that the inflexibility of Soviet economic institu-
tions did not offer much hope for a speedy, large-scale adjustment to
this type of cooperation. Only one shared my enthusiastic interest in the
tripartite ventures, but he cautioned that they lay in a very distant fu-
ture. In addition, all stressed that, for the present, bilateral arrange-
ments had to constitute the overwhelming portion of Soviet activities in
the Third World.

By contrast, ideology was not mentioned in Warsaw and Budapest
as a stumbling bloc to tripartite cooperation. Interest and expectations
were high: what makes sense economically, what makes for good business,
was the predominant consideration. One Polish economist has written co-
gently that the most effective way to overcome the lack of complementar-
ity in Bloc-LDC relations was through tripartite cooperation. At the
same time, he stressed the fact that since such cooperation would not fit
nearly into the operations of the planned economies, some "systemic adjust-
ments" were necessary. The following reforms were suggested as a possibil-
ity: the creation of reserves in plans; decentralization in decision-
making; introduction of a profit system on the enterprise level. (Interest-
ingly again, those East European economists who were familiar with my
argument in the above-mentioned article, were most pessimistic in their
prognosis for change in the Soviet Union.)

Multilateralization in the second dimension, on the level of Bloc-
LDC relations, encompasses both LDC "investment" in the Bloc and CMEA activity in the Third World.

With the availability of petrodollars, several LDCs have contributed their funds to joint undertakings in Eastern Europe (notably the Adria pipeline). These initiatives are welcome, and there do not seem to be any major difficulties. Apparently they work as smoothly as the East-West industrial cooperation agreements, fitting well into the planning system of the Eastern partners and the commercial practices of the richer LDCs. These are relatively simple, straightforward operations that do not depart too much from bilateral deals but are still considered to be a more desirable and complex mix of economic contacts.

There is considerable discussion, but as yet very little action, regarding joint CMEA activity in individual LDCs or on Third World markets. Among the most bold proposals one might cite the idea advanced by a Polish economist that the Soviet Bloc form its own multinationals in order to approximate the power of Western transnational corporations and become an effective competitor: Operations on that level would enable the CPEs to "develop large-scale market strategies." As for the LDCs, Socialist Common Enterprises would offer them the advantage of cooperation not based on foreign ownership.59 Similar arguments appear in Soviet publications, but they propose the pooling of resources through the channels of CMEA institutions: "Common action by the Socialist states is . . . essential because the financial and material capacities of separate countries are often insufficient for the realization of projects requiring large financial outlays." Such common effort seems especially desirable in the exploitation and extraction of natural resources, where at present none of the Socialist
countries commands the whole array of the necessary technical capabilities and financial means and has had to resort to subcontracting. 60

Although these arguments are very persuasive on paper they are not easy to carry out because of the way CMEA is structured. All the coordination and complex programming for joint development has thus far concentrated on integrating domestic production, specialization and intra-Bloc trade. There is no effective CMEA mechanism for foreign trade outside the Bloc, I was told. Joint CMEA-Iraq and Mexico commissions, created in 1975, were heralded at the time as introducing a new era of multilateralization, but seem to have been stillborn. Although the commissions have been holding meetings, a common CMEA undertaking as the result of this institutional innovation has yet to be announced. My interlocutors in Moscow all shrugged their shoulders when asked about the activities of the two commissions. Whatever CMEA cooperation on common projects exists to date occurs on an ad hoc, subcontracting basis, through direct contacts between the foreign trade organizations of the Bloc states, and not through any CMEA body. And I was told by both Soviet and East European economists that far from cooperating, the Socialist firms and organizations compete with one another on Third World markets, trying to undercut one another and to gain exclusive advantage.

The third level of multilateralization involves making the transferable ruble into a truly convertible currency so that the LDCs can use their surplus with one Socialist state to cover their deficit with another CMEA member, or settle trade surpluses in convertible currencies.

Regarding the latter problem, a persistent demand of the LDCs, the Bloc has made progress. Since the early 1970s most bilateral trade agreements
provide for the settlement of trade surpluses in convertible currencies.

But regarding the first problem, on trade settlement within CMEA, no progress has been made. And it seems doubtful that it can be resolved in CPE-LDC relations when the transferable ruble does not serve as a vehicle for a multiple settlement of trade surpluses among CMEA members themselves.

That there is this problem is admitted in a recent Soviet publication which stated: "At present, even in the relations between CMEA members, the transferable ruble . . . does not have the character of a universal means of payment which could be utilized for the acquisition of goods in any [member] country." Hence, the author was not surprised that the LDCs had their doubts and objections about the effectiveness of the transferable ruble as a vehicle for multilateral settlements. And he concluded that progress in resolving this issue would run parallel to the growth of the multilateralization of trade and accounting in intra-CMEA relations. 61

Systemic difficulties plague other attempts to depart from strict bilateralism or simple trade exchanges. Mixed companies and joint ventures were advocated with considerable enthusiasm as providing more flexible devices that would permit the CPEs to operate on the world market. Now that such ventures have been introduced, there is much discussion of the attendant difficulties. A Hungarian contributor to the UNCTAD Seminar in Budapest has stated: "The development of joint ventures and industrial cooperation schemes in general still encounters a great many difficulties and problems these days. Legal and financial questions have still [to] be clarified or further elaborated (such problems as bank guarantees, the subcontracting system, the permissible extent of ownership participation or the planned withdrawal of foreign property, etc.), and those planning
and administrative mechanisms and incentive systems have also [to be] worked out or fuller developed [so that] the foreign enterprise in question can be fitted [into] the complex system of Hungarian planned economy.62 The problems enumerated seem quite formidable. So, further on in the same Hungarian report, it comes as no surprise to read that the complexities of operating on the world market seem all too discouraging to Hungarian enterprises: "[They] are still as a rule rather reluctant to enter into such transactions [since they] entail much greater risk and uncertainty than those within the planned system of the economy."63

Similar difficulties are also alluded to in a recent Soviet publication, but not specified. The book pleads that the obstacles attendant on engaging in the more complex forms of cooperation should not be over-estimated and should not lead to the hasty conclusion that only the more simple forms are feasible.64

Institutional problems prove to be troublesome beyond their domestic confines. The CPEs' penchant for supporting NIEO reforms within the parameters of long-range, planned contractual relations does not sit well with the Third World. At the Moscow UNITAR Seminar, I was told, only the Indian representative had good words to say about the programmed exchanges between his country and the USSR. The other LDC participants were critical of the pay-back and long-term agreements as being unfair to the Third World. Setting prices for periods of 10 to 15 years, they said, precluded proper adjustments to the rising world prices for commodities and in the long run benefited the USSR. An economist from IMEMO confirmed that his country met with these criticisms from the LDCs. Though he sympathized with their viewpoint, he could not see how Soviet partners in the Third
World could be accommodated since Soviet planning was not geared to provide for extensive price fluctuations.

Even the Indians, who in general approve of their arrangements with the Bloc, are not pleased with many aspects of the administrative practices of the CPEs. At the UNCTAD Seminar in Budapest, the Indian delegate, for example, did not consider joint intergovernmental commissions to be the best institutional form for implementing long-term economic and technical agreements. A Ghanaian representative concurred and argued that the proportion of deals arranged at the official, administrative level was too great. Several other participants proposed that increasing direct contacts between enterprises of the socialist and the developing countries would result in more dynamic exchanges.\textsuperscript{65}

One could go on citing examples of dissatisfaction with the systemic malfunctioning of economic relations between the CPEs and the LDCs, as well as serious doubts in the Third World about the general tenor and proposed framework of the Bloc's NIEO proposals. However, what has been here indicated should be enough to sketch the range of problems and of the accompanying discussions. What appears in print is rarely explicit, but what is said at closed meetings can be brutally frank. Thus, for example, a Polish economist argued at a recent session of the Socialist Academies of Science that the chief cause for the lack of a definite, articulate response on the part of the CPEs to the NIEO debates was the disjunction between their domestic institutions and their international aspirations. Lack of clarity in response, he posited, was "conditioned to a large extent by the lack of the necessary degree of cohesion of the domestic economic policy in the socialist countries with their international economic policy.
and also by the imperfection of their multilateral economic policy. It weakens our status in the multilateral debate on the issue of NIEO and—as a natural consequence—leaves the field for dialogue with the 'Third World' to the developed capitalist countries."

Thus far I have not come across a similarly frank public statement by a Soviet economist. Nevertheless, there are indications that specialists with a similar outlook are not kept out of circulation and that they are voicing their arguments about the need for institutional reforms. Thus the lead article in the April 1980 issue of Vneshniaya torgovlia, devoted to the 110th anniversary of Lenin's birth, was written by G. Prokhorov, who since 1966 has been spearheading the movement for making the Soviet economy perform more efficiently through greater participation on the world market. Not surprisingly, the article argued that although Lenin considered the state monopoly in foreign trade as the basis for a socialist state's economic activity abroad, he at the same time envisaged that the implementation of foreign economic ties could be carried out through a variety of organizational forms. The choice of these forms, his article maintained, depended on the concrete domestic and foreign circumstances and on the concrete functions foreign trade was supposed to fulfill at a given time. Having said that, Prokhorov added that the 25th CPSU Congress had singled out the development of foreign trade as a key economic problem.

A discussion of the institutional binds affecting Soviet-LDC relations should not leave unmentioned the issue of United Nations. The Soviet Union would like to have the NIEO deliberations take place at the UN. Thus, when the West tried to use the Conference on International Economic Cooperation as an alternate forum for North-South discussions, one Soviet writer
commented: "The Paris Conference far from speeding up a solution of the Third World's outstanding economic problems has actually delayed it. [This] highlights the leading role which the UN, in particular UNCTAD, has played and must play in solving development problems. It is only within the UN framework, backed by their own unity and the active support of the socialist states, that the young states can secure the implementation of the programme for restructuring international economic relations."68

The USSR wants the NIEO issues to be discussed at the UN, but it does not support the current Third World drive to revise the Charter aimed at transferring the decision-making and financial powers to the LDCs. Obviously, the USSR is no more eager than the West is to see the decision-making hierarchy at the UN altered. In addition, it is very much concerned about the financial implications of the LDC attempts to create and fund new economic programs and institutions. Thus at the April 1980 UNITAR Seminar in Moscow, Professor G. Shatov, from the All-Union Academy of Trade, argued that the UN could best contribute to the NIEO not through resorting to any revision of the Charter but through a careful restructuring that would result in "a higher efficiency of the UNO mechanism, economic and useful utilization of the personnel and the financial resources allocated for the Organization by its member countries."69 I was told by a Western participant at this Seminar that Soviet hostility to transforming the UN into an organization primarily devoted to safeguarding and promoting Third World interests collided with the opinions of the LDC representatives. It was their point that, as presently constituted, the UN was unable to cope with the task of developing a new international economic order.
The economic bind in the Soviet Union's relations with the LDCs affects, and is affected by, its relations with Eastern Europe. Interests do not coincide; sometimes they are quite divergent.

Since the extent of the dependence of the Bloc countries on foreign trade differs, it follows their interests also vary. The Bloc statement at the V UNCTAD did refer to the fact that some Socialist countries "derive a significant part of their national income from foreign trade" and, by inference, acknowledged that these countries suffered greater setbacks in their efforts "to increase their participation in the world-wide division of labor and to develop, as part of their commercial and economic practice, new forms of ... economic, scientific and technical cooperation." 70

It is not easy to document the main points of difference in the economic strategies of the Soviet Union and the East European countries toward the Third World. These issues are not discussed in print and the emphasis is always on the common interests of the Bloc as a whole. However, the issues are clear enough in general outline, and what one surmises from extensive comparative readings can be confirmed in interviews.

Because of its greater economic self-sufficiency, the Soviet Union started later than did its East European allies in capitalizing on the advantages to be derived from foreign trade. Likewise, it has been slower in adopting appropriate reforms. Moreover, when viewing the future, Moscow is also far more ready either the stop short with half-way measures or to wait out inauspicious times before it will open up its economy in a more decisive manner to participation on the world market. Whether the
USSR is really not so crucially dependent on economic ties with the Third World or whether it merely imagines that it is not, neither situation helps to relieve the genuine vulnerability of Eastern Europe.

Possibly, Moscow by itself will be able to adjust its dealings with the LDCs as it chooses and remain in control of the situation. But such a posture becomes highly problematical when CMEA is taken into account. Maintenance of that organization is crucial to the security of the USSR, however centrifugal the economic interests of the East European members may become. There is, of course, no published commentary on this tension in the USSR, nor was the hypothesis even bandied about in any of my interviews in Moscow. But one Hungarian specialist said flatly to me that the economic policies of Eastern Europe and the USSR "did not coincide." It emerged from our conversation that the main bone of contention was the "export oriented strategy" of development that he claimed many East European states favored. He informed me that when the concept was first clearly articulated by Jozsef Bognar, Director of the Hungarian Institute for World Economics, at a joint meeting of the Socialist Academies of Sciences, it was not well received by the Soviet delegates who "were in the habit of thinking about a more inward oriented strategy on both the domestic and CMEA levels." However, my Hungarian interlocutor argued that, no matter what the Soviets thought, CMEA integration was bound to undergo considerable modification. The mounting economic problems were simply forcing a greater opening-up on the organization.

What the Hungarian was referring to in general terms is borne out by the tenor of discussion regarding institutional reforms and new forms of activity to attune the socialist economies to more flexible operations on
the world market. Both in publications and in conversations, Soviet specialists insist that new forms of cooperation (mixed companies or trilateral deals) can serve only as a secondary, supplementary means of interaction; the main field of operation continues to be bilateral agreements. Thus, in the joint Soviet-East European volume on new types of economic relations between the socialist and the developing countries, the Soviet contributor, G. Prokhorov, could see multilateralization only as a concept applicable within CMEA; with the LDCs and the world market it could merely serve a supplementary function. By contrast, the Polish contributor, M. Paszynski, devoted his paper entirely to discussing the possibilities for going over to various forms of multilateralization and to being explicit about the many negative consequences of bilateralism. Whereas Prokhorov argued that bilateral forms had not yet exhausted their usefulness, Paszynski contended that, although useful in the early stages of instituting relations with the LDCs, they were increasingly creating nothing but obstacles to further expansion.71 (Indeed, thoroughgoing and effective multilateralization stands at the core of the most advanced East European proposals for improving economic relations between the Bloc and the LDCs. As already mentioned, Paszynski has argued that the "imperfection of their multilateral policy" was at the root of the difficulties the CPEs were having in adapting to more active operations on the world market.72)

The Soviet preference for partial reforms that improve foreign operations without changing the pattern of basic institutions at home contrasts with the East European sense of urgency about the need for a more thoroughgoing transformation. Accordingly, the East European contributors to the joint volume expressed much more outspoken demands for streamlining
the financial structure than did the Soviets. Both the Polish and the Hungarian economist argued forcefully for the need to make the transferable ruble into a genuinely convertible currency within CMEA, for basing all trade agreements and settlements on convertible international currency, and for making the International Development Fund into a financially powerful institution with ample convertible reserves to enable it to engage in active lending. Soviet contributors had nothing to say on the subject. It seems that partial convertibility is deemed to be the only feasible policy at the moment.

Another contrast between Moscow and Eastern Europe is seen in the Soviet argument that the state monopoly of trade will give the Socialist countries the necessary power to act and to protect their interests in the international arena. Much more innovative proposals are being advanced by the East Europeans—proposals demonstrating that they seek to adapt to the new trends in the world economy rather than try to make the old institutions work in a new situation. Among the most daring suggestions is one advanced by Leon Zurawicki of Poland, namely that the power of the capitalist multinationals (MNLs) be matched by the creation of Socialist Common Enterprises (SCEs). He does not regard the MNLs as a harmful and undesirable phenomenon (as the Soviets generally do) but as the main actors which have devised highly successful market strategies. What is required is not indignant complaint but a pertinent response on the part of the Socialist Bloc, based on assimilating the practical lessons to be learned from the operations of the MNLs. His book advocates setting up SCEs primarily for the better management of East-West trade and cooperation. But it also touches upon the possibility of common undertakings by capitalist and
increasing the raw material inputs.

Oleg Bogomolov, Director of the Institute of the Economy of the World Socialist System, has acknowledged that this disagreement exists. In his report on the work done by Bloc economists on ways to improve the participation of the CPEs in the international division of labor, he stated that there was no agreement among the CMEA members and scholars regarding the role of standards of living in introducing a dynamic element into the economy. To judge from the East European press, it is not merely an academic issue but one that arouses much heated controversy. A recent article on the need to revitalize the nation's economy, which appeared in the Polish Party's weekly, spoke up for higher living standards as being a perfectly legitimate goal, and not one to be contemptuously dismissed as mere "consumerism."

As a result of their divergent economic interests that in turn necessitate different interrelationships with the Third World, as well as dictate different approaches to intra-CMEA reforms, fissures have appeared in the Soviet and East European approaches to NIEO. Mindful of their political interests and ideological heritage, the Soviets keep trying to utilize the anti-imperialist import of the NIEO demands (for whatever it might still be worth) while at the same time pushing for the inclusion of the CPEs in any reconstituted world economic order. This accounts for the contradictory content and tone of Soviet statements at UNCTAD that have been discussed in Section I of this report. On the one hand, the USSR keeps accusing the capitalist powers of dominating the world market at the expense of the LDCs; on the other, it hints that the very same market should be adjusted so as to accommodate the CPEs for sure, and
socialist transnationals in the LDCs. 75

On the whole, the reforms the East Europeans advocate and discuss are aimed at facilitating quick purchase and sale operations. This contrasts with the Soviet interest in long-range, barter or pay-back agreements. The frankly more commercial-minded interests and modes of operation favored in Eastern Europe do not seem to disturb the Soviets so long as these undertakings bring in the necessary goods and funds. In my Moscow interviews, it was repeatedly stressed that the East Europeans do not have to face the political consequences of setting up mixed companies and joint-production schemes with private entrepreneurs. Further, it seems to an outside observer that the relative burdens involved in dealing with the LDCs have been accepted to the reasonable satisfaction of both sides. Thus, it is mainly the USSR that takes on furnishing aid or entering into long-range (and slow-to-repay) agreements with the least developed countries, while the East European states engage less in aid and more in outright commercial exchanges with the more developed or oil-rich LDCs.

However, the underlying philosophy motivating economic exchanges seems to have raised some hackles. The Soviets are primarily interested in obtaining advantages for their industrial sector; the East Europeans are more concerned with satisfying their consumers. To Soviet economists and planners, all benefits will flow in due course to the rest of the economy and to the population from an enlarged and improved capacity of the industrial sector. The East Europeans tend to start at the opposite end—once the interests of the consumer are properly attended to, there will be greater labor productivity, which, in turn, will result in better rates of growth; this works more effectively than merely
the LDCs as well.

While the Soviets do not admit that such a stance is logically inconsistent and by now apparent to all as merely self-serving, some East European economists have faced up to this reality. And they openly refer to the fact that the Bloc has contributed nothing substantive to the NIEO deliberations. The starkest expression of this simple truth was delivered in May 1979 at the meeting of the Bloc's Academies of Social Sciences. The Polish report on "The Socialist Countries and the Concept of a New NIEO" stated that "our stand in respect to NIEO up to now has been reduced to three essential components: general support of the developing countries' demands addressed to the developed countries; refusal to acknowledge the demands that the 'Third World' puts to us; and the absence of a vision of global solutions for the grand problems of the world economy."78

The report, written by M. Paszynski, not merely questioned the credibility of the Soviet-dictated response of the Bloc to the LDC demands--how can it on the one hand extol advances made under socialism and on the other refuse to contribute additional aid? More important, it also suggested how to extricate the CPEs from the embarrassing and untenable position. The solutions Paszynski proposed demonstrate that some East Europeans would like to utilize NIEO issues to break, or at least to loosen, the economic bonds with which the USSR fetters the Bloc's domestic institutions and international ties. Three specific points made by Paszynski indicate that the goal is to open up East European economies:

(1) his argument that the inability of the Bloc to make a positive response to NIEO demands and to utilize them in its favor is due to the absence of a properly geared economic system; (2) his contention that the insistence of the West and of the South that the CPEs contribute their share is not,
after all, that malevolent since it would enable the Bloc to participate in tripartite cooperation and in general to be active on the global arena; (3) his suggestion that to underscore the special features of the socialist system might prove too costly in the long run since it often results in the CPEs being refused most-favored-nation status or might result in the LDCs enforcing the indexation system on the Bloc precisely because it is in keeping with the principles of a planned economy.

Of course, the reason that the arguments were that explicit is that they were presented to a closed meeting. However, arguments that the socialist countries should come up with some positive response to NIEO appear in the open press as well. Thus, a recent article in the Polish economic weekly called attention to the economic losses the CPEs were apt to suffer by remaining aloof from the debates. For one, this would severely limit their influence and economic prospects in the Third World. Second, it would make it more difficult for the CPEs to enter the capitalist markets. 79

Whereas the Paszynski arguments indicate that there is a segment of opinion among East European economists that looks upon the NIEO as offering a chance to loosen up the Soviet-imposed economic institutions, the Zurawicki article indicates that other economists approach the NIEO debates in terms of economic imperatives.

A united front on the NIEO between the USSR and the East European states does not exist. Romania is now recognized by the UN as a developing country and has not signed the joint Bloc statements presented to the IV and V UNCTAD meetings. Its views on the NIEO differ radically from those of the USSR, especially in proceeding from the recognition of the universality
of economic and social problems (as against a systemic interpretation) and of the responsibility of all the advanced countries (and not just the capitalist powers) to contribute to a UN development fund. In Hungary I did not come across as sharp a critique of the inarticulate Bloc response to NIEO as in the above-cited Polish comments. But I was told that it would be unwise for the West to play upon the differences in economic interests that do exist between the Soviet Union and its Bloc. But on the other hand, I did not hear anyone in Eastern Europe argue that if it came to a confrontation on economic issues, "we would rather go bare-assed than give in to the West" (as I was informed in Moscow by one of the Deputy Directors of the USA Institute). In other words, the element of national pride and intransigence toward the West is definitely lacking among the East European specialists. What is present, though, is resentment of Soviet domination. And undoubtedly a good part of the interest in utilizing the NIEO discussions to point up the need to open the CPE economies to greater participation on the world market is prompted not only by very real economic needs but also by the desire to lessen dependence on and integration with the Soviet Union.

VI

Although one cannot predict the future policies of the Soviet Bloc toward the LDCs and their problems with any precision, one thing is undeniable. The Bloc's generally negative and cool response to the NIEO debate is due not to a lack of interest but rather to the complex and serious challenges that this program poses. The CPEs' response will become
more specific and articulate only to the extent that some of these binds are resolved.

Clearly, the LDC demands as they now stand (a one-sided system of preferences and a general "aid tax" levied on all the industrialized nations) as well as the growing Third World accommodation to the Western markets and institutions are not congruent with Soviet economic interests and ideological predilections. Adjustments on the part of the USSR to this situation present dilemmas in three areas: the management of the Soviet economy, intra-Bloc relations, and relations with the Third World (as well as with the West). All the issues are intimately interrelated with the world market and the global economy, from which the USSR does not want to be excluded.

On each level there are three options. One is to revert to the older practices of tight controls and an isolationist stance; a second is to continue with piecemeal, hesitant adjustments aimed at deriving the maximum economic advantage without compromising the traditional ideological position; and the third is to embark upon a new course marked by economic reforms and ideological revisions.

On the domestic level, there is no doubt that the Soviets now recognize that international trade is useful not just in supplementing local shortages but makes a dynamic contribution to the rates of growth. However, the degree to which they are willing to reform domestic institutions to realize greater advantages is problematical. To judge from the Soviet statements at UNCTAD and at other related forums, they would want the mechanisms devised for the regulation of world market to fit socialist planning, the state monopoly of trade, and other dirigiste traits of
a socialist economy. That type of response indicates an unwillingness to adjust domestic economic institutions to the operations of a world economy dominated by the capitalist system. This impression is strengthened when one keeps in mind that, on the evidence of the internal debates about the role of foreign economic relations, the dominant school would like to expand trade without changing economic institutions. It is only a minority opinion that correlates effectiveness of economic performance abroad with institutional change at home.

When I talked to the representatives of the latter group last spring, there was a marked pessimism in their remarks. (Their pessimism was more pronounced than in May 1979, when they did not minimize difficulties but expressed hopes for some change.) Almost every specialist stressed either ideological or administrative rigidities, or merely the force of habit, as obstacles that foreclosed any substantial change in the foreseeable future. Only one was slightly more optimistic; though gloomy about the immediate prospects, he argued that over the next 10 to 20 years the economic imperatives would simply become so overwhelming as to force the necessary reforms.

However, at the same time as my interlocutors were pessimistic about the prospects of change, they in no way denied the Soviet need to become more actively engaged on the world market. The disjunction between the two givens only compounded their sense of the situation as being insoluble.

It was quite evident that the cultural freeze which the intelligentsia expected to result from the Afghan invasion made the economists stress the ideological obstacles in the way of reforms. Nevertheless,
economic factors may yet play a more decisive role in inducing change. The economic bind at home, which has been so openly admitted by Brezhnev in his report to the Central Committee on October 21, 1980, may well make it imperative to resort to some institutional change. Concern for better living conditions, coming as it does on the wake of the strikes and turmoil in Poland, indicates that the realities of the domestic situation are not being ignored.

Reforms are more likely to take place sooner in intra-Bloc relations than in the USSR for the following reasons: the proper functioning of East European economies is closely related to foreign trade; individual states have already taken innovative initiatives to expand their transactions with the Third World; the Bloc countries have in many respects become an economic burden for the USSR. The Soviet Union has informed them that its oil exports during 1981-85 will remain at the 1980 level. Thus, increased consumption will have to be covered through increased imports from the LDCs. And decreasing dependence on the USSR for the supply of vital raw materials is bound to encourage economic independence.

The benefits of close economic association with the USSR become even more doubtful, now that the Soviets are beginning to broach the subject of adjusting intra-Bloc prices to world prices. Oleg Bogomolov has recently suggested that intra-Bloc prices should reflect world levels since the latter represent 94% of global trade and the system of pricing established for the Bloc transactions works to the Soviet detriment, especially in fuel and raw material exports. 81

Once it is admitted (and action follows) that world prices are the acceptable yardstick for measuring the effectiveness of one set of trade
exchanges, the door is being opened to adjusting other intra-Bloc prices to world prices and eventually to convertibility. It also opens the door to "increasing the role of economic instruments to augment the effectiveness of the economic process" as well as to "changing the mechanism of the administration of the economy," as a Polish economist has argued on the pages of Vneshniaya torgovlia.82

The evolution of intra-Bloc institutions and relations is by no means clear, except that it does point in the direction of a greater opening up. The chances of this happening seem more favorable since at the most recent annual meeting of CMEA Kosygin admitted that the state monopoly of trade, planning, and intra-Bloc cooperation were no longer sufficient to protect the members' economies from "the current economic situation in the capitalist world."83 Although he noted the adverse effects of this interaction, he did not suggest any curtailment of extra-Bloc trade. Both his speech and the final communique proposed the expansion of economic relations with the LDCs. By contrast, in 1978 when the adverse effects of fluctuations on the world market were also noted, greater CMEA integration was proposed as the countermeasure.84

On the international level, the economic and ideological bind in Soviet relations with the Third World is very unsettling. Here, the USSR has the least leverage to resolve frictions so as to assure satisfactory outcomes in keeping with its economic interests and its political-strategic goals. However, rather than remain paralyzed by this bind, Moscow is changing its response, as was evidenced by the ambivalent behavior at the III UNIDO Conference, described in the first section of this report. But what has been appearing in the Soviet specialized publications indicates
attempts at distancing the Soviet position from that of the LDCs on more solid grounds and at defining the components of what differentiates Soviet proposals for the new economic order from those of the LDCs.

Even if Soviet responses to the specific points in the NIEO program tend to remain vague, at least a new over-all ideological approach has been clarified. The thrust of the Third World demands no longer enjoys a general endorsement. They have been subjected to critical socio-political analysis. And the underlying principles of a distinct Socialist program have been defined.

Soon after the IV UNCTAD, Moscow produced a separate "Statement on the Reconstruction of International Economic Relations," elucidating the three shortcomings of the NIEO as presented by the Third World. The shortcomings were that the NIEO held the socialist and the capitalist states equally responsible for the plight of the LDCs; it ignored the connection between disarmament and increased aid; and it did not address the whole gamut of discrimination in international trade. 85

Publication of this statement was followed by the appearance of politically more orthodox interpretations of what determines the course of change in world economic relations. Change would result not from the LDCs' claims against the capitalist states but from the growth of the economic power of the Socialist Commonwealth, the relationship of class forces in the developed capitalist countries, and the class nature of the LDC regimes. 86 Henceforth, it became quite common to treat the developing countries as participants in the capitalist international division of labor (rather than as near-allies of the Socialist Bloc) and their NIEO proposals as being limited to rectifying relations with the former metropoles. 87
It follows from this line of argument that the proposals of the LDCs for restructuring the world economic order suffer from the class limitations of the regimes that advance them and, in effect, do not transcend a reformist position. This, in turn, now permits the Soviets to argue in the Party press that they do not "idealize the NIEO movement for itself." Some specialists take the new ideological approach in stride and simply note that the NIEO movement does not posit radical goals that would transcend the framework of capitalism. Others are more censorious, calling attention to the compromise between international capital and the ruling elites of the LDCs.

Concurrent with this more explicit criticism of the LDCs' line on the NIEO from a class position, there are attempts to outline a distinct Socialist program. Indicatively, one of the few Soviet reactions to the V UNCTAD to appear in print was an omnibus review of Soviet books on world economic problems by George Skorov, a member of the Soviet delegation at Manila. His article tried to make the point that Soviet scholars had worked out Marxist concepts for a truly democratic reconstruction of international economic relations.

The first element in this emergent Soviet program for a NIEO is the insistence that to be effective the new order must be accompanied by progressive domestic changes. This requirement differentiates the Soviet approach from that of the Third World countries, for their NIEO demands ask merely for the redistribution of goods and income among states, leaving aside the question of social equality. The differentiation of the Soviet stance is now articulated in Soviet scholarly publications and at international gatherings. It is stated about the NIEO in general that "some theoreticians and political leaders of the 'Third World' detach the
problem of transforming external economic ties from domestic transformation. . . . It is fully evident that if the reconstruction of international economic relations will take place without radical domestic socio-economic transformation . . . the increase in the inflow of external resources can result in enriching the ruling elites and the further growth of social inequality in a number of states."91 And concerning Soviet support, it is now stated that "the Socialist countries, while cooperating with the LDCs for the reconstruction of international economic relations, advance from the position that the success of that movement can be assured under conditions of combining democratic changes in the old system of the international division of labor and trade with progressive social transformations in the developing countries themselves."92

At international forums the Soviets are as critical of the Third World elites who seek to appropriate the riches to be derived from NIEO as they are in their domestic publications; they insist on linking the restructuring of international economic relations with progressive domestic changes in the developing countries. This requirement was stressed in the Bloc Statement at the V UNCTAD (points 8 and 12), whereas it was wholly absent in the Bloc Statement of the IV Conference. Moreover, this view is expressed by Soviet speakers at international seminars arranged by the UN. Thus, at the UNITAR Seminar in Moscow V. Yashkin treated economic and social justice as an integral part of NIEO: "No reform of the international economic relations, even the most progressive one, can yield desirable results unless it is reinforced by progressive changes in the internal structure of the developing countries, i.e., by the establishment of a
new social order which would meet the fundamental interests of the majority of the working people." 93

The second component of the emergent Soviet response to NIEO is that to be effective the restructuring must remove all discriminations and malfunctionings in world trade, not merely those affecting North-South relations. As one lecturer argued at the UNITAR Seminar in Moscow: "The NIEO should not be interpreted too narrowly, i.e., like a certain aggregate of measures in the field of international economic relations in the interest of the LDCs rather than those of the international economic community as a whole." 94 Specialists now write that the NIEO program is much too limited in scope, being confined primarily to rectifying malfunctionings in relations with the former metropoles. 95 And the Bloc Statement at the V UNCTAD credited only the policy of the Socialists states as being "aimed from the very outset at the restructuring of international economic relations on an equitable and democratic basis" (pt. 18).

The articulation of a separate Soviet stand on the NIEO does offer some reasons for feeling more relaxed about the Soviet "threat" to Western interests in the Third World. Conditioned as it is by having to come to terms with the economic bind the Soviets face in their relations with the LDCs, as well as with the world market, it is inherently a more reasonable stance than the original identification with the LDC claims against the West in the name of restructuring international economic relations for the benefit of the underprivileged South and the proletarian East. (This fact is recognized by the modernizers among the Soviet specialists. And one of them informed me in Moscow, as was already mentioned in the first section of this report, that the Soviet position at the
UNCTAD was close to that of the West.)

The following factors bring the new Soviet approach closer to Western views: It is more moderate and evolutionary; it is specifically critical of the Third World program; it accepts the Western presence in the Third World and insists that East-West relations be specifically accommodated in the new economic order.

Although the Soviets still like to expound that only socialism can offer the final and best solutions for global economic problems, they are now willing to postpone this panacea to some very distant future.

When talking about the immediate problems facing them and other nations, they propose a much less ambitious but more feasible course of action. The program has been described as "democratic" and as constituting a viable step in a long, evolutionary process. Democratization of world economic relations is defined as follows:

Democratization of international economic relations represents the process of gradual evolutionary changes in its principles and mechanisms. Such changes do not remove the basis of the capitalist international division of labor. But they are capable of erecting a defined framework of limitations to contain the activities of the monopolies on the world capitalist market, limit its unplanned character, bridle the imperialist forces, and compel them to take into account the need to establish democratic norms in international economic relations.96

By itself, this citation may not seem like a great departure from the usual line of Soviet argumentation. But it should be added that in another section the same article proceeded to treat the Scandinavian, the Social Democratic and the Brandt proposals for the reconstruction of world economic relations as liberal theories which transcended the limits of neo-colonial strategy and presumably could be counted as democratic.97

A second similarity with Western positions is the new Soviet
critical attitude. It is evident that, at the same time as the Soviets are pressing to be included in the world-wide reform of the international economic order, they have two overarching reservations about the Third World program. At the UN, the USSR is no more willing than is the West to permit the devolution of the great powers' control over decision-making and budgetary expenditures to the LDCs. And in the Third World itself, many Soviet specialists (like their moderate or pragmatic Western counterparts) do not regard with approval the radical leaders or economists who ignore the "realities" of the world situation and the objective determinants of development.

Finally, regarding the role of the West, there is a marked departure from the former confrontation. Conceding that the LDCs operate within the world capitalist market, accompanied as it is by the Soviet admissions that the Soviet Bloc has no extra resources to spare for outright aid, makes the Soviets far more tolerant toward the Western presence in the LDCs. Enough examples have been cited in this report to show that alongside the ritual condemnation of Western exploitation, very reasonable urgings for accommodation are now being voiced on various levels. The underlying tone of the new Soviet urgings is that a "global equilibrium" be kept in mind. 98

Just as economic weakness makes the Soviet accept and condone Western presence in the Third World, so it makes Moscow seek inclusion ("equal treatment," in Soviet parlance) in the world market, which after all is dominated and shaped by the capitalist states. The Bloc Statement at the IV UNCTAD made only marginal reference to the elimination of "all manifestations of inequality, domination, and discrimination" (Paragraph 1).
The Bloc's statement at the V Session made this a central point in its argumentation, so much so as to spell out that East-West trade was as much involved as all other flows of trade. Paragraph 21 stated: "The process of restructuring international economic relations . . . can be effective only if it is carried out in a comprehensive manner and made mandatory in all areas of world trade, including East-West trade, which constitutes an integral part of UNCTAD's global mandate."

One can take a skeptical attitude toward the emergent Soviet line and dismiss it simply as a self-seeking attempt to remove various restrictions affecting the CPEs on the world market. But attention should be paid to two other aspects of the new line. It has weakened the Soviet position among the Third World diplomats, economists and leaders, who have now become fully aware that the USSR is both unwilling and unable to back their unilateral demands against the West. It also testifies to the emergence of pragmatic moderate Soviet views on the nature of the international economy and on the interdependence of its individual, national components. And since the self-serving new line is based on the recognition of the Bloc's weakness and on the decoupling of Soviet-Third World economic pretensions and claims against the West, adroit American diplomacy could make use of this vulnerability and moderation. There are opportunities in three areas, either separately or in any convenient combination: to initiate some fresh starts in global economic negotiations; to reduce Soviet prestige and influence in the Third World; to extract concessions from the USSR in return for help in its economic difficulties.
Footnotes

1. Pravda, April 12, 1974.


8. "Evaluation of the world trade and economic situation and consideration of issues, policies and appropriate measures to facilitate structural changes in the international economy," UNCTAD, TD/249, April 19, 1979.

9. Pravda, Oct. 5, 1976. Its specific points will be discussed in the last section of this report.


11. "Zayavlenie delegatsii NRB, BSSR, VNR, GDR, MNR, PNR, USSR, SSSR i ChSsSR na plenerom zasedaniy III General'noi Konferentsii Yunido, 9 fevralia 1980 goda." The document was given to me in Moscow in April 1980 without an indication of the UN classification.

12. Elizabeth Kridi Valkenier, "USSR, the Third World and the Global Economy," Problems of Communism, July-August, 1979, pp. 17-33, deals with the appearance of this theory and its interpretation by different groups in the administration and among specialists.


21. R. A. Ulianovsky's Ocherki natsional'no osvoboditel'noi bor'by (Moscow: Nauka, 1976), p. 136, was an early attempt to differentiate between the earlier transitions to socialism and the current developments. The collective volume published by the IMEMO, Razvivayushchiesia strany: zakonomernosti, tendentsii, perspektivy (Moscow: Mysl', 1974), p. 425, also drew attention to the unprecedented character of the current developments.

22. See Afrika: Problemy sotsialisticheskoi orientatsii (Moscow: Nauka, 1976), for good examples of this type of argumentation.


25. For the argument that it is "impossible to shift from precapitalist to socialist relations without using money, trade, the market," see, L. S. Kubyshkina, "Znachenie leninskogo ucheniya o nepe dla razvivayushchikhsia stran," in A. I. Pashkov, ed., Leninskoie uchenie o nepe i ego mezhudunarodnoe znachenie (Moscow: Ekonomika, 1973), p. 265.


30. World Marxist Review, no. 3 (March), 1979, p. 81. The representatives of Ethiopia, Congo, Mozambique also called for "closer collaboration" with the Socialist Bloc in the name of "proletarian internationalism." Ibid., no. 4 (April), 1979, p. 65. no. 3 (March), 1979, p. 58.


37. See, for example, Arpad Orosz, Trade of African Developing Countries up to 1970 and Prognosis to 1980 (Budapest: Institute for World Economics of the Hungarian Academy of Sciences, 1975).

38. These issues are cogently discussed in the opening chapters of a collective volume published by Institut Ekonomiki Mirovoi Sotsialisticheskoi Sistemy, Sotrudnichestvo sotsialisticheskikh i razvivayushchikhsia stran: novyi tip mezhdunarodnykh ekonomicheskikh otnoshenii (Moscow: Nauka, 1980).

39. However, this aim must be pretty well known in the Third World, since one Soviet speaker at the UNITAR Seminar in Moscow made it a point to stress that "the Socialist countries do not wish to buy more in the Third World with the view of using the favorable trade balance to repay some third party." L. Zevin, "Comprehensive Programme of Further Deepening and Improving Cooperation," Joint Seminar (fn. 19), p. 7.


42. M. Paszynski, "Developing Countries in the International Division of Labor," Oeconomica Polona (Warsaw), no. 4, 1979, pp. 523, 525.

43. Economic Cooperation (fn. 36), p. 102.


45. Strudnichestvo (fn. 38), p. 115.

46. For a lucid explanation of this policy, see G. Prokhorov, ed., Sotsial- isticheskaya integratsia i kooperatsiya s razvivayushchimisya stranami (Moscow: Nauka, 1975).

47. Economic Cooperation (fn. 36), p. 144.


49. Economic Cooperation (fn. 36), p. 73.

50. Ibid., pp. 105, 125.


53. Economic Cooperation (fn. 36), pp. 219-21.


55. Economic Cooperation (fn. 36), p. 82.


57. "Joint Statement" (fn. 6), p. 21.


60. Sotrudnichestvo (fn. 38), p. 139.
61. Ibid., pp. 150-51.


63. Ibid.

64. Sotrudnichestvo (fn. 38), p. 138.


70. "Evaluation of the world trade" (fn. 8) pt. 13, p. 6.

71. Sotrudnichestvo (fn. 38), pp. 181-88, 142-54.

72. Fn. 66, p. 27.

73. Sotrudnichestvo (fn. 38), pp. 155-56, 144-47.

74. Partial convertibility is advocated by N. P. Shmelev, Sotsializm (fn. 10), p. 241 ff.

75. Multinational Enterprises (fn. 59), p. 97 ff.

76. "Issledovaniya problem mirovoi sistemy sotsializma," Voprosy ekonomiki no. 7 (July), 1978, p. 3.


84. Compare the final communiques of the 32nd and the 34th CEMA Sessions, Pravda, June 30, 1978, and June 20, 1980.


86. See, for example, G. Georg'ev, "Razvivayushchiesia strany v bor'be za ekonomicheskoe ravnopravie," MEMO, no. 5 (May), 1977, p. 21.

87. This was stated in the Bloc declaration to the V UNCTAD (fn. 8), point 8, pp. 3-4.


91. G. Georg'ev, "Razvivayushchiesia" (fn. 86), p. 17.

92. Sotrudnichestvo (fn. 38), p. 106.


84. Ibid., p. 18.


96. Ibid., p. 18.

97. Ibid., (pt. II), MEMO, no. 9 (Sept.), 1980, p. 22.