

UNEQUAL RELATIONS BETWEEN THE COMECON AND
DEVELOPING COUNTRIES IN SOUTH ASIA⁺

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The countries of the Soviet bloc are of special importance to the Third World. In contrast to Western capitalist states and the development models usually presented there they can point to a successful indigenous development which, economically speaking, has been able to overcome the process of underdevelopment in a relatively short time. But they are also competing with the West at the political-ideological level for the favour of the developing countries. As a result, the author asks us to measure the socialist states of the Soviet bloc against their own claims and consider them as equal, co-responsible parties in overcoming underdevelopment. According to Elias, the point often made that they are not responsible for the present state of underdevelopment caused by western colonialism is not helpful.

In view of the paucity of literature and data, Elias does not wish to present an exclusive theory with this work; rather, he wishes to "show relationships as comprehensively as possible, draw attention to problems and, by means of provisional theses, sketch probable consequences and development" (p. 5). Admittedly, these theses can scarcely be checked for soundness empirically because of the lack of data; rather, they must "be localised in the actual approaches to examinable theory formulation" (p. 6). Consequently Elias, following the example of H. Spinner, defines his study as "systematic speculation which can be checked and logically followed" (*ibid.*).

After these introductory remarks, Elias begins with a general portrayal of economic specificities of the COMECON states (part I) and the developing countries (part II). In the course of this description the different foreign trade

+) JIRI ELIAS: Die Außenwirtschaftsbeziehungen des COMECON mit den Entwicklungsländern. Unter besonderer Berücksichtigung Südasiens. (Europäische Hochschulschriften, Reihe V, Volks- und Betriebswirtschaft, Bd. 159). Bern/Frankfurt a. M./Las Vegas: Peter Lang, 1977, 204 pages, SFr. 32. -

systems and structures are considered with relation to the different stages of development of both groups of countries. It becomes clear that for the COMECON members foreign trade is a means of obtaining goods not available locally while exports bring foreign exchange and promote production in local industry. For the developing countries, on the other hand, external trade is supposed to be a means of industrialisation and social development as such. Accordingly, the flow of exports is structured differently.

Proceeding from these general observations, Elias goes into the concrete analysis of the COMECON's foreign trade relations with developing countries (part III). For understandable reasons (e.g. the COMECON grants more than 50 % of its credits to Asian countries, see p. 6/7) the author largely restricts himself to Asia and furthermore singles out only those non-socialist countries which are of relevance in the area of foreign trade (i.e. South Asian countries from Iran to Burma). Four consecutive chapters deal with COMECON strategies towards the developing countries (Comintern concept, theory of the non-capitalist path of development), and analyses of commodity trade, arms trade and financial aid; these analyses are developed in a uniform and comparable pattern. In a fifth chapter, the author looks at technical, scientific and cultural relations as well as co-operation in the educational sector.

It is not possible to individually discuss here all the results which Elias has learnedly presented in many tables. We can generally say, however, that the foreign trade policy practised by the COMECON strongly conflicts with its assertion that it maintains economic relations with developing countries which are equal and conducive to development: their relations show in part the same asymmetrical dependency structures as those of the capitalist West to the Third World. A few points may support this thesis.

1) Commodity trade:

The South Asian states are in no small way oriented towards the COMECON in their foreign trade. Although their share in the COMECON's total foreign trade is negligible, they occupy the leading position in the COMECON's economic exchange with developing countries. In this connection, Elias cites the case of the Soviet Union, which sends 20 % of its exports destined for the Third World to South Asia, but obtains 32.2 % of its imports from developing countries from there (p. 95/96). Of decisive significance is the one-sided colonial structure of the exchange: finished goods are largely exchanged against raw materials. 80 % of COMECON exports are limited to: machines and technical equipment (45 %), finished goods (25 %) and, to a small degree, food-stuffs and beverages (10 %). Moreover, this tendency has been increasing gradually since 1955. By comparison, approx. 80 % of imports from South Asia consist of raw materials and agricultural products (see p. 113 ff.; figures for 1970). It should be added that this figure was even higher in the '50s and '60s. Elias' assertion that the prices paid for COMECON products were higher than usual is particularly interesting (p. 122).

Officially, the colonial trade structure is openly defended by using the argument that the developing countries should "... specialise in such branches and types of products which secure the highest productivity of labour". The developing countries "... no longer need to build up heavy industry for they can quite simply import the necessary manufactured or semi-manufactured products from socialist states and pay for them with their own export earnings" (p. 88/89). Commodity exchange in this case prevents independent industrialisation and thus stands in marked contrast to the official declaration that "the socialist states support their partners in the construction of a modern economy" (Pravda, 8. 6. 74).

2) Arms trade:

In the context of East-West polarisation, COMECON arms trade with developing countries has continuously expanded since 1955. The loss of American supplies was willingly compensated for by the USSR, Czechoslovakia and Poland on generous conditions - regardless of the political situation in the purchasing countries. From 1967 to 1975 Iran, under the Shah, received military equipment worth \$ 502 million; and India has now become the largest importer of armaments with an amount of \$ 415 million (1960-75).

3) Financial aid:

The COMECON's financial aid lies quantitatively as well as qualitatively under the international standard. It amounts to about 10 % of the sum that Western capitalist states make available. Compared with this purely quantitative aspect, the qualitative aspects weigh far more heavily. As a rule, the COMECON reserves its credits mainly for industrial projects. This one-sided option for a strategy of massive and rapid industrialisation of developing countries promotes a path of development which, on the basis of concrete experiences in the last 30 years, has few successes to point to. The conditions are very hard: all credits are tied, interest rates are around 2.5 % (otherwise: 0.75 %), and the repayment deadlines are much shorter than the customary 50 years allowed (see p. 164 ff.). Repayment of the credits in the national currency is, upon closer inspection, quite problematic since, due to the linking of the national currency to its value in gold (the so-called gold clause), every devaluation automatically leads to a corresponding increase in the debts. Elias comes to the conclusion: "Seen in their entirety, the credit conditions of the COMECON are worse and more burdensome to developing countries than the conditions of the West and China" (p. 174).

Elias' study ends quite abruptly. There is, regrettably, no concluding chapter which discusses the results of the investigation in the light of the scattered introductory hypotheses (see Introduction, p. 1-10 and Part II, p. 46-73, especially p. 58 ff.). This shortcoming creates the impression that the book is not quite rounded off, despite the comprehensive analyses based on abundant and very useful data. Moreover, it would have been extremely valuable if, in such a

concluding chapter, the author had discussed the COMECON's foreign economic relations to developing countries in South Asia, including the context of the real conditions of a world market dominated by the Western industrialised countries. He then might have raised the question of why developing countries in South Asia, given the harsher conditions imposed by the COMECON, could enter into such an intensive exchange with the COMECON at all. The fact that, for example, India has quantitatively and qualitatively cultivated extremely close economic cooperation with the Soviet Union and other socialist states leads to the assumption that this co-operation must bring India advantages which the Western capitalist states cannot offer in their system of the international division of labour (e.g. barter system, long-term trade agreements)¹.

A further positive point worth mentioning is the fact that the author has also partly drawn upon Russian literature. On the other hand, however, he has occasionally skipped over German and English articles and books worth consulting, i. a. the works of S. I. Tjulpanov, K. Müller, R. S. Walters and the *Handbuch 2, Unterentwicklung*².

Elias rightly points out - as he says at the beginning of his study - that in contrast to the innumerable publications on the relations of the western industrialised nations to the Third World, "very little research has been published on relations between the COMECON and developing countries", especially by the COMECON countries themselves (p. 4)³. In spite of the restrictions imposed by the author, this study may well help close the gap.

Notes:

- 1) This aspect is missing in Elias' as well as in other publications on this topic. In order to arrive at differentiated conclusions, every sound political economic analysis must include within the framework of a total view those concrete conditions in the world market underlying the relations of the existing socialist states to the Third World.
- 2) S. J. Tjulpanov, *Politische Ökonomie und ihre Anwendung in den Entwicklungsländern*, Frankfurt/Main 1972; K. Müller, *Die Entwicklungshilfe Osteuropas*, Hannover 1970; R. S. Walters, *American and Soviet Aid: A Comparative Analysis*, Pittsburgh 1970; *Handbuch 2, Unterentwicklung*, edited by B. Tibi and V. Brandes, Frankfurt/Main 1975, see p. 65 ff. (B. Tibi, *Zur Kritik der sowjetischen Entwicklungstheorie*). The book by S. Ibrahim/V. Metzger-Mangold, *Nicht-kapitalistischer Entwicklungsweg. Ideengeschichte und Theoriekonzept*, Cologne 1976, may have reached the author only after the conclusion of his study. The study by CIA agent Leo

Tansky would also have been instructive: U. S. and USSR Aid to Developing Countries. A Comparative Study of India, Turkey, and the UAR, New York 1968².

- 3) A recent publication deserves to be mentioned here: O. Nayyar (ed.), Economic Relations between Socialist Countries and the Third World, London 1977. Indo-Soviet relations are of particular interest to social scientists. In this connection, cf. the review of H. S. Lamm/S. Kupper, DDR und Dritte Welt, Munich, Vienna 1976, in Vol. 9 (1978), p. 214, and the article of Gh. Pardesi, Indo-Soviet Relations. Chances of Peace in South Asia, in Vol. 5 (1974), p. 335-351 of this journal.

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Lange Zeit herrschte in Wissenschaft und Politik Unklarheit über die tatsächliche Effizienz allgemeiner Zollpräferenzen. Mit der vorliegenden Studie wurde eine Datenbasis geschaffen, die erstmals eine detaillierte Evaluierung des Präferenzsystems erlaubt. Darüber hinaus werden die handelsstimulierenden Effekte der Präferenzen analysiert sowie der Stellenwert des Allgemeinen Zollpräferenzsystems der EG im System präferentieller Handelsbeziehungen zwischen Industrie- und Entwicklungsländern ermittelt.

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