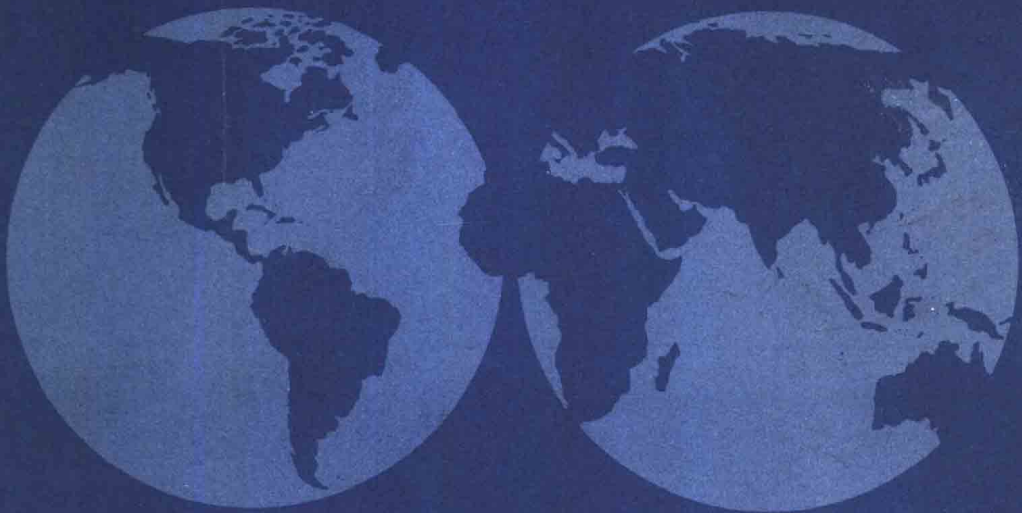


edited by
Marie Lavigne

East-South Relations in the World Economy



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East-South Relations in the World Economy

Preface

North-South relations have been studied extensively from various perspectives, including development theory, theory of international trade between regions with different levels of development, international technology transfer, foreign direct investments, and (more recently) the quest for a New International Economic Order.

East-South economic relations, however, have attracted much less attention. Of the books published recently in the Western world about the East-South issue, most deal with the political questions and focus upon Soviet interests and strategies in the Third World. The relationship between Eastern European countries and the South is almost totally neglected, the presumption seeming to be that those countries simply follow the Soviet approach.

This has prompted the East-South Group of CEIPS (Centre for International Economics of Socialist Countries) at the University of Paris (Panthéon-Sorbonne) to engage in a research project on East-South economic relations. This group, consisting of fourteen people, has been working on the project for several years. The initial outcome was a report prepared for the use of the French Commissariat du Plan, whose help and financial assistance is gratefully acknowledged. This report was published in book form by Economica in Paris, with the support of the CNRS (National Centre of Scientific Research), under the title *Les Relations Est-Sud dans l'économie mondiale* (1986). The present U.S. edition has been revised and updated by the contributors, who represent the largest group of Western scholars specializing in the field of East-South relations from an economic perspective.

Let me specify our approach. CEIPS is currently doing research on domestic economic developments as well as on the international trade of European socialist countries, which include Eastern Europe except for Yugoslavia (Bulgaria, Czechoslovakia, the German Democratic Republic [GDR], Hungary, Poland, Romania) and the USSR. Yugoslavia is excluded because it is a special case. Politically, Yugoslavia is conducting a policy of nonalignment largely different from that of the other Communist countries, even though its economic interests are similar to those of "the Seven" countries under review.

The Seven are members of the CMEA, the Council for Mutual Economic Assistance, which is the international economic organization of the socialist countries. CMEA's specific definition of the developing world

has been retained rather than the usual one. Their definition of the developing world is the same for the other socialist countries (the Seven belong to the CMEA as well as three other socialist countries—Mongolia, Vietnam, and Cuba; in addition, five other countries are also “socialist,” two of them European—Albania and Yugoslavia—and three non-European—Laos, North Korea, and China). The “usual” definition is that of the United Nations standard country code, which is generally accepted in the “capitalist” world: The developing countries comprise all the countries of the world except the European ones (however, Cyprus, Malta, and since 1985, Yugoslavia are considered as “developing”), Canada, the United States, Australia, New Zealand, Japan, and South Africa. According to the definition of the socialist countries, “logically” once a country is included in the “socialist” group, this country cannot be at the same time a “developing” one. The viewpoint is the same in the UN standard code, but the division into three groups is different (developed market economies, developing market economies, centrally planned economies).

The main dividing line is between socialism and capitalism, not between North and South. Otherwise, the most advanced socialist countries would appear to belong to the developed North, which is unacceptable as the North is capitalist in essence. This is why Mongolia, Vietnam, and Cuba, all three CMEA members, are not treated as developing countries; neither are China, North Korea, or Laos. This book accepts the socialist definition, not for the sake of complying with the standard approach of the Soviet Union, but because the type and intensity of relations, within the socialist system, between developed and less developed countries, are quite different, especially in the case of intra-CMEA relations. Therefore, the book is concerned with the relations between the Seven (the Soviet Union and the Eastern European countries) and the developing world according to the socialist (Communist) definition, that is, the developing world excluding countries belonging to the socialist (Communist) system.

This methodological choice has led to retaining Soviet and Eastern European statistical sources for trade with the developing countries. The Statistical Appendix gives additional details. Apart from considerations of principle and homogeneity, and notwithstanding the imperfections of these statistical data, the figures provided by the partner countries are much more unsatisfactory, and widely diverging in coverage, which would have precluded any synthesis.

Finally, not only the definition and the statistical measure but also the very nature of the East-South relations are discussed from the point of view of the East. What is the developing world for the East? Does the East view the South as a complex of more or less politically privileged partners or as a set of countries ranged according to the economic rationale of international division of labor between countries with different structures and natural resources? In other words, is the behavior of the

East toward the South mainly dictated by "systemic" considerations or is it, all things equal, close to that of industrialized market economies? Is a specific model for development emerging as an alternative to the various models offered by the capitalist countries? Is there a socialist concept of the New International Economic Order? All these questions are asked from the perspective of the East. We do not attempt to discuss the logic of East-South relations from the South's point of view, though some of the country studies (for instance, the chapter on Latin America) allude to this issue.

But is there really a "perspective of the East"? A minimal consensus is indeed to be found, as expressed by joint statements of the socialist countries at the United Nations or UNCTAD. The Soviet Union acts as a leader and coordinator of the consensus. The individual positions of the Eastern European countries, however, are sometimes significantly different, as in the case of Romania, but they are more infrequently expressed than the Soviet views and often must be derived from a country's commercial policies and attitudes. A country-by-country approach was beyond the scope of this book, though a sample is given in the Hungarian case.

The book is divided into two parts. Part One is devoted to the overall analysis of East-South economic relations. I have written most of its chapters as well as edited the entire volume. Specific sections or chapters have been contributed in Part One by Laure Després, associate professor at the University of Nantes (the arms sales of the Seven to the Third World); Alexandre Dimitri, research assistant at CEIPS (the system of prices in East-South trade); Jean-François Gombeaud, international trade specialist (clearing agreements); and Françoise Renaudie, research assistant at CEIPS (Soviet concepts of development).

The area studies that make up Part Two have been written by members of the East-South group, most of whom are in the process of completing or have completed a doctoral dissertation on their topic. The following topics have been studied with regard to their relations with the USSR and Eastern Europe: countries with a socialist orientation, which means the group formed by Angola, Mozambique, Ethiopia, South Yemen and Afghanistan (Dominique Don); OPEC countries (Sonia Bahri); India (Barbara Despiney and Anne Elkoubi); Latin America (Giselda Akaishi, Elisabeth Tison, Jorge Zumaran); and sub-Saharan Africa (Bernadette Veyrat). Iris Balvany (now a member of the Centrally Planned Economies Service at Wharton Econometric Forecasting Associates) contributed the study on Hungarian-Third World relations.

The East-South Group is indebted to several members of CEIPS whose remarks and suggestions were of great help during the discussion of the chapters—namely, Teresa Barea, Jocelyne Decaye, Jean-Claude Delaunay, Gérard Duchêne, Erik Izraelewicz, and Xavier Richet. Dominique Don and Françoise Renaudie assisted me with the editing of the French volume; Nathalie Ricoeur and Talin Vartanesyan helped with the editing

of the English version. A special acknowledgment is due to Megan Schoeck who copyedited the English version and helped us to clarify many points. Denis Besnainou from the Commissariat Général du Plan closely followed the different stages of the work and oversaw the whole enterprise.

The Commissariat Général du Plan funded this research, including the translation, which was done by Irene Nove in Glasgow (Chapters 1, 4, and 7) and Claire Ozorio, a student at the American College in Paris (Chapters 3 and 8–12). I am very grateful to them for their excellent work, and I assume complete responsibility for the translation that I dared to undertake of my own contribution.

Marie Lavigne

Editor's Note

We have tried to avoid footnotes as much as possible. Numbered notes appear at the end of chapters. References to articles or books given in parentheses in the text, such as (Dobozi 1978, 1), refer to the Bibliography at the end of the book.

A variety of appellations are used when referring to the East or the South. The East is composed of the USSR and Eastern Europe. This set of countries (Bulgaria, Czechoslovakia, the GDR or German Democratic Republic, Hungary, Poland, Romania, and the USSR) is referred to as "the socialist countries," or the Seven (the Six plus the USSR), or the CMEA (Council for Mutual Economic Assistance or Comecon) European countries. CMEA and Comecon are used interchangeably throughout the book. We use "socialist" as the equivalent of "Communist" usually found in U.S. literature. For the South, the following designations are used: the Third World; the developing countries (DCs); and less developed countries (LDCs, an acronym still found in literature though it is no longer accepted by international organizations).

Foreign-language quotations have been translated. The titles of books and articles in Russian are given in Russian in the Bibliography but only in English translation in the text and notes.

M. L.

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PART ONE

**East-South Trade and Cooperation:
An Overall Analysis**

Introduction to Part One

Marie Lavigne

East-South economic relations make up only a minor part of international trade, at most 1 percent, but the impact of that trade is much larger than the figure suggests. The Third World is at stake in the East-West competition, or, to put it more specifically, in the U.S.-Soviet confrontation. The West condemns the Soviet Union's expansionism in various regions of the world, with its strategic, political, and economic dimensions. The East retorts by denouncing U.S. (Western) imperialism in the Third World. Each side urges the Third World countries not to let themselves become involved in or kept in the other side's economic and social system.

If East-South relations are dealt with mainly in a political context, two major interpretations of their nature may be identified. The first interpretation is expressed in the statements of the socialist countries themselves. Three significant documents can be cited as examples. The Conference of Communist and Workers' Parties held in 1960 was one of the first times a common position was defined. The joint declaration reads as follows:

The socialist countries are true and sincere friends of peoples struggling for their independence or already liberated from the yoke of imperialist oppression. Rejecting in principle all forms of intervention in the internal affairs of young national states, they consider it their international duty to assist these countries in the struggle to consolidate their national independence. They help and support these countries as much as possible in their development, on the road of progress, in the creation of a national industry, in the strengthening and expansion of their national economy, in the training of cadres; they cooperate with them in the struggle for world peace, against imperialist aggression.¹

Sixteen years later, a joint statement was issued at the Fourth United Nations Conference for Trade And Development (UNCTAD) held in Nairobi in May 1976. The countries of the Council for Mutual Economic