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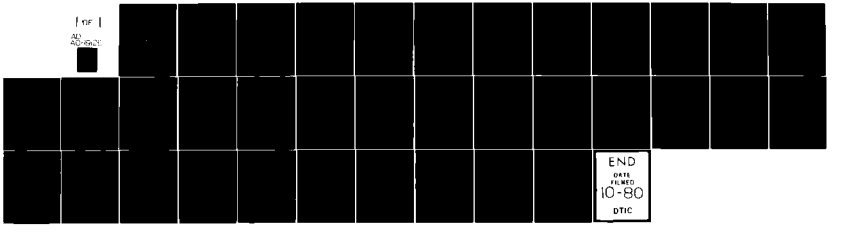

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SOVIET POLICY TOWARD THE DEVELOPING WORLD: THE ROLE OF ECONOMIC ASSISTANCE AND TRADE

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SOVIET POLICY TOWARD THE DEVELOPING WORLD: THE ROLE OF ECONOMIC ASSISTANCE AND TRADE

by

Roger E. Kanet

15 May 1980

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Composition of this memorandum was accomplished by Mrs. Barbara N. Black.

FOREWORD

This memorandum evolved from the Military Policy symposium on "The Soviet Union in the Third World: Success and Failure," which was hosted by the Strategic Studies Institute in the Fall of 1979. During the Symposium, academic and government experts discussed a number of issues concerning this area which will have a continuing impact on US strategy. This memorandum considers one of these issues.

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This memorandum was prepared as a contribution to the field of national security research and study. As such, it does not reflect the official view of the College, the Department of the Army, or the Department of Defense.

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Major General, USA
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BIOGRAPHICAL SKETCH OF THE AUTHOR

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SOVIET POLICY TOWARD THE DEVELOPING WORLD: THE ROLE OF ECONOMIC ASSISTANCE AND TRADE

At the time of Stalin's death in 1953 the position of the Soviet Union in the developing world was extremely weak. Not only did the Soviets maintain virtually no diplomatic or economic relations with the countries of the Third World, but they found themselves ringed by a growing network of US-centered military alliances in Europe, as well as in the Middle East and Far East. While the Western opponents of the USSR maintained political, economic and military relations with all regions of the world—much of which still consisted of colonial appendages of the West—Soviet international contacts were restricted primarily to the countries that comprised their newly-created empire in Eastern Europe and to their Communist allies in Asia. The US policy of containment of Soviet power had resulted in the creation of a network of air and naval bases around the USSR complemented by massive nuclear deterrence. The Soviets, on the other hand, were limited in their ability to project military and political power beyond the region under the control of the Soviet army.

By the late 1970's the relative position of the two major power blocs had changed substantially. The collapse of the Western colonial empires and the ensuing rise of numerous anti-Western regimes in the developing world, Western military and political retrenchment, and other developments have resulted in the contraction of Western political and military influence throughout most of Asia and Africa. At the same time the Soviets have been able to establish a network of economic, political, and military relationships throughout much of Asia and Africa that permits them for the first time in their history to play the role of a global power with worldwide interests.[1] Beginning in the mid-1950's soon after Stalin's death the new Soviet leadership embarked upon efforts to expand contacts of all sorts with the new states of Asia and Africa, although the initial focus of that policy was on the creation of economic links as a prelude to broader political contacts. While Soviet military assistance committed during the Khrushchev era, 1955-64, averaged approximately $375 million per year, economic aid extensions during the same period averaged somewhat more than $425 million per year.[2] In addition, the decade from 1955 to 1965 witnesses a five-fold expansion of Soviet trade with the non-Communist developing countries, from $337 million (5.2 percent of total trade turnover) to $1,935 million (11.9 percent of total trade). To a substantial degree Soviet policy toward the developing countries was a response to American efforts to create an alliance system in Asia as part of the policy of containment. In the mid-1950's the Soviet leadership initiated a "policy of denial" aimed at ensuring the neutrality of those developing countries—especially Afghanistan, India, and Egypt—which professed a nonaligned approach to foreign policy and opposed the intrusion of military alliances into their regions. The Soviets sought to expand their ties with such countries, in order to prevent the uncontested growth of Western political and military influence, to ensure that gaps would remain in the US-sponsored alliance network, and to win the support of these nonaligned countries for issues that were of importance to the Soviet Union.[3]

Since the Soviets now desired to cultivate the good will of the developing countries, it was clear that their leaders could no longer be viewed as reactionaries destined to be swept away by the tide of revolution. In short, there existed a contradiction between the imperatives of Soviet policy and the USSR's ideological assessments of these countries. While the aid and political support

given to countries like Egypt and India in the 1950's signalled a shift in Soviet policy, a change in doctrine at an authoritative level was made with Khrushchev's introduction of the concept of the "zone of peace" at the Twentieth Congress of the Communist Party of the Soviet Union in 1956. The nonaligned states were no longer regarded as mere outposts of Western imperialism, but as the independent proponents of peace and therefore worthy of Soviet support and assistance, although the Soviets still criticized domestic, political and economic arrangements in most of the Third World.[4]

The primary areas of Soviet involvement in the developing world during the decade of Khrushchev's leadership were those regions of special strategic concern to the Soviet leadership—the Middle East and South Asia. Measured in terms of political contacts, economic relations (including assistance), or military aid, Soviet interest in the region adjacent to the southern borders of the Soviet Union expanded extremely rapidly.[5] In addition, however, the Soviets did attempt to take advantage of a number of opportunities presented by events in other areas of the developing world, such as the civil war in Zaire (then Congo-Leopoldville) and the radicalization of the governments of Sukarno in Indonesia, Nkrumah in Ghana, and Toure in Guinea.

Although the initial Soviet push toward expanding contacts with the countries of the Third World was accompanied by optimistic statements about the prospects for the development of a revolutionary climate in these countries, the immediate Soviet goal, as we have noted, was clearly the reduction of Western influence in areas of strategic significance to the USSR. This meant that, in spite of rhetoric about support for the construction of "scientific socialism" in developing countries, the Soviets were willing to provide assistance and support to such clearly nonsocialist countries as Afghanistan and the Ethiopia of Haile Selassie in the attempt to undermine the dominant Western position. However, Khrushchev's goals far exceeded the means available to the Soviet Union. The inferior military position of the Soviet Union *vis-a-vis* the West—including the virtual absence of an ocean-going navy—made it difficult for the Soviets to provide effective support to their friends, such as Lumumba, Nkrumah, and Keita, in periods of crisis. In addition, Soviet hopes that most or at least many of the developing countries would be willing to cut their economic and political relations with the West proved to be inaccurate. Even

though countries such as Nasser's Egypt and Nehru's India had turned to the Soviet Union for military, economic, and political support, they continued to maintain relations with the West. The Soviet Union provided them with the possibility of lessening their dependence on the former colonial powers and represented an added source of military and economic assistance. It did not, however, provide a political-social-economic model which the majority of Third World political leaders were interested in emulating.

At the time of Khrushchev's overthrow in late 1964 Soviet policy in the developing world was in partial disarray. The optimism of the 1950's was already being questioned and replaced by a growing realism concerning prospects for political and economic developments in most of the Third World countries. Although the Soviet Union had ended its isolation from these countries, it had not succeeded in establishing significant influence relationships.* Where Soviet goals had been partially accomplished—for example, the reduction of the Western presence in the Middle East—success resulted far more from the initiatives of the developing countries themselves than from Soviet policy. Yet the foundations for future Soviet involvement in the Third World had been laid in many areas. In South Asia, India had already begun to depend upon the USSR for both the military assistance deemed necessary for security *vis-a-vis* China and Pakistan and for support in the development of heavy industrial projects in the state sector of the economy. In the Middle East both Egypt and Syria were now heavily indebted to the Soviets for military and economic assistance, while Turkey and Iran had begun to expand ties with their northern neighbor as a means of lessening their dependence on the United States. Throughout Asia and Africa the Soviet Union had become a force to be dealt with by Western Europe and the United States, even though the West still commanded more influence and was able to exert greater military capabilities in most areas of the developing world.

At the time of Khrushchev's dismissal the Soviets had already begun to reassess their views and policies toward the developing countries, as we have already noted. They recognized that the prospects for the introduction of their variety of socialism in the vast majority of the new states were bleak and that political and social instability often meant that leaders who were favorably

disposed toward the Soviet Union might well be overthrown by "reactionary elements"—witness the fate of Ben Bella, Nkrumah, and Keita. During the first few years of Brezhnev's leadership of the CPSU the reassessment of Soviet policy continued. Confidence in the establishment of Soviet-type socialist systems and an emphasis on economic "show projects" were replaced by the effort to create firmly based relations with Third World countries that would begin to provide the Soviets with "bases of operation" from which they could expand contacts and attempt to increase their activities and build their influence. Even more than in earlier years Soviet policy focused on countries and political groupings that had inherent importance for their own purposes. First of all, they emphasized even more those countries along the southern boundaries of the Soviet Union—from India in South Asia to the Arab countries of North Africa. The importance of this area for the strategic interests of the Soviet Union is quite clear, as Soviet commentators have repeatedly noted.[7] Support for minor revolutionary groupings and for activities in Sub-Saharan Africa was downplayed in the late 1960's—to the point where some Western commentators argued that the Soviets had virtually lost interest in that continent.[8]

Even though the 1970's have witnessed a revitalization of Soviet interest in political and military opportunities offered by events in such countries as Angola and Ethiopia, there has been a growing emphasis on the value of expanding economic contacts with individual developing countries. Here the issue has not been so much the strategic location of a country as its level of development and the opportunities offered for "mutual economic benefit." At the beginning of the 1970's the Soviets were pursuing a policy aimed at producing an "international division of labor" between themselves (in conjunction with their CMEA partners) and individual Third World countries.[9] More recently there has appeared evidence of a growing Soviet awareness of the benefits of three-way cooperation among the socialist states, the capitalist West, and the non-Communist developing countries.[10] This has resulted not only in a significant expansion of Soviet assistance to projects designed to assure the Soviet economy of future sources of needed raw materials, such as bauxite and phosphates, but also in a number of joint undertakings in the developing countries that involve both Soviet and Western participation.

The present essay is concerned primarily with the economic aspect of Soviet relations with the countries of the developing world. It examines both the evolution of Soviet assistance programs and trade relations during the course of the past two decades and their importance for overall Soviet policy toward the developing world. Clearly economic relations comprise only one part of Soviet policy. A complete evaluation of that policy would also take into account military relations, including arms transfers, cultural contacts, propaganda activities, covert operations and support for revolutionary groups, and a variety of other factors.

ECONOMIC ASSISTANCE IN SOVIET POLICY TOWARD THE THIRD WORLD

Already in the 1950's Soviet commentators clarified the role of economic assistance to developing countries within the overall policy of peaceful coexistence. Soviet assistance supposedly provided the newly independent states with the possibility of developing their economies and of breaking their economic dependence on the imperialist West.[11] The primary focus of Soviet assistance was on the development of the state sector of the national economy of the recipient country. Although the Soviets have insisted that the granting of developmental credits "is not based on any political, military or other economic conditions that are unacceptable to a developing country,"[12] the major recipients have generally been countries that have been willing to follow, in part at least, Soviet guidance concerning the form of economic development of states that are strategically located in relationship to overall Soviet global interests. In recent years, however, with the modification of Soviet views concerning the expansion of economic contacts with developing countries, there has been a clear shift in the recipients of Soviet aid. In 1978, for example, 86 percent of the record $3,707 million in new Soviet aid commitments went to Morocco and Turkey, neither of which is socialist or anti-Western in orientation.

By far the greatest amount of Soviet assistance to developing countries from the very beginning of the Soviet aid program has been provided in the form of repayable credits. These credits have usually carried an interest rate of 2.5 to 3.0 percent and a repayment period of 12 years. The very small amount of Soviet

assistance that has been provided as grant has usually been limited to highly visible projects that can have substantial propaganda benefits—for the construction of hospitals, schools, and other training facilities. Credits, on the other hand, have generally been allocated for the construction of major projects that will add to the overall productive capabilities of the recipient country. Approximately 75 percent of all Soviet economic assistance has gone toward the construction of an industrial base in the state sector of the economies of the recipient countries.[13]

New commitments of Soviet economic assistance for the period 1954-67 averaged $405 million per year and rose to an annual average of about $725 million for the following 10-year period. In a significant departure from their past behavior, in 1978 the Soviets pledged a total of $3.7 billion in new aid—most for projects in Morocco and Turkey (see Table 1). Deliveries, however, averaged only $182 million during the earlier period and rose to slightly less than $460 million annually during the last 11 years.[14] Although Soviet economic assistance to developing countries has been substantial over the course of the past two decades, this assistance must be viewed in perspective. First of all, given the concentration of Soviet assistance in a relatively few countries, most recipients of Soviet economic aid have received relatively small amounts of assistance. In addition Soviet aid, when compared with that of the United States and the other industrialized countries of the West, has been quite meager, until the major commitments of 1978. In 1977, for example, net Soviet aid made up only one percent of all overseas development assistance—a percentage surpassed by eleven Western developed countries, including such small countries as Denmark, Norway, Belgium and the Netherlands. In addition, Soviet developmental assistance comprised an estimated .02 percent of Soviet GNP, while it made up about .31 percent of the members of the OECD but only .22 percent for the United States.[15]

More important, however, for our present concerns—the role of economic assistance in overall Soviet policy toward the developing countries—is the fact that Soviet economic aid has been concentrated in a relatively few countries, most of which are of potential significance for Soviet strategic or economic interests. Through 1977 almost three-quarters of total Soviet credits and grants were committed to the Middle East and South Asia. (The massive 1978 credits to Morocco reduce the current percentage to slightly less than 70). (See Table 2.) Within that region aid has gone

TABLE 1

Soviet Economic Assistance To Non-Communist Developing Countries

(In Millions of current US dollars)

Total	Commitments	Deliveries
1954-78	17,088	7,595
1954-68	6,081	2,870
1969	476	355
1970	200	390
1971	1,126	420
1972	654	430
1973	714	500
1974	816	705
1975	1,934	500
1976	979	460
1977	402	540
1978	3,707	430

Source: US Central Intelligence Agency, National Foreign Assessment Center, Communist Aid Activities in Non-Communist Less Developed Countries 1978: A Research Paper, ER79-10412U, September 1979, p. 11.

primarily to a small number of countries—Afghanistan, Egypt, India, Iran, Iraq, Pakistan, Syria, and Turkey received a full 71 percent of all Soviet aid committed prior to 1978.

Soviet aid policy appears to be motivated by a number of distinct, but clearly interrelated, considerations. First of all, there has been the desire to support "progressive" or anti-Western regimes such as Egypt under Nasser, Syria, Iraq, and, most recently, South Yemen. A second but related goal has been the desire to reduce the dependence of countries such as Iran (prior to the overthrow of the Shah in early 1979), Turkey, and Pakistan on either the United States or China. Other countries, such as India, Somalia, and Egypt have attracted Soviet interest because of their strategic location and potential significance in world or regional political affairs. In addition, during the past decade Soviet aid has been tied increasingly to a concern for long-term economic benefits for the Soviet economy. The recent credit of $2 billion granted to Morocco in return for repayment in phosphates, and earlier Soviet agreements with Afghanistan, Iran, and Iraq which provide Soviet machinery and equipment in return for petrocarbons fit into this category. Finally, since virtually all Soviet assistance is provided in the form of exports of machinery and equipment, economic

assistance assures markets for Soviet industrial production which is generally not competitive on the international market.

TABLE 2

Soviet Economic Credits And Grants Extended To Non-Communist Developing Countries, 1954-78

(In Millions of Current US Dollars)

	1954-78		1977		1978	
	Amount	Percent	Amount	Percent	Amount	Percent
Total	$17,088	100.0%	$402	100.0%	$3,707	100.0%
Africa	3,989	23.3	31	7.7	2,010	54.2
North Africa*	2,918	17.1	0	0	2,000	54.0
Algeria	716		0			0
Mauritania	8		0			0
Morocco	2,098		0		2,000	
Tunisia	96		0		0	
Sub-Saharan Africa	1,071	6.3	31	7.7	11	.3
Angola	17		6		1	
Benin	5		0		0	
Cameroon	8		0		0	
Cape Verde	3		0		3	
Central African Empire	3		0		0	
Chad	5		0		0	
Congo	28		0		0	
Equatorial Guinea	1		0		0	
Ethiopia	105		0		negl.	
Ghana	94		1		0	
Guinea	212		1		0	
Guinea-Bissau	11		0		0	
Kenya	48		0		0	
Madagascar	20		0		6	
Mali	90		0		1	
Mauritius	5		0		0	
Mozambique	5		5		0	
Niger	2		0		0	
Nigeria	7		0		0	
Rwanda	1		0		0	
Senegal	8		0		0	
Sierra Leone	28		0		0	
Somalia	164		0		0	
Sudan	65		0		0	
Tanzania	38		18		0	
Uganda	16		0		0	
Upper Volta	6		0		0	
Zambia	9		0		0	
Other	67		0		0	
East Asia	261	1.5	0		0	0
Burma	16		0		0	
Cambodia	25		0		0	
Indonesia	214		0		0	
Laos	6		0		0	

TABLE 2 (cont'd)

	1954-78		1977		1978	
	Amount	Percent	Amount	Percent	Amount	Percent
Latin America	964	5.6	30	7.5	15	.4
Argentina	220		0		0	
Bolivia	69		0		0	
Brazil	88		0		0	
Chile	238		0		0	
Colombia	211		0		0	
Costa Rica	15		0		0	
Jamaica	30		30		0	
Peru	25		0		0	
Uruguay	52		0		0	
Middle East*	6,918	40.5	0	0	1,399	37.8
Egypt	1,440		0		0	
Iran	1,165		0		0	
Iraq	705		0		0	
Jordan	26		0		0	
North Yemen	143		0		38	
South Yemen	204		0		90	
Syria	768		0		0	
Turkey	2,380		0		1,200	
Other	79		0		71	
South Asia	4,956	29.0	341	884.8	283	7.6
Afghanistan	1,263		0		0	
Bangladesh	304		0		0	
India	2,282		340		0	
Nepal	30		1		0	
Pakistan	921		0		225	
Sri Lanka	158		0		60	

*Egypt is included in Middle East
N.B. Components may not total because of rounding.

Source: US Central Intelligence Agency, National Foreign Assessment Center, Communist Aid to Non-Communist Less Developed Countries 1979: A Research Paper, ER 79-10412U, September 1979, pp. 7-10.

Even though the bulk of Soviet economic assistance has gone to the countries of South Asia and the Middle East, the factors that have influenced Soviet economic assistance in Africa seem to have been similar to those in the Middle East and South Asia. In Africa the major recipients of Soviet economic assistance have generally been countries with a geographical location of some potential strategic importance, regimes that are "anti-imperialist" in their foreign policy orientation, or, more recently, countries such as Morocco that offer important economic benefits for the Soviet economy. Prior to 1978 two-thirds of all Soviet aid to Africa went to six countries—Algeria, Ghana, Guinea, Mali, Somalia, and Sudan—which were all considered "progressive" in their foreign policy orientation at the time that the major commitments were

made.[16] During the 1970's, however, Sub-Saharan Africa has played a decreasing role in overall Soviet economic assistance programs. Through 1964, aid commitments to Sub-Saharan Africa represented approximately 12 percent of total Soviet aid. More recently, however, very little new assistance has been committed to this region and for the period 1954-78 aid to Sub-Saharan Africa represented only slightly more than six percent of the total.

In Latin America the bulk of Soviet economic assistance has been extended as a means of opening up markets for Soviet industrial exports. Only the $238 million in credits offered to Chile during the presidency of Allende can be viewed as motivated largely by political considerations.

As we have already observed Soviet economic assistance has consisted largely of machinery and equipment for complete projects and has focused exclusively on the state sector. The development of heavy industry and of energy and mineral resources has been the major target of Soviet aid policy in virtually all recipient countries. In recent years, for example, the Soviets have constructed, or agreed to construct, a steel mill in Turkey and an aluminum complex and a steel plant in Algeria, and they have agreed to develop phosphate production in Morocco. From the point of view of numerous developing countries Soviet project assistance has provided them with numerous benefits, in spite of various problems that have characterized some of the projects. First of all, developing countries have been able to reduce their economic dependence on the Western industrial countries, while at the same time acquiring developmental aid that often was not available elsewhere. In addition, since most of Soviet assistance can be repaid with the production of the completed enterprise, the developing country does not have to worry about acquiring convertible currency in order to repay the loans. Third, there is some evidence that the entrance of the USSR into the ranks of aid donors stimulated the West to provide additional economic assistance.[17]

Since its inception in the 1950's the Soviet assistance program has included the provision of Soviet technicians to assist recipient countries in the operation of facilities constructed with Soviet developmental aid, as well as the training of local academic students and technicians. In 1978, for example, more than 70,000 Soviet and East European technicians were working in the developing countries (more than 80 percent in the Middle East and

North Africa). (See Table 3.) Although the vast majority of these specialists are involved in constructing or operating industrial plants, many are also providing training for local cadres who will later operate the facilities constructed with Soviet assistance. In addition, large numbers of technicians from developing countries have been trained either in the Soviet Union itself or, increasingly in recent years, locally in training centers established by the Soviets. Through 1978 about 48,000 technicians had received training in the Soviet Union and Eastern Europe, although the numbers have fallen off in recent years as in-country training programs have become more efficient and less expensive (see Table 4).[18] By 1978 the Soviets and their East European allies had built and equipped 26 higher and specialized schools in the Third World and an additional one hundred technical training centers. More than 550,000 workers and technicians had been trained in these schools and an additional 600,000 locals have received training at Communist construction sites.[19] The vast majority of those trained either in the Soviet Union or Eastern Europe or locally have come from countries which have been major recipients of Soviet industrial development assistance and of the total of 600,000 who have reportedly received on-the-job training, only 25,000 have been from Sub-Saharan Africa.

TABLE 3

Soviet, East European, Cuban Economic Technicans
Working In Non-Communist Developing Countries

	1970		1975		1977		1978	
	USSR	E. Eur.	USSR	E. Eur.	USSR & E. Eur.	Cuba	USSR & E. Eur.	Cuba
Total	10,600	5,300	17,785	13,915	58,755	6,575	72,655	12,525
Africa	4,010	3,150	5,930	10,290	34,390	5,900	43,805	11,420
N. Africa	-	-	-	-	21,850	15	36,165	450
Sub-Saharan Africa	-	-	-	-	12,540	5,885	7,640	8,500
East Asia	100	60	25	30	125	0	85	0
Latin America	35	140	330	225	830	335	700	190
Middle East					20,010	330	23,890	915
South Asia	6,455	1,950	8,375	3,370	3,475	0	4,145	0

Sources: US Central Intelligence Agency, National Foreign Assessment Center, Communist Aid to Less Developed Countries of the Free World, 1975, ER 76-10372U, July 1976, p. 8; Idem, for 1977, ER 78-10478U, November 1978, p. 9; Idem, Communist Aid Activities in Non-Communist Less Developed Countries, 1978, ER 79-10412U, pp. 14-15.

TABLE 4

Technical Personnel From Developing Countries
Receiving Training In The Soviet Union And Eastern Europe

	USSR	Combined	Eastern Europe
1965		2,000+	
1970	1,020		530
1971	1,310		1,435
1972	1,355		975
1973		3,715	
1974		4,380	
1975		?	
1976	4,250		?
1977		3,200	
1978		3,300	
Total 1954-78		48,000	

Sources: Annual reports published by CIA, see Table 3.

Another important aspect of long-term Soviet development assistance has been the education of substantial numbers of academic students from the Third World in Soviet institutions of higher education. The numbers of such students have risen consistently and by 1978 more than 26,000 were in the USSR with an additional 18,500 in Eastern Europe (see Table 5). An interesting aspect of this program has been the focus on Black Africa; since the early 1960's the majority of students educated in the Soviet Union has come from Africa. In 1978, for example, of a total of 26,445 students studying in the USSR, 13,635 were from Africa. Of these students more than 85 percent came from Sub-Saharan Africa. Eight years earlier, in 1970, approximately 81 percent of all African students in the Soviet Union and Eastern Europe came from Black Africa. The 21 year old academic program has been the most concessionary of all of the Soviet Union's aid programs when compared with other types of economic and technical assistance, for Soviet scholarships cover all of the expenses for the recipients, including living expenses and transportation.

Soviet academic and technical training programs in the Third World have had two major goals. First of all, they help to provide the skilled personnel needed to modernize the economies of countries receiving Soviet aid and to staff the projects and programs established with Soviet assistance. In this respect they represent an important component of the overall Soviet economic assistance program. In addition, however, the academic training

TABLE 5

Academic Students From Developing Countries
Being Trained In Communist Countries

	1970	1975	1977		1978	
	All Communist Countries[1]	All Communist Countries[2]	All Communist Countries[3]	USSR	E.Eur.	China
Total	21,415	27,275	40,345	26,445	18,560	260
Africa	10,990	14,895	20,780	13,635	9,755	160
N. Africa	2,115	2,370	2,965	2,035	1,520	20
Sub-Saharan Africa	8,875	12,525	17,815	11,600	8,235	140
East Asia	650	335	20	25	10	0
Latin America	2,425	2,940	4,445	2,760	1,890	0
Middle East	5,770	6,270	11,320	6,615	5,525	15
South Asia	1,580	2,825	3,780	3,400	1,375	80

[1]Approximately 12,500 of these students were in the Soviet Union and the remainder in Eastern Europe

[2]Approximately two-thirds of the students were in the Soviet Union and the most of the remainder in Eastern Europe

[3]More than sixty percent of the students were in the Soviet Union and most of the remainder in Eastern Europe

Sources: Same as for Table 3, pp. 11, 17-18 respectively.

program in particular is geared to prepare a future elite that, at a minimum, will be favorably disposed toward the Soviet Union.[20]

Before proceeding to a discussion of Soviet trade with the Third World and the interrelationship of their economic aid programs and trade, we should examine, albeit briefly, the relative importance of Soviet military and economic aid. Perhaps the most important development in Soviet policy toward the Third World during the past decade has been the shift from an emphasis on economic assistance to a far greater reliance on the provision of military aid as a means of expanding ties with the developing countries. Throughout the period 1955 to 1967 the Soviets delivered an average of slightly more than $300 million of military equipment per year to developing countries, while deliveries of economic aid averaged about $200 million. From 1968 through 1971 the amount of annual military deliveries rose to about $700 million, and since 1972 has increased substantially and totalled more than $3,500 million in 1977 and $3,800 million in 1978 (see Table 6). While deliveries of Soviet economic assistance averaged about $510 million annually since 1972, deliveries of military equipment and

TABLE 6

Soviet Military Relations With Non-Communist Developing Countries, 1955-78

(In Millions of Current US Dollars)

	New Agreements Concluded	Deliveries
Total, 1955-78[a]	29,825	25,310
1978[a]	1,765	3,825
1977[a]	5,215	3,515
1976[a]	3,375	2,575
1975[a]	2,035	1,845
1974[a]	4,225	2,310
1973[a]	2,810	3,130
1972[a]	1,635	1,215
1971[a]	1,590	865
1970[a]	1,150	995
1969[a]	360	450
1955-68[a]	5,495	4,585
1968[b]	450	505
1967[c]	525	500
1966[c]	450	500
1965[d]	260	
1964[d]	875	
1963[d]	390	
1962[d]	415	
1961[d]	830	
1955-60[d]	1,285	
1960[e]	570	
1959[e]	40	
1958[e]	470	
1957[e]	240	
1956[e]	290	
1955[e]	110	

[a]Data from CIA publication for 1978, see below.
[b]Data from CIA publication for 1977, see below.
[c]Data from CIA publication for 1975, see below.
[d]Data from State Department publication for 1972, see below.
[e]Data from State Department publication for 1970, see below.

N.B. Given the differing sources and the fact that all of the figures given are estimates, summations do not total.

Sources: US Department of State, Bureau of Intelligence and Research, Communist States and Developing Countries: Aid and Trade in 1970, Research Study, RECS-15, September 22, 1971, p. 17.
Ibid. for 1972, RECS-10, June 15, 1973, appendix, Table 9.
Central Intelligence Agency, Communist Aid to Less Developed Countries of the Free World, 1975, ER 76-10372U, July 1976, p. 1.
Ibid., for 1977, ER 78-10478U, p. 1.
Central Intelligence Agency, Communist Aid Activities in Non-Communist Less Developed Countries 1978, ER 79-10412U, September 1979, p. 2.

supplies were more than five times as great—$2,630 million per year. The major recipients of the recent increase in Soviet military deliveries have been Libya, which pays for weapons with hard currency earned from its oil exports, Iraq, Algeria, Ethiopia, and Angola. Until the early 1970's more than 80 percent of all Soviet arms deliveries were destined for the Middle East and South Asia. With the recent expansion of Soviet involvement in Sub-Saharan Africa—especially in Angola and Ethiopia—Africa has also become a major recipient of Soviet military equipment. (See Table 7.) Arms transfers to Third World countries have apparently provided several benefits for the Soviet Union. First of all, a number of Third World countries have become heavily dependent upon the Soviet Union for their own military security. Although this is something of a mixed blessing, the Soviets appear to see it as a means of gaining influence in the host country, for along with Soviet arms have usually come Soviet military advisors and technicians who have played an important role in training local military personnel and, in some cases, even in assisting in military operations.[21] The Soviets have, on occasion, attempted to use this dependence as a means of influencing the foreign and domestic policy orientation of the host country.[22]

TABLE 7

Soviet Military Relations With Non-Communist Developing Countries, By Region

(In Millions of Current US Dollars)

	Total 1956-78	1956-73	1974	1975	1976	1977	1978
Agreements	29,655	13,040	4,225	2,035	3,375	5,215	1,765
North Africa	4,965	490	1,825	535	...	1,800	315
Sub-Saharan Africa	3,900	330	365	145	800	1,415	845
East Asia	890	890	...	...	...	...	...
Latin America	650	150	negl	55	335	110	...
Middle East	14,960	8,860	2,020	640	2,105	1,235	100
South Asia	4,290	2,320	15	660	135	655	505
Deliveries	25,310	11,240	2,310	1,845	2,575	3,515	3,825
North Africa	3,875	435	150	380	810	925	1,175
Sub-Saharan Africa	2,750	275	90	255	325	585	1,220
East Asia	880	880	...	...	...	...	...
Latin America	630	10	25	60	80	380	75
Middle East	13,800	7,760	1,780	975	1,065	1,125	1,095
South Asia	3,375	1,880	265	175	295	500	260

Source: US Central Intelligence Agency, Communist Aid Activities in Non-Communist Less Developed Countries 1978, ER 79-10412U, September 1979, p. 3.

A second and increasingly important benefit of arms deliveries has been the acquisition of hard currency from military sales to such countries as Libya. It has been estimated that in 1977 arms sales generated approximately $1.5 billion in hard currency for the Soviet economy. Military exports now cover large annual deficits in Soviet nonmilitary trade with the less developed countries—primarily the result of Soviet credit deliveries—and supplement significantly the USSR's hard currency earnings.[23]

SOVIET TRADE WITH THIRD WORLD COUNTRIES

Closely related to the development of Soviet economic assistance programs throughout most of the developing world has been the expansion of Soviet commercial relations. The close interrelationship is the result of the fact that growth of Soviet exports has been based in substantial part on the export of machinery and equipment for assistance projects and, in some cases, imports are beginning to come from projects originally financed by Soviet assistance. Over the period 1955 to 1978 Soviet trade, in absolute value terms, has increased by thirty-five times from $355 million in 1955 to $11,784 in 1978. As a percentage of total Soviet trade, however, trade with the developing countries has risen much more slowly during this period, from 5.2 percent to 12.2 percent. (See Table 8.) In the last 5 years virtually the entire increase in Soviet trade with developing countries has occurred on the export side. Measured in rubles Soviet imports from developing countries have actually declined from 2,999 million in 1975 to 2,831 million in 1978. As the data in Table 9 indicate, a substantial percentage of the growth in Soviet exports in recent years is unspecified in Soviet trade statistics and consists, presumably, of arms transfers to a small group of developing countries. In 1978, for example, 47 percent of total Soviet exports to developing countries was not specified. Of the remaining $3,599 million of exports most consisted of machinery, equipment, and (to certain countries) oil and oil products.[24]

During the past decade Soviet trade policy with the developing countries has undergone substantial modification. While trade with the Third World in the 1950's and 1960's was generally based on long-term intergovernmental agreements that provided for the exchange of goods at predetermined prices and the settlement of

TABLE 8
Soviet Trade With Non-Communist Developing Countries
(In Millions of Current US Dollars)

	Total Trade		Trade with Developing Countries			
	Exports	Imports	Exports	% of Total Trade	Imports	% of Total Trade
1955	3,392	3,029	141	4.2	194	6.4
1960	5,508	5,572	334	6.1	529	9.5
1965	8,093	7,978	1,111	13.7	807	10.1
1970	12,672	11,822	2,019	15.9	1,280	10.8
1975	33,166	36,805	4,569	13.8	4,138	11.2
1976	38,110	39,074	5,087	13.3	3,815	9.8
1977	45,227	40,926	7,258	16.0	4,076	10.0
1978	51,362	49,762	8,229	16.0	4,077	8.2

Exchange Rates: Through 1970, $1.11 per ruble; 1975, $1.38; 1976, $1.33; 1977, $1.36; and 1978, $1.44.

N.B. The depreciation of the dollar exaggerates the growth of Soviet trade in the 1970's.

Sources: SSSR, Ministerstvo vneshnei torgovli, Vneshniaia torgovlia SSSR Statisticheskii Obzor, 1918-1966, Moscow: "Mezhdunarodnye otnosheniia," 1967, pp. 62-65, idem, Vneshniaia Torgovlia SSSR [illegible] Statisticheskii Obzor for the years 1970, 1976, 1978.

payments in nonconvertible currency, in recent years approximately three-quarters of the Soviet Union's trading partners were conducting their trade or settling outstanding balances with the USSR in convertible currency and in 1977 more than 40 percent of trade was paid for in hard currency. Although, as we have already seen, Soviet economic assistance has been important in stimulating Soviet exports, the role of aid in Soviet trade has dropped in recent years.[25]

As we have already noted earlier in this discussion, Soviet aid policy—and trade policy—has been geared increasing toward the economic interests of the Soviet economy. The most important factors motivating Soviet policy appear to be the desire to expand hard-currency exports, such as military equipment and petroleum products.[26] In addition, however, exports of machinery and equipment to less developed countries are being used to cover the

TABLE 9

Soviet Trade With Non-Communist Developing Countries[1]

(In Millions of Current US Dollars)

	1975		1976		1977		1978	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Total Trade with developing Countries	4,567.7	4,138.3	4,960.2	3,730.9	7,227.2	4,074.3	7,707.9	4,076.6
Unspecified residual[2]	1,877.1	11.0	2,325.6	33.4	3,896.6	63.5	3,598.7	64.3
Specified total	2,690.6	4,127.3	2,634.6	3,697.5	3,330.6	4,010.8	4,109.2	4,012.3
Middle East-North Africa	1,651.5	1,824.1	1,661.4	1,617.5	1,933.3	1,698.7	2,633.7	1,740.8
Sub-Saharan Africa	184.8	324.2	182.1	284.9	317.7	388.8	403.8	428.6
Latin America	14.6	116.3	32.0	164.3	220.6	655.6	133.6	755.9
South Asia	622.8	700.1	593.2	646.2	802.7	944.9	883.8	777.0
East Asia	29.2	219.5	41.3	280.0	56.3	372.8	51.3	310.0

[1]Data from official Soviet foreign trade yearbooks. The following rates were used to convert the ruble value of Soviet trade into US dollars: for 1975, $1.38; for 1976, $1.33; for 1977, $1.36; for 1978, $1.44.

[2]Residuals are computed by subtracting the summation of trade for individual developing countries from the total for Soviet trade with developing countries listed in the foreign trade yearbooks. These amounts are believed to consist mainly of Soviet military shipments.

N.B. The devaluation of the dollar in 1978 exaggerates the amount of Soviet trade with developing countries. Calculated in rubles, Soviet exports to the developing countries rose by 7.1 percent in 1978, while imports dropped by 5.5 percent.

Source: US Central Intelligence Agency, National Foreign Assessment Center, Changing Patterns in Soviet-LDC Trade, 1976-77: A Research Paper, ER 78-10326, May 1978, pp. 8-11; based on data published in the Soviet foreign trade annual Vneshniaia torgovlia SSSR. Data for 1977 and 1978 are taken directly from Vneshniaia torgovlia SSR v 1978g: Statisticheskii Sbornik, pp. 8-14.

costs of imports of raw materials and foodstuffs and to insure future sources of these imports.[27]

Soviet imports from the less developed countries include approximately the same type of products as those of the industrialized Western states—contrary to the Soviet claims that they provide an expanding market for the industrial production of the developing countries. In 1976, for example, crude oil and natural gas comprised approximately 20 percent of total Soviet imports from developing countries; food imports, including cocoa beans, coffee, and tea made up an additional 43 percent of the imports; and most of the remainder consisted of industrial raw materials, such as

rubber, cotton, and metallic ores.[28] Of the Soviet Union's major trading partners in the Third World only India exported any significant amount of machinery and equipment to the USSR in 1978—approximately 7.8 percent of total exports (see Table 10). As we have already noted, Soviet imports from the developing countries have included increasing amounts of industrial raw materials.

As the figures in Table 9 make clear, the countries of South Asia, the Middle East, and North Africa have been the major Soviet trading partners, although Latin America has provided an increasing amount of Soviet agricultural imports and trade with Latin America represented approximately 11 percent of total specified trade with less developed countries in 1977 and 1978. Sub-Saharan Africa has continued to be the least important of the major regions of the Third World, outside non-Communist Southeast Asia, as a Soviet trading partner, although exports to the countries of Black Africa more than doubled between 1975 and 1978.

TABLE 10

Soviet Trade With Major Trading Partners
From The Developing World, 1978
(In Millions of US Dollars)

		EXPORTS	
Country	Total Exports	Major Export Products	Percentage of Total Exports
Iraq	970.1	Machinery, equipment and transport materials	44.8
		of which, equipment for air communications	14.0
		of which, energy equipment	9.4
Iran	623.1	Machinery, equipment and transport materials	35.6
		of which, energy equipment	12.4
		of which, equipment for food processing indus.	4.6
India	524.3	Oil and oil products	60.4
		Machinery, equipment and transport materials	15.6
		of which, equipment for iron and steel indus.	6.4
Egypt	212.4	Machinery, equipment and transport materials	48.5
		of which, trucks and truck equipment	20.6
Afghanistan	200.6	Machinery, equipment and transport materials	51.8
		of which, geological equipment	13.2
		Oil and oil products	16.8
Syria	188.9	Machinery, equipment and transport materials	54.8
		of which trucks	10.2
		of which, equipment for air communications	13.6
Turkey	127.9	Machinery, equipment and transport materials	53.1
		of which, equipment for iron and steel indus.	41.1
Algeria	127.2	Machinery, equipment and transport materials	49.9
		of which, geological equipment	37.6
Nigeria	108.6	Machinery, equipment and transport materials	74.0
		of which, trucks	58.5
Pakistan	99.2	Machinery, equipment and transport materials	86.5
		of which, equipment for iron and steel indus.	66.3

Country	Total Imports	IMPORTS Major Import Products	Percentage of Total Imports
Iraq	590.8	Fuel, minerals, metals	98.1
India	596.5	Tea	14.4
		Processed and semi-processed skins	15.5
		Jute socks	8.6
Argentina	444.7	Wheat and corn (maize)	68.8
		Woolen fabrics	15.2
Iran	343.3	Cotton fiber	8.1
Egypt	285.1	Cotton thread	41.5
Brazil	187.5	Cocoa beans and cocoa butter	61.6
Malaysia	174.4	Chemical products, fertilizer, rubber	79.4
Ghana	157.4	Cocoa beans	97.7
Libya	153.8	Fuel, mineral resources, metals	100.0
Afghanistan	109.0	Gas	44.5
		Fruit, raisins, dried berries	36.1
Syria	106.3	Cotton fiber	26.5
Turkey	99.2	Hazel nuts	60.2

N.B. The Soviet trade yearbooks do not provide a complete breakdown for the composition of all trade. First of all, the summation of trade--in particular Soviet exports--with individual countries does not equal total trade with all developing countries. In recent years approximately fifty percent of total Soviet exports has not been specified and, presumably, consists of Soviet military transfers. In addition, however, a substantial percentage of trade with individual countries--beyond the presumed military exports--is not specified. In 1978, for example, approximately sixty-five percent of Soviet imports from Iran and forty-five percent of exports to that country were not broken down by category of trade. The figures for unspecified imports and exports in trade with India for 1978 are four and twelve percent respectively.

Source: Vneshniaia torgovlia SSSR v 1978 g.: Statisticheskii sbornik.

AN ASSESSMENT OF SOVIET ECONOMIC ASSISTANCE AND TRADE POLICY

It should be clear by this point that the USSR does not have a single overriding policy in the Third World that informs all of its political and economic relations. During most of the past two decades political factors have played an important role in influencing Soviet economic relations, and by far the greatest portion of Soviet economic assistance during most of this period has gone to those countries that were viewed "progressive" and following a noncapitalist path of development. This was especially true in Africa where most of the early aid went to Algeria, Guinea, Ghana, Mali, Somalia, and Sudan—all viewed by the Soviets as "progressive" at the time that major credits were extended. Closely related to the support for more radical regimes has been Soviet interest in creating ties with countries considered important for

Soviet strategic interests. Afghanistan, for example, has been an important recipient of Soviet economic and military aid since the mid-1950's, long before the coup which brought the present radical leadership to power. Soviet interest in Iraq, Egypt and India has also been influenced by the strategic location of these countries. In recent years military and political support have become the major instruments employed by the Soviet leadership in expanding relations with "progressive" regimes.

However, parallel to the shift in emphasis from economic to military assistance in the development of relations with more revolutionary governments and movements throughout the developing world has been a growing pragmatism in Soviet foreign economic policy. For the past decade, at least, economic relations with less developed countries have been based increasingly on "mutual economic benefits." In practice this has meant that the Soviets have generally been willing to provide economic assistance only for projects that were likely to result in long-term economic benefits for the Soviet economy. Foodstuffs, industrial raw materials and energy continue to comprise the bulk of Soviet imports; economic aid is tied both to the export of Soviet industrial equipment and to the import of needed raw materials.

What we see, therefore, is the development of two different strands in Soviet policy toward the developing countries --a policy of political and military support for "progressive" regimes as part of the competition for influence with the United States and a more pragmatic economic orientation focused on long-term benefits for the Soviet economy. In some cases, such as in relations with Iraq and Algeria, the Soviets have been able to combine both strands of their policy.[9] It is highly unlikely that the Soviets will abandon either of these approaches to the developing world in the foreseeable future. The more militant approach has resulted in a number of significant "victories" in recent years in both Asia and Africa, as new regimes allied to the Soviet Union and dependent on continued Soviet largesse have come to power in such places as Angola, Ethiopia, Afghanistan, and Cambodia.[10] Barring a major shift in Soviet attitudes, the Soviet leadership will probably not resist the temptation to benefit from future opportunities presented by support for progressive elements throughout the Third World. At the same time, however, given the needs of the Soviet economy—and those of their East European allies—the more

pragmatic developments in Soviet foreign economic policy that we have witnessed during the last decade or so are likely to become a permanent factor in overall Soviet policy toward the developing countries.

ENDNOTES

1. For a more complete discussion of Soviet policy toward the developing countries during the Khrushchev years see Roger E. Kanet, "Soviet Attitudes Toward Developing Nations Since Stalin," in *The Soviet Union and the Developing Nations*, ed. by Roger E. Kanet, Baltimore: John Hopkins University Press, 1974, pp. 27-50.

2. For data on military aid see US Central Intelligence Agency, *Communist Aid Activities in Non-Communist Less Developed Countries 1978*, ER 79-10412U, p. 1; *Ibid.*, for 1975, ER 76-1037U, p. 1; US Department of State, Bureau of Intelligence and Research, *Communist States and Developing Countries: Aid and Trade in 1972*, Research Study, RECS-10, June 15, 1973, appendix, Table 9. For data on economic assistance see US Department of State, Bureau of Intelligence and Research, *The Communist Economic Offensive Through 1964*, Research Memorandum, RSB-65, August 4, 1965, p. 6.

3. See Richard Lowenthal, *Model or Ally? The Communist Powers and the Developing Countries*, New York: Oxford University Press, 1977, pp. 185-186. Chapters 3 and 4 of Lowenthal's book provide an excellent analysis of the interaction between Soviet ideology and Soviet foreign policy objectives in the developing countries.

4. For an excellent treatment of the evolution of Soviet views concerning the developing countries see Stephen Clarkson, *The Soviet Theory of Development: India and the Third World in Marxist-Leninist Scholarship*, Toronto: Toronto University Press, 1978.

5. In 1964 more than 77 percent of Soviet exports to developing countries went to the countries of the Middle East and South Asia and almost 64 percent of imports came from this region. Of all economic credits committed during the years 1954 through 1964 more than 76 percent went to South Asia and the Middle East. *See Communist Economic Offensive Through 1964*, p. 6 and US Department of State, Bureau of Intelligence and Research, *Communist Governments and Developing Nations: Aid and Trade in 1965*, Research Memorandum, RSB-50, June 17, 1966, pp. 12-19.

6. By "influence relationship" I mean the ability to cause other countries to do something that they would otherwise not have done. Soviet military, economic and political support did, however, permit individual developing countries to pursue policies that, without Soviet assistance, they would not have been able to pursue. For a fuller discussion of influence in Soviet relations with the developing countries see Alvin Z. Rubinstein, *Red Star on the Nile: The Soviet-Egyptian Influence Relationship Since the June War*, Princeton: Princeton University Press, 1977, and M. Rajan Menon, "India and the Soviet Union: A Case Study of Inter-Nation Influence," unpublished doctoral dissertation, University of Illinois at Urbana-Champaign, 1978.

7. See, for example, the comments of Admiral S.G. Gorshkov, Commander of the Soviet Navy, in an interview printed in *Ogonek*, No. 6, February 3, 1968. For a more complete presentation of Gorshkov's views see his *Morskaia moshch' gosudarstva*, Moscow: Voenizdat, 1976.

8. See, for example, Roger E. Kanet, "The Soviet Union and the Developing Countries: Policy or Policies?" *The World Today*, Vol. XXXI, 1975, pp. 344-345; and John D. Esseks, "Soviet Economic Aid to Africa: 1959-72. An Overview," in Warren Weinstein, ed., *Chinese and Soviet Aid to Africa*, New York: Praeger, 1975, p. 114.

9. For an excellent discussion of the changes in Soviet economic policy see Elizabeth Kridl Valkenier, "New Trends in Soviet Economic Relations with the Third World," *World Politics*, Vol. XXII, 1970, pp. 415-432; and *idem*, "Soviet Economic Relations with the Developing Nations," in Kanet, ed., *The Soviet Union and the Developing Nations*, pp. 215-236.

10. The most complete discussion of the development of Soviet views on the place of the developing countries in the world economy see Elizabeth Kridl Valkenier, "The USSR, the Third World, and the Global Economy," *Problems of Communism*, Vol. XXVIII, No. 4, 1979, pp. 17-33. See, also, Richard Portes, "Est, Ouest et Sud: le role des economies centralement planifiees dans l'economie internationale," *Revue comparative des Etudes Est-Ouest*, Vol. X, No. 3, 1979, esp. pp. 63-71.

11. See V. Valil'eva, "Raspad kolonial'noi sistemy imperializma," *Voprosy ekonomiki*, No. 4, 1956, pp. 104-106.

12. V. Romanova and I. Tsviklis, "Ekonomicheskie sviazi SSSR s razvivaiushchismisia stranami," *Ekonomicheskie nauki*, No. 3, 1978.

13. See P.I. Polshikov, *Kontinent v dvizhenii*, Moscow: "Mezhdunarodnye otnosheniia," 1976; and US Central Intelligence Agency, *Communist Aid 1978*, p. 12.

14. A recent Central Intelligence Agency study of foreign aid flows estimates that, as a result of repayments, net Soviet transfers of developmental funds are now running at less than 60 percent of gross transfers. At the same time net transfers from the industrialized West make up almost 76 percent of gross transfers. US Central Intelligence Agency, National Foreign Assessment Center, *Non-OPEC LDCs: Changing Patterns of Official Economic Aid Flows: A Research Paper*, ER 78-10114, March 1978, p. 7.

15. OECD, Development Assistance Committee, Volume of Aid, September 1978.

16. The only exception to this statement for Africa is Ethiopia which was promised credits of more than $100 million in 1959, but which drew on few of these credits prior to the overthrow of the government of Haile Selassie. Presumably Soviet motives here, as in Iran and Turkey, were related to the desire to undermine the virtual monopoly position of the United States in an area of potential strategic importance for the Soviet Union.

17. For an excellent collection of recent studies of Soviet economic assistance see Deepak Nayyar, ed., *Economic Relations Between Socialist Countries and the Third World*, Montclair, New Jersey: Alanheld, Osmun and Co.; New York; Universe Books, 1977.

18. US Central Intelligence Agency, *Communist Aid Activities 1978*, pp. 15-16.

19. *Ibid.* and US Central Intelligence Agency, *Communist Aid 1977*, pp. 10-11.

20. For an examination of the early stage of the Soviet training program see Roger E. Kanet, "African Youth: The Target of Soviet African Policy," *The Russian Review*, Vol. XXVII, 1967, pp. 161-175.

21. At the end of 1978 more than 12,000 Soviet and East European military personnel were working in developing countries—supplemented by an additional 38,000 Cubans. More than 75 percent of the Soviets and East Europeans were located in six countries—Algeria, Angola, Ethiopia, Iraq, Libya, and Syria. See US Central Intelligence Agency, *Communist Aid Activities 1978*, p.4.

22. For a discussion of the generally unsuccessful efforts to use leverage in Egypt see Rubinstein, *Red Star on the Nile, passim*. See, also, Galia Golan, *Yom Kippur and After: The Soviet Union and the Middle East Crisis*, Cambridge: Cambridge University Press, 1977.

23. See US Central Intelligence Agency, *Communist Aid Activities 1978*, p. 3, and *Communist Aid 1977*, p. 1. In an interesting article on Soviet arms exports, Raymond Hutchings has argued—contrary to the assumptions of most Western specialists who have emphasized the political aspects of Soviet arms transfer policy—that the fluctuations in Soviet arms sales abroad can be understood only in the context of internal Soviet economic forces and that, therefore, the economic factor is important for an understanding of Soviet arms sales policy. See Raymond Hutchings, "Regular Trends in Soviet Arms Exports to the Third World," *Osteuropa-Wirtschaft*, Vol. XXIII, No. 3, 1978, pp. 182-202.

24. In 1970 approximately 60 percent of Soviet exports consisted of industrial machinery and equipment and petroleum, while an additional 16 percent comprised other manufacture goods. In 1976 about 76 percent of total specified exports to developing countries fit these categories. See US Central Intelligence Agency, National Foreign Assessment Center, *Changing Patterns in Soviet-LDC Trade, 1976-77: A Research Paper*, ER 78-10326, May 1978, p. 3.

25. In 1965 Soviet aid deliveries and debt servicing accounted for nearly 40 percent of total trade; in 1977 the figure dropped to below 25 percent. *Ibid.*, p. 1.

26. Soviet exports of oil to Brazil, Greece, Portugal and Spain—all classified by the USSR as developing countries—are paid for in hard currency. By 1976 oil exports to less developed countries accounted for up to 15 percent of the USSR's worldwide hard currency earnings from petroleum. In 1977 sales of oil to the four countries mentioned amounted to more than $667 million. In 1978, however, sales fell to only $486 million. See *Ibid.*, p. 4 and *Vneshniaia Torgovlia SSSR v 1978 g.: Statisticheskii sbornik*, p. 61.

27. In 1977 52.2 percent of Soviet exports of machinery, equipment and transport equipment to capitalist states went to developing countries. In 1978 the percentages rose to 55.8. Of these exports to developing countries, more than 50 percent occurred as part of general economic cooperation agreements and, presumably, were covered by Soviet credits. (See table on next page.)

28. US Central Intelligence Agency, *Changing Patterns in Soviet-LDC Trade*, p. 4.

29. For differing interpretations of the significance of recent Soviet policy in the developing world see Donald S. Zagoria, "Into the Breach: New Soviet Alliances in the Third World," *Foreign Affairs*, Vol. LVII, 1979, pp. 733-754 and Robert Legvold, "The Super Rivals: Conflict in the Third World," *Foreign Affairs*, Vol. LVII, 1979, pp. 755-778.

30. However, these victories may prove to be ephemeral should support for client states embroil the USSR in local disputes and require the expenditure of increasing amounts of Soviet resources.

SOVIET EXPORTS OF MACHINERY, EQUIPMENT AND
TRANSPORT MATERIALS TO DEVELOPING COUNTRIES

(In Rubles)

	1977	1978
Total Exports	6,246.4	6,991.4
To Socialist states*	4,438.1	4,939.4
To Capitalist states	1,808.0	2,052.0
Of which, to LDCs	944.6	1,137.0
Exports to LDCs as % of Exports to all Capitalist states	52.2%	55.4%
Exports to LDCs for projects being constructed under cooperation agreements	532.6	587.0
Project Exports to LDCs as % of total exports	56.4%	51.6%

*Including Yugoslavia

Source: SSR, Ministerstvo Vneshnei Torgovli, Vneshniaia Torgovlia SSSR v 1978g.: Statisticheskii sbornik. Moscow: "Statistika," 1979, pp. 45-47.

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This memorandum is concerned with the economic aspect of Soviet relations with the countries of the developing world. It examines both the evolution of Soviet assistance programs and trade relations during the course of the past two decades and their importance for overall Soviet policy toward the developing world. The memorandum concludes that two different stands in Soviet policy are developing--a policy of political and military support for 'progressive' regimes as part of the competition for influence with the United States and a more pragmatic economic orientation focused on long-term benefits for

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