

Third World Trade: USSR vs. China

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In recent years a new economic nationalism has been born in the developing countries of the "Third World." The embargo imposed on consuming countries by the Arab producers, followed by the manipulation of prices by the Organization of Petroleum Exporting Countries (OPEC), sparked the beginning of a significant redistribution of world wealth.

The demand of the Third World for a changed world economic order was highlighted at a special session of the U.N. General Assembly on raw materials and development in April, 1974. The industrialized countries evidenced their concern about their "right of access" to other scarce raw materials besides petroleum. But the larger issue dealt with reducing the vast inequities in the international economic order. The prime factor here is the relations between developed and developing countries. In a message addressed to that special session, Pope Paul VI called on the industrialized nations of the world to adopt a more austere way of life and abandon their political and economic domination in order that less favored nations might receive the proper economic return from their exports of industrial raw materials. Among the capitalist countries his appeal fell on deaf ears. No motion has been made toward an international organization to serve such ends.

But the exchanges at the U.N. sessions disclosed currents pointing to a critical conclusion: The movement toward solidarity begun by various Asian and African nations at the Bandung Conference of 1955 is coming to fruition. Various developing countries with raw materials the industrialized countries desire—and need—are showing a determination to exercise their newfound strength to better their economic

condition and are following the lead of OPEC, forming cartels of their own. The movement is irreversible. There will consequently be growing pressure by the Third World for a more equitable sharing of the world's economic goods; inevitably, various affluent societies are going to be called upon to accept lower standards of consumption. The Third World and the rich industrialized countries stand in confrontation.

Who benefits? The two major socialist countries, the Soviet Union and the People's Republic of China (PRC), are obviously at a substantial advantage in this situation. Both—and the USSR especially—are in large measure self-sufficient with respect to raw material resources, and thus are not ready targets for Third World cartels. Neither is "rich," so the Third World countries cannot logically demand that they share riches. Neither commands important food surpluses, so the hungry of this earth do not turn first in their direction. And yet both profess a readiness to contribute to the extent they can to the economic development of the Third World.

The situation appears ideal for the extension of the socialist bloc's influence in the Third World at the expense of the capitalist bloc. However, here another factor enters the equation. Due to Mao Tse-tung's prolonged quarrel with the Kremlin, the USSR and the PRC do not collaborate in relations with the Third World; they compete. The questions naturally arise: Which of the two countries commands the greater resources (political and economic) and the more viable strategy? What does the future hold?

The Maoist leadership attributes the beginning of its differences with Moscow to the proceedings of the 20th Congress of the Communist Party of the Soviet Union (CPSU) in 1956. At that gathering CPSU First Secretary Nikita S. Khrushchev declared that "The Leninist principle of peaceful coexistence of states with different social

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systems has always been and remains the general line of our country's foreign policy." He expressed another general thesis in the realm of Marxist ideology: "It is quite probable that the forms of transition to socialism will become more and more varied; moreover, achieving these forms need not be associated with civil war under all circumstances." One of the prime tasks to which Khrushchev directed the Party was "to strengthen in every way" relations with other members of the socialist bloc. But the doctrines he had enunciated were anathema to Mao Tse-tung of China.

At the 1956 Congress Khrushchev also set forth the governing Soviet concept of its role in the Third World. He declared that there had arrived a period of world history foreseen by Lenin, "the period when the peoples of the East are taking an active part in deciding the destinies of the whole world and are becoming a new and mighty factor in international relations." Khrushchev argued that the developing countries could utilize the achievements of the socialist bloc for the development of their national economies. Whereas the "aid" granted by the colonialists was designed to extract "colossal" profits in exchanges with the developing countries, the socialist countries stood ready to assist in the development of those countries "on terms of equality and mutual benefit."

The USSR and the PRC came to an abrupt parting of the ways in 1960 over the issue of world strategy. In July of that year the Soviets withdrew their economic collaboration from China—after having assisted substantially in the development of the Chinese economy over the preceding decade—and China began to be isolated in a competitive world. In 1956 China had agreed to participate on an observer basis in the planning for integration of the economies of the socialist bloc within the framework of the Council for Mutual Economic Assistance (CMEA); in the summer of 1962 China withdrew from that relationship. Its isolation was now complete, and it has stood essentially alone ever since, condemned by its new doctrine of "self-reliance" to advance only slowly and laboriously toward its goal of becoming an economic power of first rank.

The CMEA members in 1962 held a series of meetings devoted to achieving a greater degree of coordination and integration, to the end that CMEA might strengthen its competitive position vis-à-vis the European Common Market. Khrushchev defined the way to be followed as "collective economic cooperation." Although few saw the significance at the time, *Pravda* published in September, 1962, a Lenin document of March, 1918, calling for subordination of political to economic tasks, holding that "Now that this [October Revolution] victory has been won politically and consolidated militarily, it must be achieved in the field of economic organization, in the field of organization of production. . . ." The document called

for replacing the political worker with the economic organizer, and for copying efficient bourgeois production methods. In Peking in the 1960's the Maoist directive "Politics in command!" was the guideline. In Moscow economic factors were given priority in the formulation of strategy.

The USSR started with basic advantages in organizational terms. Of course it already had long experience with state planning. It had CMEA as an instrumentality to coordinate efforts toward "economic cooperation"—at home and abroad. And doubtless it was the Soviets' experiences with the Chinese that caused it to reassess relations with Communist parties both inside and outside the socialist bloc. The new spirit of "unity in diversity" evinced by participants in the October, 1974, meeting of European Communist parties of "East" and "West" was the end result of a long process of adjustment and accommodation.

This was all of a pattern. The long and difficult process of bending a number of diverse sovereignties to common purpose within the framework of CMEA was in good measure achieved. As a consequence, there is a substantial international division of labor within the bloc (a feature to which Peking had earlier violently objected), with a considerable overall coordination of activities.

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The bloc employs those procedures in its economic exchanges with Third World countries as well. There is only a limited amount of gratis aid to the developing countries (the USSR reduced its aid from \$870 million in 1970 to \$750 million in 1973), for such aid does not foster continuing ties—or necessarily generate lasting gratitude. With eyes plainly fixed on long-term benefits, CMEA's efforts are concentrated on selected countries with which relations have been built up over the years. As indicative of the situation, in 1971 61 per cent of Soviet technicians working in the Third World were stationed in India, Afghanistan, Egypt, Iraq, Syria, and Iran—all politically important.

In practice, the CMEA bloc offers long-term (8-12 years) credits to developing countries at low rates of interest (2-3 per cent), scientific and technological cooperation, the training of technicians for Third

World countries, and supply of complete industrial plants. Where the United States has refused to aid state enterprises because they contribute to the "socialism" it abhors, CMEA has just as characteristically put its emphasis on the state sector, with an attendant stress on the construction of key economic elements. It stands ready to accept products of the developing country in payment on account.

The United States' malign neglect automatically gives CMEA a largely uncontested field in doing business with "socialistic" enterprises, and the USSR in particular has profited accordingly. Its trade with the developing countries amounted to roughly one-half of the CMEA total in the 1960's, and increased from \$900 million in 1960 to \$6.3 billion (15 per cent of the total USSR trade) in 1973. Trade turnover between the East European socialist community and the developing countries grew in the period 1966-71 at the average annual rate of 8.3 per cent. At the third session of the U.N. Conference on Trade and Development held in Santiago, Chile, in 1972, the USSR announced its intention of doubling its purchases of consumer goods from the developing countries by 1975; and in fact its trade with those countries rose sharply in 1973 (in part, it would appear, because of heavy payments by Third World countries of outstanding debits).

A U.N. report on the Second "Development Decade" (the 1970's) took due note of the CMEA's Comprehensive Program. Designed to further the bloc's economic integration, the program also provides that member countries "shall attach special importance to further extending trade, economic, scientific and technical co-operation with the developing countries." And the report estimated that in the Second Development Decade "the credits so far provided by the socialist countries of Eastern Europe will help to finance some 1,200 projects in developing countries." The significance of all this is clear. At a time when the Third World is undergoing critical political and economic transformations, CMEA, with the USSR playing a leading role, is engaged in building up fruitful economic relationships in the Third World.

China, however, has not been associated with that joint socialist enterprise. Peking based its Third World strategy from 1965 to 1969 on the theorem that the world "countryside," comprising the developing countries of Asia, Africa, and Latin America, was about to rise up in a massive revolutionary movement which, with China in the vanguard, would surround the world "town," made up of the industrialized nations (including inferentially the USSR)—and that, in the pattern of the Chinese Communist Revolution, the countryside would prove victorious in the conflict. Acting on the basis of the Maoist assumption that violent revolution

was the main order of the day in the Third World, China experienced a series of staggering reverses in its foreign policy. By the end of the Great Proletarian Cultural Revolution (GPCR) in 1968, Peking's relations with the developing countries, as with most of the rest of the world, were in a shambles.

But the 9th Chinese Communist Party (CCP) Congress of 1969 marked a turning point. China damped down its revolutionary ardor at home and abroad and undertook in both fields to repair the damage that had been wrought. Now, six years later, a change of Chinese strategy is quite evident. In his address of January 13, 1975, to the fourth National People's Congress (NPC) in Peking, Premier Chou En-lai reiterated the old Chinese refrain that war between the two superpowers is inevitable. Of substantially greater significance, however, was Chou's treatment of another semipermanent theme—the role of the Third World in international affairs. Chou proclaimed that the Third World is "the main force" in the struggle against colonialism, imperialism, and hegemonism; and he repeated a proposition that has been a constant since the first speech of China's delegate to the U.N. General Assembly in October, 1971. The PRC is a *developing* country, itself belonging to the Third World. Peking no longer lays claim to world revolutionary leadership.

So it is with changed tactics that Peking directs a major effort to align China with that "main force" in world affairs. But it is evident that the PRC's economy is not sufficiently developed to enable it to compete with the USSR and the United States in that economic arena. As in the course of the GPCR, if in lesser degree, China's production processes were again disrupted in the 1973-74 mini-Cultural Revolution, and in 1974 the country suffered foreign-exchange stringencies and was led to hold off delivery of needed goods from the United States and Japan. Chou's speech to the NPC proposed that the nation should construct "an independent and relatively comprehensive industrial and economic system" by 1980—and achieve the "comprehensive modernization" of the economy *and national defense* by the end of the century. Turbulence is now out of order.

The proposal reflected China's prime ambition—to become a great economic power. But how is the task to be accomplished? In the current Soviet manner, by borrowing heavily of foreign capital, technology, and plant? No, the Maoist dogma, evoked after the 1960 break with the Soviet Union, is that China shall depend upon its own efforts. For the moment, Peking is trapped in that dogma, and further shackled by a lack of the economic potential that would give it a credit rating in the capitalist world comparable to that of the Soviet Union. The hard reality was reflected in the official communiqué issued at the end of the NPC,

calling upon the nation to "build the country independently and with the initiative in our own hands, through self-reliance, diligence and thrift. . . ."

China has for years prescribed the same economic medicine for the other developing countries. On this latest occasion Chou refrained from offering advice to the Third World about how to proceed with economic development. It was as if Peking no longer held out the PRC as model for the economic modernization of others. Chou limited himself to saying, with respect to the economic aspect of the matter: "We should enhance our unity with the countries and people of Asia, Africa and Latin America and resolutely support them in their struggle to win or safeguard national independence, defend their state sovereignty, protect their national resources and develop their national economy."

The possibility that China will rejoin the world socialist forces remains. Peking's earlier bid to wrest leadership of the world Communist movement from Moscow *by political means* failed, with the defeat writ large in the conference of Communist parties that met at Moscow in June, 1969. The PRC's influence in the socialist world is thus at present narrowly limited. Of the socialist countries, China can count only Albania as an ally. It has reasonably good—but not "leadership"—relations with North Korea and North Vietnam, and what can be called "friendly ties" with Yugoslavia and Rumania—both of whom, however, are closer to Moscow than to Peking. The Chinese leadership has been unable to mount a substantial political challenge against Moscow.

And China's *economic* endeavors in the Third World have fallen far short of the work of CMEA. In 1971 some 80 per cent of the Chinese technicians working in Third World countries were concentrated in Tanzania and Zambia in connection with railway construction. China increased its foreign aid from \$300 million in 1970 to over \$500 million in 1973—but this included \$100 million apiece for North Vietnam and Zaire. The PRC's annual two-way trade with Third World countries stood at about \$800 million at the end of the 1960's. Given China's governing economic philosophy and its economic limitations, it is poorly positioned to contribute substantially to the development of the economies of Third World countries—by its own efforts.

Peking, however, clearly hopes to win certain advantages through natural development of the world situation. Chou set forth the official analysis of contemporary affairs:

The present international situation is still characterized by great disorder under heaven, a disorder which is growing greater and greater. The capitalist world is facing the most serious economic crisis since the war, and all the basic contradictions in the world are sharpening. On the one hand, the trend of revolution . . . is actively

developing: countries want independence, nations want liberation, and the people want revolution. . . . On the other hand, the contention for world hegemony between the two superpowers, the United States and the Soviet Union, is becoming more and more intense . . . the focus of their contention being Europe. . . . At present, the factors for both revolution and war are increasing. Whether war gives rise to revolution or revolution prevents war. . . . the international situation will develop in a direction favourable to the people, and the future of the world will be bright.

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Most of this doctrine is of long standing and suggests that Peking proposes still to follow traditional tactics of fishing in troubled waters for such profit as might be gained with meager equipment. However, there have been subtle shifts in the Chinese position. For example, when Deputy Premier Teng Hsiao-p'ing addressed the special session of the U.N. General Assembly on April 10, 1974, he proclaimed that "As a result of the emergence of social imperialism, the socialist camp which existed for a time after World War II is no longer in existence." Yet—significantly—the new national constitution of the PRC adopted on January 17, 1975, provides that "We should strengthen our unity with the socialist countries." And if it proposes that the nation should "oppose the imperialist and social-imperialist policies of aggression and war and oppose the hegemonism of the superpowers," the new constitution also provides that the Chinese should "strive for peaceful coexistence with countries having different social systems. . . ."

Peking has argued for years, in language similar to that employed by Khrushchev in condemning the activities of capitalist countries in the same field, that the USSR's economic exchanges with Third World countries were designed to serve the urge to exploit and to dominate. Speaking with reference to the Middle Eastern situation as late as September, 1974, Teng Hsiao-p'ing charged that the Soviet Union used what was "prettily termed" military or economic aid "in order to amass fabulous profits, to exercise pressure on others, and overcome them." But that line has patently carried little conviction to the USSR's Third World trading partners—or to those

interested in obtaining Soviet arms. It therefore seems significant that, although Chou in his January 13, 1975, speech indeed condemned the "superpowers" as "the biggest international oppressors and exploiters today," he omitted the usual specifics regarding the alleged economic exploitation.

The Chinese strategy has been revised. The clear logic of the constitutional provision enjoining the nation to strengthen unity with socialist countries suggests that Peking now proposes to undertake to improve its battered relationships with members of the East European bloc, and perhaps with the Mongolian People's Republic and Cuba (both members of CMEA). It may be remarked that in joining with the United States in February, 1972, in a proclamation of adherence to the coexistence principle Peking was perhaps returning only tactically to the doctrine established at the Bandung Conference of 1955. But inclusion of that principle in the 1975 constitution would appear to be definitive acceptance of the proposition Mao Tse-tung rejected in his contention with the Soviet leaders in 1956-60—that peaceful coexistence between countries possessing different social systems is possible and politically desirable.

It was thus of prime significance that, hewing to the line laid down in the new constitution, Chou in his speech to the NPC should exhort the listening

nation: "We should uphold proletarian internationalism and strengthen our unity with the socialist countries. . . ." By its strategic shift, the Peking leadership has reduced the area of political *and economic* differences between China and the countries which, in their economic aspect, make up the Council for Mutual Economic Assistance. China seemingly seeks to open the way to an economic rapprochement with the East European socialist bloc, including the USSR, to the end that it might participate in the joint CMEA undertaking (with which even Yugoslavia is now associated) to expand economic and political ties in the Third World.

The Soviet strategic approach to the Third World, as evolved from 1956 onward, has proved its pragmatic worth. Peking has now shifted strategy, to redress past errors and to endeavor to take advantage of new developments in both the Third World and the European socialist community. It is now the capitalist sector of the world economy that is in distress and disarray. If Peking is successful in implementing its changed strategy and achieves a measure of "unity" with CMEA for economic collaboration on a broader front with Third World countries, the capitalist grouping will suffer even greater disadvantage in the world economic arena than at present.