

The Socialist Camp and the Challenge of Economic Modernization in the Third World

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In 1957 one of the most important, albeit controversial figures in Soviet intellectual history, economist Yevgenii Varga, explained the orthodox view on decolonization and modernization. The end of the colonial system, he maintained, was shaking imperialism at its foundations, providing a net contribution to the general crisis of capitalism. Given that underdevelopment was a consequence of colonial domination, it would persist as long as the structures of capitalism were there. The recipe for economic modernization was therefore simple: cutting relations with the West and introducing planning, nationalization, industrialization and close relations with the Eastern bloc.¹ In terms of sectorial priorities, modernizing agriculture, with collective farms owned by the state, came first. Then came investments in infrastructure and industrial facilities. The state had to be the only promoter of development and had to limit the participation of foreign capital to a minimum. Socialist aid had to function to promote economic liberation. Developing modern industries and forming a working class were a condition for moving toward socialism: This was the reason behind Soviet aid, rather than compensation for a past of colonial plundering.

In the socialist camp, the promotion of socialist modernity was imbued with a discourse of anti-imperialistic solidarity.² As a backward country that had been able to transform itself into an advanced one, the Soviet Union had

1 Evgenij Varga, "Of the Tendencies of Development of Contemporary Capitalism and Socialism," *World Economy and International Relations* 4 (Oct. 1957), quoted in United States Department of State, *The Sino-Soviet Economic Offensive in the Less Developed Countries* (Washington, DC: Government Printing Office, 1958), 13.

2 See Berthold Unfried and Eva Himmelstoss (eds.), "Die eine Welt schaffen. Praktiken von 'Internationaler Solidarität' und 'Internationaler Entwicklung' – Create One World: Practices of 'International Solidarity' and 'International Development,'" *ITH Conference Proceedings* 46 (Leipzig: Akademische Verlagsanstalt 2012), 57–72.

huge political capital to spend, which it aspired to translate into trade relations and the systematic adoption of its economic model.³ However, this did not happen very often.

Indeed, the socialist side of Cold War economic competition has on the whole been described as unsuccessful. Rough estimates produced by Western analysts during the Cold War testify to a clear Western predominance in aid and trade with the South. The story of the involvement of the socialist camp in the South is often told as a series of uncoordinated actions, an extemporary policy dictated by the Soviet Union, driven by an attempt at seizing any opportunity to induce political reversals in developing countries, and characterized by clumsy investments in costly prestige projects or arms deals, without any knowledge of the local situation or of the real needs of the recipient. Elements of this grotesque picture are obviously true. This chapter on the political economy of East–South relations, however, aims to reassess the engagement of the Soviet bloc with the South, presenting it as a coherent strategy to deal with the challenge of promoting political change, new trade patterns and ideas of socialist modernity in the South. It shows that from the very beginning trade opportunities and considerations of economic sustainability were part and parcel of relations with the South. Far from being a political crusade, the socialist bloc’s commitment to the South needed to be delicately handled.

This chapter adopts a very specific angle: The view from the Council for Mutual Economic Assistance, commonly referred to as Comecon or the CMEA, the international organization for economic cooperation in the socialist bloc, which shows how the different national interests were fused to form a comprehensive strategy. In doing so, it does not conceal the structural and political weaknesses of the organization. Constituted in 1949, Comecon was in the beginning not much more than an annual reunion of representatives of the member states, who met to define common orientations and common projects. Only in 1954 was a Secretariat established, with the task of conducting economic research based on the data collected by the single countries, while only in 1956 were the first sectoral permanent commissions set up.⁴ The base was in Moscow, the language of operation Russian. Comecon represented an idea of a real alternative system, in terms of political economy. It became a laboratory for ideas on how to promote

3 Tobias Rupprecht, “Die sowjetische Gesellschaft in der Welt des Kalten Kriegs. Neue Forschungsperspektiven,” *Jahrbücher für Geschichte Osteuropas* 58 (2010), 381–99.

4 Council for Mutual Economic Assistance, Secretariat, *Experience of the CMEA Activities over 25 Years* (Moscow: CMEA, 1975).

socialist modernity. From the 1960s it developed a transnational potential and its own social capital. Delegates working for Comecon were experts in national planning. Given the necessity of fluency in Russian, they were either war immigrants to the Soviet Union (first generation) or students at the Foreign Trade Academy in Moscow. They formed a knowledge community, sharing values and ideas on how to promote socialist modernity, which they identified with the goals of the bloc more than with those of individual member states.⁵ Like other international officials, they were internationally socialized and lived within a complex relationship, juggling the good of the organization with the idea that experts were expected to serve their own national interest.⁶ At times, the USSR, Comecon and individual countries in Eastern Europe were at variance as to how to structure relations with developing countries, and political action did not always coincide with the evolution of economic or political thinking.

The history of how the Eastern bloc dealt with economic modernization in the South is plain to read in the documents of Comecon. Although clearly thin as regards the ideological content or implications of the policies envisaged, the Comecon documents still show how the Eastern bloc's strategy underwent a complete reversal, as it changed from the dream of forming a closed system with selected countries in the South which could form an alternative to the West, to the acknowledgement of economic interdependence and of the desirability of East–West cooperation in economic development.

The Two World Markets: Prescribing Separateness from the West

It was in the mid 1950s that East–South relations became a topic of interest for the whole socialist camp. Soviet opening up to the world is usually associated with Nikita Khrushchev, and with his ideological shift at the Twentieth Congress of the Communist Party of the Soviet Union (CPSU), with the introduction of the concept of national democracy as a tool to deal with the awakening of the South. In the 1950s and 1960s, the terms used to define

5 Simon Godard, "Construire le bloc de l'Est par l'économie? La délicate émergence d'une solidarité internationale socialiste au sein du Conseil d'aide économique mutuelle," *Vingtième Siècle. Revue d'histoire* 109 (Jan. 2011), 45–58.

6 For a study on Comecon's expert community, see Simon Godard, "Construire le 'bloc' par l'économie. Configuration des territoires et des identités socialistes au Conseil d'Aide Économique Mutuelle (Caem) 1949–1989," Ph.D. dissertation (Université de Genève and Université Paris 1 – Panthéon Sorbonne, 2014), 368–91, 468–75, 493–524.

the newly independent countries emerging from the process of decolonization were either “backward areas” or “underdeveloped areas.” Otherwise, the regional description (Arab, African or Latin American countries) was widely preferred. Conversely, the expression “Third World” was not welcome, since it suggested the existence of a third way, outside the option of the two world-systems, capitalism and communism. Although sometimes used in the years of détente, after 1967–68 and until the mid 1970s, “Third World” was then fully abandoned in the second half of the 1970s, when other formulas prevailed such as “newly free countries” or “developing countries.”⁷

The idea promoted by Khrushchev was to offer a clear alternative to the West. The two-camps theory had its political economy corollary: the theory of the two world markets. Newly independent countries in the South could be partners either with the West or with the socialist countries. Mostly, the first was the case, and relations with the South were dubbed relations with a special kind of capitalist country. Nevertheless, the socialist camp was open to political and economic relations. Khrushchev’s speech at the Twentieth Congress of the CPSU was clear on this point: The socialist countries offered their aid to former colonial territories in order to help them build an independent national economy without the need to “go begging to their former oppressors for modern equipment.”⁸ The Soviets rejected the term “aid,” because they felt that it was charged with a moral obligation they did not accept. They mostly spoke of long-term credit and of technical assistance, of trade agreements and scientific-technical cooperation. Only partially did they adopt the international jargon used in the UN system, more specifically in the UN Expanded Technical Assistance Program, in which the Soviet Union actively took part starting in 1953. In the Soviet discourse, socialist aid was an alternative to Western practice. It promoted the growth of the public sector and centralized economic decision-making. It fostered independence and granted equality. It took place in the form of balanced trade and for the mutual benefit of the trading partners. It was also a cooperative action: Socialist economic assistance to developing countries had common

7 For a discussion of the expressions “Third World,” and “South,” see Marie Lavigne (ed.), *East–South Relations in the World Economy* (Boulder: Westview Press, 1988), 10–11. See also, for example, Karen N. Brutents, *The Newly Freed Countries in the Seventies* (Moscow: Progress, 1983; first Russian edn. 1979).

8 Quoted in Robert S. Walters, *American and Soviet Aid: A Comparative Analysis* (Pittsburgh: University of Pittsburgh Press, 1970), 30.

features. Most of these elements are characteristic of the Eastern bloc aid throughout the Cold War.

The attempt to create a cohesive bloc strategy was especially important in the years of competitive coexistence. In the Eastern bloc, Comecon soon became the ideal setting for institutionalized cooperation among socialist donors.⁹ In September 1957 the Permanent Commission for Foreign Trade was put in charge of coordinating trade relations with underdeveloped countries. It constituted a working group, which dealt specifically with developing countries and with the harmonization of conditions in agreements for the export of machinery and complete plants in exchange for goods and raw materials. The working group discussed proposals for multilateral trade agreements and for the founding of an international bank of socialist countries, which would be able to guarantee an independent pricing system totally detached from world market dynamics.

From the very beginning, gaining access to new sources of raw materials was crucial, and the socialist countries were well aware of the extent of Western control over natural resources in formerly colonized territories. Nevertheless, as early as 1956 a research group in the Soviet Academy of Sciences proposed that Eastern Europe should begin to import raw materials directly from Africa.¹⁰ In 1958, Soviet foreign trade officials pointed out the problems of balancing trade with developing countries and the need to pay attention to hard-currency reserves when negotiating plans for foreign trade.¹¹ This kind of concern did not fail to trickle down in Comecon discussions. In September 1960, Comecon cooperation with underdeveloped countries was considered unsatisfactory. With few exceptions (like the case of Iraq) coordination was not effective, either in the construction of bigger plants or in the supply of smaller machinery. Comecon members were fully aware that developing countries tended to submit the same “shopping list” to several potential donors and accepted aid for the same development project from different sources.¹²

9 The documents of Comecon and its Commission for Technical Assistance (CTA) used for this article are held by the Bundesarchiv Berlin (BArchB), Ministerium für Außenwirtschaft (DL2). Reports on the CTA meetings were a part of the dossiers used by the East German delegation and cover the years 1960–74.

10 Christopher Coker, *NATO, the Warsaw Pact, and Africa* (Basingstoke: Macmillan, 1985), 158.

11 Oscar Sanchez-Sibony, *Red Globalization: The Political Economy of the Soviet Cold War from Stalin to Khrushchev* (Cambridge: Cambridge University Press, 2014), 111.

12 “Bericht, Konsultation der Stellvertretenden Minister für Außenhandel, Moskau, September 1965,” in BArchB, DL2 VAN 57. On this, see David C. Engerman, “The Second World’s Third World,” *Kritika* 12, 1 (2011), 196.

Therefore, in June 1961 the matter was entrusted to a brand new, very specialized and very little-known permanent commission, the Commission for Technical Assistance. The documents of the CTA tell a story of great differences within the Eastern bloc regarding the strategy envisaged toward the Third World. They illustrate the problems encountered during negotiations within Comecon and the doubts that emerged in the framing of common policies, evidence of both the limits and the strength of Soviet power vis-à-vis its European partners. The Soviet Union was undoubtedly the engine of the CTA. From the very first meeting it came with drafts for working plans, statutes and rules of procedure. "In the interest of good relations between the GDR [German Democratic Republic] and the Soviet Union it is not expedient to express any critical observation on this point."¹³ These words from the first East German directive to its delegation in the CTA give a clear idea of the paramount role of the Soviet Union in the commission. They also anticipate how narrow the space for discussion on strategies would be. Notwithstanding these unsurprising limits, the CTA proceedings do expose differences and clashing priorities among the members.

In the early 1960s, there was no doubt that technical assistance to developing countries meant fostering industrialization. This largely reflected the requests from the South, and matched the natural inclination of the socialist countries and their economic structure. Soviet ideas on development were well known, and were promoted whenever possible. At an early meeting of the UN Economic and Social Council (ECOSOC), when the UN discussed multilateral technical aid, the Soviet representative, Platon D. Morozov, maintained that technical assistance should promote the expansion of heavy industry.¹⁴ However, financing heavy industry had huge costs. Therefore, smaller countries in Central and Eastern Europe insisted, instead, on meeting the requests of developing countries. For them, this more nuanced strategy should include a different kind of industrialization: smaller projects that were intended to develop manufacturing rather than heavy industry. Among East European experts, there was a general agreement on the fact that small was better.

¹³ Sara Lorenzini, "Modernisierung durch Handel. Der Ostblock und die Koordinierung der Entwicklungshilfe in der Ständigen Kommission für Technische Unterstützung," in Martin Aust and Julia Obertreis (eds.), *Osteuropäische Geschichte und Globalgeschichte* (Stuttgart: Steiner-Verlag, 2014), 225.

¹⁴ Alvin Z. Rubinstein, "Soviet Policy Toward Under-Developed Areas in the Economic and Social Council," *International Organization* 9 (1955), 233.

Discussion in the CTA focused on how to organize the joint creation of complete plants to be built in developing countries. Some members, such as Hungary and Czechoslovakia, identified an interesting model for Comecon in the trade policies of the European Economic Community (EEC); others looked at the consortia strategy engineered by the World Bank and by the OECD.¹⁵ For the Soviet Union, the issue of avoiding interbloc competition was crucial. Competition on the same project was not implausible, nor was double funding. There had been precedents, as in the case of India, where Czechoslovak offers exceeded Soviet ones.¹⁶ The CTA discussed at length the case of Guinea, where duplication of commitments was likely to occur.¹⁷

Discussions on how to deal with East–South relations were intertwined with thoughts on economic reform within the socialist bloc. Although the domestic reforms of the late 1950s were pursued independently from debates on the regional and multilateral level, they did not fail to influence Comecon as a whole. The first attempt to organize a socialist division of labor, following on from the drafting of the “Basic Principles of the Social International Division of Labor” agreed upon in 1962, was not able to promote Comecon as an instrument of multilateral cooperation, but confirmed the strength of bilateral links and the dependence of East European countries on trade with the Soviet Union.¹⁸ Nevertheless, a regional monetary unit and a settlements bank were established in 1963. A general scheme for the political and economic coordination of relations with less developed countries was discussed thoroughly and agreed upon in the same year. It adopted common standards for trade with the developing countries and focused especially on the harmonization of credit conditions. However, the conditions agreed upon were not binding. Therefore, its members rarely followed the decisions and recommendations of the CTA.

East European countries were not a monolithic bloc and resisted more constraining rules. A division of tasks nonetheless emerged, and anticipated the more effective bloc policy described in the “Comprehensive Program for

15 This was especially the case of Czechoslovakia; see “Gespräch David/Stibi,” in Politisches Archiv des Früheren Ministeriums für Auswärtige Angelegenheiten, Berlin (MfAA), A17085.

16 Andreas Hilger, “The Soviet Union and India: The Khrushchev Era and Its Aftermath Until 1966,” in Andreas Hilger et al. (eds.), *Indo-Soviet Relations Collection: The Khrushchev Years* (Parallel History Project on Cooperative Security, 2009), 5, www.php.isn.ethz.ch/.

17 “Bericht, Konsultation der Stellvertretenden Minister für Außenhandel, Moskau, September 1965.”

18 Jozef M. van Brabant, *The Planned Economies and International Economic Organizations* (Cambridge: Cambridge University Press, 1991), 95–101.

the Further Extension and Improvement of Cooperation and the Further Development of Socialist Economic Integration by Comecon Member Countries,” of August 1971. The 1960s division of labor saw Czechoslovakia offering projects for the energy sector, the steel industry and light industries (leather, shoes, textiles, sugar); Hungary specializing in light machinery, hydroelectric power and pharmaceuticals; East Germany in telecommunications and electronics; Poland in the mining sector, naval construction and wood processing; and Romania in oil-processing technology and petrochemical production.¹⁹

In the 1950s and early 1960s, coordination plans mostly resulted in failures. It is astonishing how discussions in the CTA, highly technical regarding trade prospects, failed to mention political or ideological factors. The discourse of solidarity, so typical for the Eastern bloc, was absent. Staging socialist modernity in developing countries was a complex action, which was carefully organized, but this happened outside the Comecon setting. It involved, rather, the social organizations: trade unions, youth and women’s associations, specific solidarity actions or institutions. Very rarely did Comecon discuss progress in education and in health care. Ideas that might have promoted the social capital of socialist countries were succumbing to the pressure of trade concerns.

Yet, in some wider and less technical arenas, the priority was different. Rather than focusing on how they could build superior systems in the “backward” lands, the socialist countries united behind the language of solidarity, of socialist humanism, of willingness to cooperate with the Third World to dramatically change power relations worldwide. The United Nations Conference on Trade and Development (UNCTAD), which opened in Geneva in March 1964, was considered the ideal stage for this kind of propaganda. Socialist countries made specific efforts to coordinate their strategy and their rhetoric, identifying with newly independent countries’ demands and showing a willingness to comply with the requests of less developed countries.

Disappointments and the Concept of Mutual Advantage

Whereas until the early 1960s Comecon wanted to constitute a radical alternative to the West, in the late 1960s the attitude changed dramatically.

19 Heinrich Machowski and Siegfried Schultz, *RGW-Staaten und Dritte Welt. Wirtschaftsbeziehungen und Entwicklungshilfe* (Bonn: Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik e.V., 1981), 43. On the common system for collection of statistical data introduced in October 1963, see BAArchB, DL2 VA 6767.

Disillusionment on the part of socialist countries with socialism's prospects in the South was widespread. Developing countries did not fulfill the expectations. Some exploited the state-building instruments offered by Soviet and East European advisors and described themselves as socialist, mostly with some sort of qualification, such as African socialists or Arab socialists. Archive sources testify very clearly that Soviet and East European diplomats were skeptical about the socialist character of these countries and of their leaders.²⁰

As regards the political economy aspect of this developmental model, Comecon members increasingly felt the Third World to be a burden. The indebtedness of developing countries was having a disastrous impact. The CTA discussed at length a way out of the crisis. The 1950s rule of sticking to the principle of balanced trade to circumvent the possibility of insolvency had proved ineffective. In October 1963, at the fifth meeting of the CTA, the Soviet appeal was especially clear-cut: Developing countries had to make clear how they intended to pay back their debts if they were to be granted new credits. Several East European partners argued that a strategy focused on the promotion of small business was an available option to facilitate the repayment of loans.²¹ The fourteenth meeting, held in Minsk in June 1968, decided to write off loans which had no proven economic advantage.²²

In the early Brezhnev years, while economic relations with the West were influenced by "depoliticized" concepts, which allowed the pursuit of modernization in the Eastern bloc through Western credit and knowhow, East-South economic relations were still governed by the old ideologies. Yet, economic thinking did go through some change. Participation in specialized agencies of the United Nations granted exposure to Western theories and "contaminated" the thinking of Soviet scholars. The first open attack on orthodoxy is to be found in a 1963 article written by Leonid Goncharov, deputy director of the Soviet Institute of Africa, who criticized the rhetoric on the disintegration of capitalism under the blows of national liberation movements. Others reinforced his view: The world capitalist economy had adapted successfully to new conditions, due to changes in policy and in structure. Neocolonialism

20 See for example the reports on the trip to Africa of East German minister Otto Winzer, and his conversations with Soviet ambassadors, Stiftung Archiv der Parteien und Massorganisationen der DDR im Bundesarchiv, Berlin (SAPMO), DY 30 IV A 2/20, 795.

21 BArchB, DEr VA 42175. 22 BArchB, DL2 VAN 76.

was a new policy, carried out with new methods.²³ Socialist countries had to act accordingly.

In addition to questions on its orthodoxy, doubts on the appropriateness of the Soviet model of industrialization also emerged in the 1960s, when the debt problem became overwhelming. The direct involvement of the state was not enough to produce progress. Georgii Mirskii, a leading Third World specialist at the Institute of World Economics and International Relations (IMEMO), criticized both the emphasis on heavy industry and the strategy of nationalization.²⁴ Officially, however, the failure of the Soviet model was attributed to local problems, essentially corruption and the inability to form an efficient bureaucracy. The new formula maintained that the state did not need to be burdened with an unnecessary expansion of functions and that developing countries should try to turn to advantage their traditional role as raw materials producers. Strategists in Comecon suggested that less developed countries “no longer need to build up heavy industry, for they can quite simply import the necessary manufactured or semi-manufactured products from socialist states and pay for them with their own export earnings.”²⁵

The reasons for disappointment on the recipient side often were very down to earth. Unable to quickly adapt their technology and general aid to the requests of the recipients, socialist bloc countries slipped on the classic banana peel of their own carelessness. Too often equipment was incompetently delivered, with delays that compromised economic and political effectiveness. The poor quality of Soviet and East European aid resulted in recipients voicing their disappointment. They encountered problems operating machinery due to the lack of instructions, complained about delays in supply, the lack of spare parts and poor service in general. They rejected outdated or inappropriate technology.²⁶ Although typical for aid supplies from all East European countries, this issue was not discussed in the broader Comecon community, as if no one wanted to wash their dirty linen in public. Each trade representation or diplomatic post dealt with this

23 V. Rybakov, Dec. 1965, quoted in Jerry F. Hough, *The Struggle for the Third World: Soviet Debates and American Options* (Washington, DC: Brookings Institution Press, 1986), 79.

24 *Ibid.*, 78–81.

25 The change in Soviet attitude was signaled in a series of articles in *Voprosy ekonomiki*, starting with G. Prokhorov, “Mirovaia sistema sotsializma osvobodivshiesia strany,” *Voprosy ekonomiki* II (1965), 85.

26 For case studies, see Sanchez-Sibony, *Red Globalization*, and Young-Sun Hong, *Cold War Germany, the Third World, and the Global Humanitarian Regime* (Cambridge: Cambridge University Press, 2015).

kind of practical problem on a bilateral level. For example, in the East German Foreign Ministry records, reports on problems with trade and aid abound.²⁷ Occasionally they were the topic of discussion with other Eastern bloc diplomats. Generally, though, East German trade representatives reacted dismissively or, when the problems resurfaced cyclically, with puzzlement. Although aware that practicalities could amount to huge problems, they grossly underestimated the disruptive potential of inefficient completion of GDR projects, in the conviction that ideological support, together with sustained solidarity campaigns, including medical aid and generous educational schemes, could compensate.

Rationality or the Obsession with Raw Materials

The documents of the CTA offer strong evidence for Roger Kanet's thesis on the Soviet bloc moving away from ideology and toward realism.²⁸ In the 1970s, there was a sharp turn toward economic rationality, and mutual advantage became the new catchphrase. The developmental discourse of the 1960s almost vanished. Trade became crucial, and the Eastern bloc became obsessed with importing strategic raw materials. The new approach was to construct "stably founded, mutually advantageous relations."²⁹

Economic rationality was characteristic for the "new line" after the Twenty-Third Congress of the CPSU in 1966. The chairman of the Council of Ministers, Aleksei N. Kosygin, maintained that relations with less developed countries could help to make better use of the international division of labor. There was a new effort to expand economic relations beyond the circle of socialist-oriented countries, including those rich in raw materials that were of interest to the Eastern bloc, such as Morocco (phosphates) and Nigeria (oil). The joint procurement of raw materials was given increasing relevance by the CTA. The sixth meeting of the Commission in 1964 was the first specifically devoted to the organization of the joint import of strategic raw materials.³⁰ After 1967 the Soviet Union made it clear that its European allies

27 For full details, see Sara Lorenzini, *Due Germanie in Africa. La cooperazione allo sviluppo e la competizione per i mercati di materie prime e tecnologia* (Florence: Polistampa, 2003).

28 Roger Kanet, *The Soviet Union and the Developing Nations* (Baltimore: Johns Hopkins University Press, 1974).

29 *Pravda*, 1971, quoted in Elizabeth Kridl Valkenier, *The Soviet Union and the Third World: An Economic Bind* (New York: Praeger, 1985), 17.

30 "Vorstellungen der Delegationen der Mitgliedsländer des RGW in der SKTU bei der Frage einer möglichen Beteiligung an der Organisation und Erweiterung der Produktion von Kupfer, Nickel, Kautschuk, und Baumwolle in den EL (1964)," BArchB, DE1 VSII 12720.

were expected to secure other sources of raw materials in the Third World. In April 1971, at the Moscow meeting of the deputy ministers for foreign trade of Comecon, the issue was clearer than ever: The Soviet Union declared that it was not able to satisfy the demand for oil from its partners. It offered instead to mediate the purchase of oil from other sources.³¹ From then onward, capital investments had to be designed to achieve considerable growth in the supplies of fuel, raw materials and metals. Industrial modernization in the developing world was now a secondary goal.³² The Soviet Union offered to help. Details on how to get better conditions for the import of fuel and other raw materials were discussed during the twenty-second meeting of the CTA, in November 1970. The USSR was willing to sign agreements with the producers and then provide subcontracts to the other socialist countries.³³

As for the exploration of new sources of strategic raw materials, East European countries were in a predicament that is well documented in the Comecon sources: Unable to finance huge projects on an individual basis, they were left with no alternative but to enter bigger projects financed by the Soviet Union.³⁴ In turn, the Soviet Union was very keen to embark on cooperative and multilateral initiatives. Its experts contended that “great opportunities reside in multilateral cooperation,” which meant building joint export enterprises, jointly providing technical assistance and pooling resources in training personnel. Indeed, the CTA meetings in the years 1971–74 focused exclusively on the joint imports of raw materials. They mentioned Africa and the Arab countries as especially promising areas that could offer access to new sources of oil and phosphates, which were much needed for the production of fertilizers. Discussion revolved around specific projects, for example on oil in the deserts of Libya, on phosphates in Egypt’s Western Desert (Abu-Tartur) and on the Kindia project in Guinea for the extraction of bauxite.³⁵

In order to improve relations with Third World countries, which complained about Soviet and East European aid, the Comecon countries

31 BArchB, SKAH, DL2 VAN 57.

32 Yurii Konstantinov in 1977, quoted by David R. Stone, “CMEA’s International Investment Bank and the Crisis of Developed Socialism,” *Journal of Cold War Studies* 10, 3 (2008), 66.

33 BArchB, SKAH, DL2 VAN 56. 34 BArchB, SKAH, DL2 VA 1225.

35 See the meeting of foreign trade representatives of Comecon (21–23 Apr. 1971, Moscow), BArchB DL2 VAN 57; on the 23rd meeting of the Permanent Commission for Technical Assistance (Ständige Kommission für Technische Unterstützung) in 1972, see BArchB, DE1 VA 52248.

introduced intergovernmental commissions into their cooperation agreements. Originally a way to overcome the gap between expectations and offers and solve the problems of aid, joint committees involving experts from socialist donors and from recipient countries became an instrument for aid planning and a way to implement a more comprehensive approach to aid.³⁶

Efforts were also made to deepen financial relations with Third World countries. The economic integration plan of August 1971 foresaw the gradual adoption of the convertible ruble to settle accounts among Comecon countries and with developing countries as well. The old project of a socialist countries' development bank was also on the agenda and was implemented in January 1974, when Comecon set up an international investment bank with a 1 billion transferable ruble fund to promote economic and technical assistance to developing countries.³⁷ This, the socialist bloc maintained, was a great opportunity for the developing countries, which could finance projects in the extractive industries. Once again, the hunger for raw materials drove the aid offers from the bloc.

Debating Concepts of Development: Comecon as an Alternative to the New International Economic Order

The ranking of socialist countries according to development indicators became an issue of contention for Comecon in the mid 1960s, when the Eastern bloc was confronted with developmental issues within the UN system. This required a whole reframing of the concept of backwardness.³⁸ In the orthodox view, socialism was going hand in hand with progress and modernity. As a logical consequence, no socialist country could possibly be identified with underdevelopment or backwardness, nor would the path of development of socialist countries align with the capitalist stages of growth.³⁹

36 Konstantin Ivanovich Mikulsky, *CMEA: International Significance of Socialist Integration* (Moscow: Progress, 1982), ch. 9. The authors of this chapter are V. Kves (Czechoslovakia), I. I. Orlik and G. M. Prokhorov (USSR), and M. Simai (Hungary).

37 BArch, DL2 1894. See also Stone, *CMEA's International Investment Bank*.

38 See Simon Godard, "Framing the Discourse on 'Backwardness': Tension About the Development Issue Considered Within the Socialist Bloc or on a Global Scale," paper presented at the conference "Development and Underdevelopment in Post-War Europe," Columbia University, 10 Oct. 2014.

39 Instead, the prospect was that of a technological jump, "überholen ohne einzuholen" in the East German discourse; see André Steiner, *Von Plan zu Plan. Eine Wirtschaftsgeschichte der DDR* (Munich: Deutsche Verlags-Anstalt, 2004), 142.

The attainment of socialism could happen by bypassing or at least drastically curtailing industrial and monopoly capitalism.⁴⁰

Yet this view was not universally accepted in the Eastern bloc. In the mid 1960s, Romania identified politically with the developing countries and their requests, and claimed status as a developing country. Together with Bulgaria, it challenged the principles of the socialist international division of labor, claiming that specializations determined by relative labor costs would result in perpetuating backwardness.⁴¹ In the early 1970s, Romania became even more resolved, and Nicolae Ceaușescu constructed an identity as a “socialist developing country,” aiming to create a bridge between the Third World and the socialist countries. This included embracing the rhetoric of the new international economic order (NIEO), in the years 1975–78, with the prospect of creating stronger connections with countries with a similar development level, as opposed to existing links to countries having the same political systems.⁴²

The discussion on the concept of development should be read in connection with the broader effort to discuss the standardization of statistical measures, which at the time were being promoted in the international arena, especially within the Economic Commission for Europe. This was opposed by the Soviet Union because it could be used as a way to expose the economic failures of the Eastern bloc. Therefore, the Soviets disregarded the notion of “development,” something they defined narrowly as a legacy of colonialism that did not concern socialist countries.

This definition no longer worked in the 1970s, however, when Comecon discussed the prospects for non-European members, Mongolia (admitted in 1962), Cuba (1972) and the newly admitted Vietnam (1978), or the special cooperation agreements with the countries with observer status: Afghanistan, Angola, Ethiopia, Laos, Mozambique, Nicaragua and the People’s Republic of Yemen.⁴³ The quarrel over recognizing a socialist country as a developing country was rekindled, with Romania asking for a ranking based on the economic criteria acknowledged by international organizations.

40 R. Ulyanovsky, *Socialism in the Newly Independent Nations* (Moscow: Progress, 1974).

41 John Michael Montias, “Background and Origins of the Rumanian Dispute with Comecon,” *Soviet Studies* 16, 2 (Oct. 1964), 132.

42 Thomas P. M. Barnett, *Romanian and East German Policies in the Third World: Comparing the Strategies of Ceausescu and Honecker* (Westport, CT: Praeger, 1992).

43 Klaus Fritsche, *Sozialistische Entwicklungsländer in der “internationalen sozialistischen Arbeitsteilung” des RGW. Zum Forschungsstand* (Cologne: Bundesinstitut für Ostwissenschaftliche und Internationale Studien, 1991), 27.

In Comecon, debates revolved around the likelihood of the cohesion of the socialist world-economy.⁴⁴

In the mid 1970s, relations with developing countries constituted a fundamental dimension of Comecon activities. The self-portrait published by the Comecon Secretariat in 1975 repeatedly mentions the importance of developing countries. It describes the increase in Comecon trade turnover (seventeen-fold between 1950 and 1975) and lists the products exchanged, pointing at the preference given to commodities manufactured in developing countries. It stresses the constant attention to economic relations, the expansion of multilateral assistance, including a scholarship fund to help train national cadres and a credit-financing fund established within the framework of the International Investment Bank.⁴⁵ To be sure, the significant increase praised by Comecon sources does not imply a significant change or, even less, a reversal in trends in world trade. The West still had the lion's share of trade with the South. Comecon, however, wanted to stand out as an alternative model to the NIEO. The future of North–South relations lay in the formula of “integration through equality,” socialist countries claimed. Comecon's less developed members, argued one East German specialist, were the “incontrovertible” proof that such a prospect was possible.⁴⁶

The Comecon countries, with their own “Campaign to Restructure International Economic Relations in a Progressive Way,” refused to read reality through the lens of a North–South divide: “It is of immense importance for the successful and consistent struggle for a genuine democratisation of international economic relations that the countries in the socialist community, like many developing countries, should refute the false Maoist notion of world partition into North and South, into rich and poor countries; this has to be replaced by the scientifically grounded notion of the partition of the world into two social systems.”⁴⁷ In September 1975 Yakov Malik, the USSR's representative at the UN General Assembly, officially rejected any definition of a North–South conflict in which the

44 “Information über die 60. Tagung des Exekutivkomitees des RGW,” in SAPMO, DY 3023–1311, *Zusammenarbeit mit dem Rat für Gegenseitige Wirtschaftshilfe, 1972–73*. See also Giovanni Graziani, “The Non-European Members of the CMEA: A Model for Developing Countries?,” in Roger E. Kanet, *The Soviet Union, Eastern Europe and the Third World* (Cambridge: Cambridge University Press, 1988).

45 CMEA Secretariat, *Experience of the CMEA Activities*, 18.

46 See Heinz Joswig, “Zur Perspektive der ökonomischen Zusammenarbeit zwischen den Ländern des RGW und den Entwicklungsländern,” *Deutsche Außenpolitik* 20, 3 (Mar. 1975), 331–39.

47 Mikulsky, *CMEA*, 316.

Soviet Union was put on the same side as the capitalist North. The Soviet view of dependency theorists was harsh, and among them specifically Samir Amin, the personification of the theoretical radicalism of the Third World establishment; they were especially disliked because they placed socialist countries on the same level as the capitalist North.⁴⁸ Never fully convinced by the concept of the Third World as a homogeneous group, in the second half of the 1970s Soviet and East European experts openly declared that the unity of the Third World was a myth and that the idea of a special role for the Third World in the world economy needed to be rejected. The Third World was not acting as one, nor were national liberation movements. Internal divisions, they argued, were to be acknowledged as a success for imperial strategies.

International organizations did not buy Comecon's view. UNCTAD, for example, did not accept the self-representation of the socialist countries as a system, only partially applying the principle according to which political orientation trumped economic development. In the 1970s, for instance, Cuba, Vietnam and Mongolia figured in the developing countries of Africa, Asia and Latin America, whereas socialist countries of Eastern Europe constituted a separate bloc, according to UNCTAD.⁴⁹

In government circles and in the academic community within the Soviet Union, the recognition began to emerge that the establishment of an alternate, worldwide economic order patterned on integration agreements set up in Comecon was not realistic.⁵⁰ Nonetheless, this optimistic view was still being voiced in 1980, when Oleg Bogomolov, head of the Institute of Economics of the World Socialist System (IEMSS), stated: "the practice of international division of labour and cooperation within Comecon sets an example of [a] balanced and just solution to many of the problems posed by the movement for the NIEO." He went on to say that Comecon was the "real experience of restructuring world economic relations on the principles of equality, respect for the interests of all the cooperating countries and friendly mutual assistance for the sake of common progress."⁵¹ In the 1970s, this more dogmatic view coexisted with another more open-minded view, which

48 See Elizabeth Kridl Valkenier, "Revolutionary Change in the Third World: Recent Soviet Assessments," *World Politics* 38, 3 (1986), 415–34; and Kridl Valkenier, *The Soviet Union and the Third World*, 136.

49 Godard, "Framing the Discourse."

50 Kridl Valkenier, *The Soviet Union and the Third World*, 26.

51 Oleg Bogomolov, "The CMEA Countries and the NIEO," in Christopher T. Saunders (ed.), *East-West-South: Economic Interaction Between Three Worlds* (Basingstoke: Macmillan, 1983), 250.

praised the economic and technological advantages of cooperation with the West.

If You Can't Beat Them, Join Them

"If you can't beat them, join them," is how Aroon K. Basak, deputy director of the World Bank responsible for the United Nations Industrial Development Organization (UNIDO) cooperative program, described the Socialist bloc strategy of the 1970s and especially the move toward tripartite industrial cooperation (TIC).⁵²

At the end of the 1970s, interstate agreements for joint activities in third countries and joint East–West companies that operated in Third World markets experienced steady growth. Typically, tripartite projects originated in tenders from the developing country. Western firms provided management and the most advanced technology and equipment and the Eastern bloc provided the intermediate level of machinery and knowhow, while developing countries supplied labor and raw materials. Another, less common version saw the Soviet Union teaming up with the more advanced among the less developed countries for the construction and design of industrial projects, the extraction of raw materials and the provision of consulting services in other developing states. Especially common in the energy sector and in oil refining, tripartite projects experienced a dramatic increase after 1975.⁵³ East European countries were from the start very keen on trilateral cooperation, less so the Soviet Union. Here, debates had been going on since the second half of the 1960s, when the problem of exporting to the developing world was discussed and some of the reasons for the Soviet predicament (the quality of machinery or the lack of spare parts and service) were also mentioned.⁵⁴ Despite these initial doubts, however, the Soviet share in trilateral projects soon topped that of Eastern Europe.

Trilateral cooperation looked more like cooperation "in" rather than cooperation "with" the developing countries. It was proof that socialist

52 Aroon K. Basak's comments in Saunders (ed.), *East-West-South*, 369.

53 Patrick Gutmann, "Tripartite Industrial Cooperation and Third World Countries," in Saunders (ed.), *East-West-South*, 346. Gutmann analyzes a sample of 226 TIC operations, completed or in progress (principally for the years 1976–79), and an additional 199 protocol agreements for 1965–79 that show clearly that 1975 constitutes a break. See also Patrick Gutmann, "West-östliche Wirtschaftskooperationen in der Dritten Welt," in Christian Th. Müller, Claudia Weber and Bernd Greiner (eds.), *Ökonomie im Kalten Krieg* (Hamburg: Hamburger Edition, 2010), 395–412.

54 Hough, *The Struggle for the Third World*, 81.

countries were rethinking the role of capitalism in the world economy. Capitalism had been on the whole successful in its relations with the developing countries, Mirskii stated at the end of the 1970s. Karen Brutents, an expert on African and Asian matters and a prominent member of the International Department of the Central Committee of the CPSU, in a 1978 article in *Pravda* on “Imperialism and the Liberated Countries,” authoritatively restated that capitalism had adapted well to the new conditions after decolonization and now used more sophisticated forms of exploitation.⁵⁵

Partly, this revised approach had to do with the failure to establish a socialist international division of labor with developing countries. In the 1970s socialist aid was still aimed at fostering economic integration between Comecon and the countries of the South, with a special role for cooperation in prospecting for minerals. Tripartite agreements were considered a key strategic step in the immediate future. East European economists no longer believed in the complementarity of East and South economies. They tended to think that the South was already moving toward competition. Both groups, they contended, had similar supply-led and investment-hungry economies. Their structures were therefore not sufficiently complementary, and a broader trade basis, one that included the West, would be ideal.⁵⁶ Some scholars argued that, since developing countries were capitalist, the socialist countries should not offer handouts, but instead organize remunerative economic relations. The goal of economic relations was now described as “mutual benefit,” because the use of the word “profit” was a problem both domestically and abroad.

At the Sixth Workshop on East–West European Economic Interaction, organized by the Vienna Institute for Comparative Economic Studies in Dubrovnik in May 1980, speakers from Eastern Europe still insisted that their ideal was a new order whose goal was radical change within the structures of national societies. Development was an integrated process, they contended – recalling the Comecon wording – and stressed the importance of an educational system designed for the needs of the future. They rejected an overarching formula for “appropriate technology”: neither “small is beautiful,” nor “big is wonderful,” but rather the analysis of what could be in each case the appropriate mix of technologies. Although still promoting autonomy, they contended that it was no longer synonymous with autarky,

55 Kridl Valkenier, *The Soviet Union and the Third World*, 59 and 65.

56 See Michal Kalecki, *Essays in Developing Economies* (Hassocks, UK: Harvester, 1976), 36.

as Christopher Saunders observed in his concluding remarks, summing up the lessons of the symposium.⁵⁷

The Myth of Socialist Modernity Fades Away

In the 1970s, the new approach to East–South relations was linked to a different perception of the global.⁵⁸ Under the multiple blows of the economic and social crisis and of perceived new threats such as energy dependence and ecological problems, the paradigm of progress and the grand narratives of industrialization were questioned, in the West and the East alike. Soviet modernity was transformed by the technocratic ideas of economic governance. Marxist intellectuals had gone a long way in criticizing the thesis of convergence advanced in the 1960s, linked especially with John K. Galbraith's book on *The New Industrial State* (1968).⁵⁹ In the mid 1970s, though, socialist countries eventually accepted a concept of interdependence. Soviet intellectuals, often high-ranking officials, participated in international networks and came into contact with Western ideas. One of them, Djermen Gvishiani, deputy chairman of the USSR's State Commission on Science and Technology, epitomizes this thinking. As head of the International Institute for Applied Systems Analysis founded in Vienna in 1976, he was in touch with the Club of Rome and developed similar views on global concerns. At the Twenty-Fifth Congress of the CPSU, Brezhnev admitted that the development of science and the challenge of environmental degradation could not be solved without East–West cooperation.⁶⁰ Margarita Maksimova, head of the Soviet Scientific Council of Philosophy and Global Problems, remarked that “despite all the differences and contradictions,” the two world markets found themselves “in a definite mutual interaction,” and

57 This is Saunders's synthesis of the views that emerged during the conference, in Saunders, *East-West-South*, 3.

58 See Niall Ferguson et al. (eds.), *The Shock of the Global: The 1970s in Perspective* (Cambridge, MA: Belknap Press of Harvard University Press, 2010).

59 See Neil MacFarlane, “Moscow's New Thinking,” in Joan Barth Urban (ed.), *Moscow and the Global Left in the Gorbachev Era* (Ithaca: Cornell University Press, 1992), 127–59. See also Elizabeth Kridl Valkenier, “The USSR, the Third World, and the Global Economy,” *Problems of Communism* 28 (1979), 17–33. For a discussion, see Istvan Dobozi, “Patterns, Determinants, and Prospects of East–South Economic Relations,” in Brigitte Schulz and William W. Hansen (eds.), *The Soviet Bloc and the Third World: The Political Economy of East–South Relations* (Boulder: Westview Press, 1989), 111–36.

60 Yakov Feygin, “Détente Economics: The Soviet Union and the Global Dream of a Technocratic Political Economy, 1960–1987,” paper presented at the conference “Cold War Economics,” London 14–15 Dec. 2015, 1.

showed common tendencies that operated in the world economy as a whole.⁶¹

This change in approach did not fail to influence East–South relations. Increasingly, among East European and Soviet economists, the issue was to promote a mixed economy in developing countries with a role for both domestic and foreign private capital.⁶² The growth in international cooperation suggested the possibility of agreeing on solutions for the problems connected with backwardness in the developing countries.⁶³ Many, like Leon Zalmanovich Zevin, Director of the Division for Relations with Developing Countries at the Institute for the Socialist World Economic System of the USSR Academy of Sciences, insisted that for developing countries cooperation with developed countries, “including those with different social systems,” was the key to success. Tripartite cooperation, where the socialist country could help the developing nation to get rid of the one-sided attachment to the world capitalist economy, was the preferred form.⁶⁴ The most striking manifestation of the change in strategy emerged in 1981, when Mozambique was refused entry into Comecon. This event signaled the collapse of the rhetoric of a special East–South solidarity: Not all Third World countries were equal; not all possessed the right level of development to integrate with the socialist system. Radical leaders in the Third World perceived the new line as a betrayal.

Conclusions

In the early phase of the Cold War, socialist bloc relations with the newly independent countries were characterized by the prospect of building an alternative system. The political priority was overwhelming, though not exclusive: In order to win their allegiance, in explicit opposition to both Western Europe and the United States, the socialist bloc, especially the Soviet Union, was ready to comply with the majority of less developed countries’ requests. Comecon documents reinforce the argument based on the documents of the international departments of the communist parties, make sense of the political and ideological motivation behind East–South economic

61 M. Maximova, quoted by Kridl Valkenier, *The Soviet Union and the Third World*, 55.

62 “Soviet Policy in Southern Africa: An Interview with Viktor Goncharev by Howard Barrell,” *Work in Progress* 4, 7 (1987), 140–41.

63 N. N. Inozemtsev, quoted in Kridl Valkenier, *The Soviet Union and the Third World*, 68.

64 Anatoli Olshany and Leon Z. Zevin, *CMEA Countries and Developing States: Economic Cooperation* (Moscow: Progress, 1984), 91.

relations and provide evidence of the efforts to coordinate agreements of balanced trade. They show that the Comecon community of experts tried to organize a coherent socialist model. They also confirm the predicament in which the whole bloc ended up being burdened with the unexpected consequences of trade reorientation.

In the years of détente, the political element became less marked and the South was seen as a trading partner that could cooperate with the East only on special, mutually advantageous terms. The socialist bloc's desperate craving for resources increasingly resembled the typical center-periphery pattern. Some dependency theorists did not fail to point their finger at the East, and developing countries, often disappointed with the quality and quantity of socialist aid, did not fail to stress the similarities. Ideology, however, was always there to remind the Comecon countries of the distinctive nature of East-South relations, and of the desirability of involvement in the socialist camp for those newly independent countries that were deemed to be ideologically mature and strategically important.

With the 1970s crisis in industrial society, however, the myth of socialist modernity as a variant of industrial modernity had definitely faded.⁶⁵ The European state socialist regimes could no longer function as a closed system, and ceased to promote, in Comecon and elsewhere, the prospect of an exclusive East-South cooperation in economic modernization.

Bibliographical Essay

This bibliographical essay only includes works with a specific focus on East-South economic relations. As for the political economy of East-South relations, scholarship generally tends to equate Soviet strategy with bloc strategy, due to the undeniable primacy of the Soviet Union within the bloc. Given the centrality of ideology in Eastern bloc policy-making, the relevant literature often covers both the economic and the social side of the construction of socialist modernity.

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⁶⁵ See Marie-Janine Calic, Dietmar Neutatz and Julia Obertreis, *The Crisis of Socialist Modernity: The Soviet Union and Yugoslavia in the 1970s* (Göttingen: Vandenhoeck & Ruprecht, 2011), 7-27.

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