

# **EAST EUROPEAN TRADE WITH THE DEVELOPING WORLD: SOVIET DIPLOMATIC PARTNER OR ECONOMIC SELF-INTEREST**

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*Prior to the demise of the Communist system in Eastern Europe, the trade of these countries with the developing world was supportive of Soviet diplomatic aims at least in part. In the late 1950s, correspondence between the trade links of the Soviet Union and Eastern Europe was particularly close. In later periods, the trade of Eastern Europe was less closely aligned with that of the Soviet Union, but there was still evidence that East European trade with the developing world followed upon Soviet goals and initiatives in some instances, indicating the strong possibility of overall Soviet direction. Trade with countries in the Middle East had by far the strongest association for East European trade with that of the Soviet Union.*

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While it existed, the Soviet Union often used trade policy as an integral part of its broader foreign policy approaches. In this regard the USSR was acting similarly to other major powers. In Weimar Germany the government consciously developed trade links with the weaker economies in Central Europe and the Balkans, a policy that

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was pursued even more aggressively once Hitler and the Nazis came to power (Hirschman, 1969; Spaulding, 1991). Through the use of the initial association agreements with the European Community (EC), as well as the various Yaounde and Lome conventions that followed, France has maintained economic (and political) ties with its former colonies in Africa (Ravenhill, 1985). In different periods the United States has denied access to its market for states like Cuba or China—or, more recently, Haiti; has supported allies with trade and aid; has refused to extend most-favored-nation status to some countries, including selected members of the former Soviet bloc; has with its allies established the Coordinating Committee in 1949 to prohibit exports of strategic materials to the USSR; and has denied investment guarantees or trade insurance to firms doing business with out-of-favor states (Spero, 1990, Chap. 10). Foreign trade has similarly been one mechanism whereby the Soviet Union has supported and aided friendly regimes in the developing world or regimes seen as having the potential to provide an advantage to the Soviet Union in its geopolitical goals or to hinder the maintenance of influence by its Western foes. What did distinguish Soviet uses of trade from some other examples was the subordinate status of the satellite nations in Eastern Europe whose trade could thereby be used to complement and support the initiatives of the Soviet Union. Thus, not only was the Soviet Union able to use trade as a component in foreign diplomacy, but it was also able to use the trade of its allies for diplomatic purposes in at least some situations.

It is not clear, however, to what extent the trade patterns of the East European countries with the developing world could be considered to have taken place with the context of central directives originating from Moscow. While there is presently little likelihood of such joint trade activities directed toward the developing world for political gain under Russian leadership, the earlier trade activities of the Soviet Union and Eastern Europe provide a very important historical case study for analysis from the perspective of trade as a foreign policy tool.

As Cooper (1972–1973) once argued in an aptly titled article, “trade policy is foreign policy.” The extent to which Eastern Europe contributed to Soviet diplomacy in this area will be determined below. Did the East European countries follow the Soviet lead in creating and maintaining trade relationships with particular nations in the developing world, effectively adding their economic resources to those of their large ally? Or, did these countries follow different policies and diverge from the Soviet Union in their trade links with the developing world? In other words, to what extent did East European trade policy move in tandem with that of the Soviet Union or how much did it differ?

### I. SOVIET TRADE POLICY AS FOREIGN POLICY

In attempting to enhance its international diplomatic and political objectives through economic measures, the Soviet Union did behave like other major state actors in the international system. Further, such patterns are hardly surprising because any government adhering to the tenets of Marxism–Leninism would logically subscribe to the idea that economic policies are important tools in attaining broader foreign policy objectives. Soviet leaders have in fact openly acknowledged the proposition that trade policy is one form of foreign policy (Moskoff, 1973, p. 349; Turpin, 1977, p. 24). In addition, such political use of trade was also greatly facilitated by governmental control of the many economic levers that are available for use in a centrally planned economy. Moreover, there have already been indications that the present Russian government has continued such practices in its relationship with the other successor states of the old USSR. Economic pressure has been put on the Baltic states in order to provide some protection for the rights of Russian-speaking residents of those nations (*Economist*, 27 August 1994). Russia has used its economic ties with the Transcaucasian countries to maintain access to natural resources, to reestablish a military presence in the region, and to forge closer political ties with these states (*Economist*, 6 August 1994). Economic

pressure in the form of trade and consideration of a reduction of accumulated debts have been used to encourage the Ukraine to grant political and diplomatic concessions as well (*Economist*, 17 September 1994, 15 October 1994).

Soviet use of trade to increase influence and control in alliance relationships has occurred in a variety of circumstances. The establishment of the Communist regime in Mongolia in the early 1920s was consciously buttressed by the reorientation of Mongolian trade away from its traditional Chinese connections towards virtually exclusive trade links with the Soviet Union (Murphy, 1966, pp. 43–51, 89–91). A similar reorientation of trade for political purposes occurred with the creation of the new Peoples Democracies in Eastern Europe after World War II. The creation of the Council of Mutual Economic Cooperation (CMEA or COMECON) as a response to Western alliances was another method of linking the new satellite countries, economically as well as politically, with the Soviet Union. The maintenance of East European economic dependence on the USSR was seen by the Soviet leadership as one useful mechanism for preserving the political cohesion of the bloc of Communist states (Abonyi, 1983; Marer, 1974, p. 251; Spero, 1990, pp. 306–307). The linkages between the East European economies and that of the Soviet Union not only furthered Soviet influence but also permitted the granting of rewards to compliant political elites in Eastern Europe (Abonyi, 1983, p. 189; Graziani, 1981, p. 69; Holzman, 1976, p. 103).<sup>1</sup> Trade and other economic interactions were used to strengthen local regimes in the East European satellites in the aftermath of the disturbances in Hungary and Poland in 1956, in Czechoslovakia in 1968, and in Poland in 1970, 1976, and 1980 (Evanson and Lutz, 1983; Graziani, 1981, p. 68). The

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<sup>1</sup> Poznanski (1988) suggests that some of the positive benefits for the East European countries arising from Soviet trade, such as fuel and raw materials prices below the world prices, were at times not so much from Soviet support for its allies, but a reflection of the arbitrary pricing inherent in trade among centrally planned economies. Anomalies in pricing that favored the East European satellites were never long term.

lack of sufficient economic resources of these types in the troubled Soviet economy in the later 1980s deprived the Soviet leadership of one mechanism for supporting friendly Communist regimes that had previously been effective.

Active Soviet interest in the developing world increased greatly after Stalin's death, and Soviet trade with the developing states increased as a consequence. While concerns about economic gain have never been totally absent from Soviet calculations involving trade policy (Mazuri, 1977, p. 185), political motives have remained the primary rationale behind Soviet efforts in the developing world (Kanet, 1989, p. 52). Trade, as well as aid, was usually viewed as part of the complex of diplomatic, political, and economic methods that could be used to facilitate Soviet penetration of the developing world (Brayton, 1979, pp. 254–255; Goure and Rothenberg, 1975, p. 133; Kanet, 1975, p. 14). Soviet aid and trade commitments as well as credits for the purchases of goods or services have had several objectives, including increasing the target state's economic and political independence from the West, supplanting Western influence with Soviet influence, encouraging socialist economic development, and promoting the growth of revolutionary social and political groups (Jaster, 1969, p. 455; Kanet, 1989, pp. 36–37; Machowski and Schultz, 1987, p. 127). Thus, the USSR did use trade (and aid) in attempts to establish a presence in the developing world, to gain friends, and to weaken Western influence. In these efforts, the Soviet Union had at least some support from its client regimes in Eastern Europe.

## II. THE ROLE OF EASTERN EUROPE

There have been some clear examples of East European trade policies following and supporting the lead of the Soviet Union. The Sino-Soviet dispute led to a dramatic decrease in trade between the two countries, and East European trade with China declined to very low levels as well. Similarly, the estrangement of Albania from the Soviet camp led to the disappearance of Soviet-Albanian trade and the

decline of East European trade with Albania (Brzezinski, 1967, p. 477). Similarly, Eastern Europe followed the Soviet Union in increasing their trade with and aid to Mozambique after that country achieved independence under avowedly Marxist-Leninist leadership (Henriksen, 1981, pp. 543-544). Eastern Europe has also contributed aid support to Soviet relations with other Communist countries. Eighty percent of the foreign aid of Eastern Europe has gone to Communist developing countries such as Cuba, Vietnam, Laos, Mongolia, and North Korea (Despres, 1987, p. 143).

The East European centrally planned economies have collaborated in supporting Soviet policy with other states in the developing world as well. They have accounted for a substantial portion of Communist economic assistance to developing countries. Although some of this aid may have served the particular interests of individual East European countries (as would be the case with supplying credits for their exports), a substantial portion was an adjunct of Soviet foreign policy "whereby the USSR reaps the political benefit and Eastern Europe pays the economic cost" (Aspaturian, 1979, p. 23). East European trade has at times served as an opening for the Soviet Union, as was the case with the Czech arms sales to Nasser's Egypt and with the establishment of better relations with Indonesia, partially through the medium of Polish and Czech arms deliveries to Sukarno (Ra'anana, 1969, pp. 186-196). Soviet trade agreements with developing countries has also been regularly followed by similar trade agreements by the Peoples Democracies (Dallin, 1961, p. 306; Riviere, 1977, p. 157; Thompson, 1969, pp. 101-102). Reversals in trade links with development has also occurred. In the 1960s the military overthrew governments in Mali and Ghana that were friendly to the USSR, and there was a consequent decline in trade with both the Soviet Union and Eastern Europe. Bulgarian trade with the two states ceased for a decade after the coups (Coker, 1981, p. 621). Although individual developing countries might choose to cease buying from the Communist countries, the Communist countries in turn could choose to cease purchas-

ing their exports, indicating that such declines in trade were at least in part the decision of the Communist leadership.

The Communist regimes in Eastern Europe have not always been in perfect agreement with the Soviet Union. The East European countries have contributed to the non-European members of the CMEA (Mongolia, Vietnam, and Cuba) in a major fashion. For example, in 1961 the USSR agreed to major purchases of Cuban sugar to prop up the Castro regime and committed its European allies to substantial additional purchases as well. Subsidization of Castro through these sugar purchases had high economic costs for the East European regimes (Coker, 1981, p. 631). These costs continued to be borne until the breakdown of the Communist regimes in the latter part of the 1980s. The new governments quickly discontinued these sugar purchases and the preceding governments almost certainly would not have chosen to incur the costs on their own. The East European countries also unsuccessfully opposed the admittance of Vietnam to associate membership in COMECON because they had to contribute a large share of the direct and indirect economic aid required by the new member. They were more successful later in preventing the extension of membership to Mozambique when that country expressed a desire to join (Coker, 1981, pp. 629–631). Mozambique clearly would have been a further drain on the resources of the member states, and they clearly wanted to avoid these costs.

Thus, while there are indications that the trade of the Soviet allies in East Europe were at times a surrogate or support for Soviet foreign policy objectives, whatever correspondence that did exist need not have been complete. Rumania's refusal in the 1960s to subordinate its own domestic industrialization plans to serve an agricultural and raw material supplier for other COMECON members is a case in point (Fischer-Galati, 1970, pp. 150–152, 160–167). As a consequence,

although Moscow's global designs continue to claim our attention, it must be wondered whether too great an emphasis

is placed on Soviet strategic intentions and too little on the interests of its East European allies. Many analysts, seemingly persuaded of the traditional threat, either overlook the East European connection entirely, dismiss it as politically insignificant, or recognise its importance only to reduce the East Europeans to the status of surrogates of the Soviet Union (Coker, 1981, p. 618).

The following analysis will determine to what extent East European trade was an extension of Soviet trade and to what extent it followed its own patterns and logic. Not only is the degree of correspondence in question, but there could also have been differences in varying time periods and differences present for different parts of the developing world.

### III. METHODOLOGY

In order to test for the presence and degree of any relationship between Soviet and East European trade with the developing world, the percentages of exports of particular developing countries to the USSR and to the East European centrally planned economies as a group (excluding Albania and Yugoslavia) and the percentages of imports of the developing countries originating in the USSR and the East European centrally planned economies, respectively, were calculated for individual developing states for the years 1955-1986 based on trade data available in the *Yearbook of International Trade Statistics* (United Nations, various years). Many of the developing countries had virtually no trade with either the Soviet Union or other members of the Soviet bloc in any year and were excluded from the outset. Others had very limited trade with the centrally planned economies, never rising above 3% or 4% of either exports or imports. States with this limited level of economic ties with the centrally planned economies were not included in the analyses to follow, notwithstanding earlier high levels of



trade or later expansions, for an important methodological reason. The inclusion of a large number of observations in which there was no change in trade patterns due to the absence of meaningful levels of trade would have artificially inflated any associations between the levels of Soviet trade and that of Eastern Europe. Similarly, countries that had only 1 or 2 years of significant trade with the Soviet bloc did not permit the establishment of a base from which to measure the convergence or divergence of trade patterns. There remained a relatively small group of developing states that did have larger volumes of trade in at least some years and these countries formed the set of observations for the analysis to follow. Countries that had over 3% or 4% of their exports going to the Soviet bloc or 3% or 4% of their imports originating in this area for a multiyear period of time were included.<sup>2</sup> These countries were the ones that traded the most with at least some of the European centrally planned economies at some point between 1955 and 1986. If their trade ties dropped below the level necessary for inclusion during this period, the countries were no longer included in the analysis. (See the Appendix for a complete listing of the countries and the years for which they were included in the analysis.) The analysis was discontinued after 1986 because that was the period when Soviet control over Eastern Europe had begun to decline. In addition, the very real economic problems of all the centrally planned economies that had become apparent by this time greatly hampered and limited the use of trade for political goals. In fact, by this period Soviet analysts felt that the extended Soviet involvement in the developing world had placed too great a burden on Soviet resources, and in any event severe domestic economic problems

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<sup>2</sup> Thus, countries with only a rare trade link of some importance were not included. Countries were retained in the dataset if either their export or their import levels were above 4%. In addition, they were retained in cases where trade dropped below 4% but remained above 3%; hence the somewhat less precise thresholds for inclusion.

resulted in foreign policy issues receiving much lower priorities than had been the case when Brezhnev was in power (Aspaturian, 1992, pp. 144-145, 159). In selecting these countries, the key was the importance of their overall level of exports to or imports from the Soviet bloc. This trade could have been primarily with the Soviet Union, primarily with some or all of the East European nations, or with both the Soviet Union and the other European centrally planned economies.

The total export and import percentages were broken down separately for the USSR and for the six East European states of Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Rumania as a group. The trade of these six countries with developing countries was not always available on an individual basis. At the aggregate level, however, figures for the six countries combined were available for the years beginning in 1965 as a result of a reporting category utilized in the data source for the East European centrally planned economies. Use of such aggregated data for Eastern Europe did not introduce any methodological difficulties. If the Soviet Union had indeed been using East European trade to support its own foreign policy initiatives, it could have used different East European states in different situations to supplement its diplomatic and economic activities. It would not have been necessary to have all the junior allies expand their trade with favored developing countries as a supplement to such Soviet activities. Such a division of labor has been obvious in the more overtly political sphere of bloc foreign policy with Cuba supplying troops in many parts of Africa to complement Soviet influence, whereas East Germany among the East European allies has frequently cooperated in helping to build up the internal security services of Soviet clients and allies in the developing world (Kanet, 1989, p. 51; Kolodziej, 1989, p. 435). The resulting percentages for the exports to or the imports from Eastern Europe in the aggregate were available to be matched with the percentage of a developing country's exports going to the Soviet Union and the percentage of that country's imports originating in the USSR. These basic data permitted

the derivation of correlations between the USSR and its allies for different time periods and different regions to determine if the trade of the Soviet bloc countries did in fact parallel that of the Soviet Union. In the case of developing countries that had only a minimal trade for a portion of any time period, only those years during which there was significant trade between that country and the Soviet Bloc were used.<sup>3</sup> Certain states disappeared from the dataset for domestic political reasons as leaders less friendly to the Soviet Union came to power (Mali, Peru, Bolivia, and Indonesia, for example). In other cases trade data were unavailable as a consequence of internal turmoil (Lebanon, Afghanistan, and Pakistan briefly) or international conflicts (Iran and Iraq).

For the correlational analysis, the absolute percentages of exports to the USSR and the six Eastern European countries and the imports from these areas were not used. The absolute percentage comparisons would have engendered temporal autocorrelation problems with the data. As a consequence, the percentage changes in the levels of exports and imports of the USSR and the six countries were correlated to detect relationships in terms of changes in the trade patterns with specific developing countries. Single-year changes were not directly compared because time lags were possible in the appearance of East European trade as a supplement to that of the Soviet Union, and also because single-year figures might vary relatively widely for reasons specific to a given year or country. As a consequence, the average changes for 5-year periods beginning in 1955 and ending in 1979 and the 7-year period from 1980 to 1986 were used. The use of these particular multiyear periods was of course somewhat arbitrary. Significant political events or policy shifts could have occurred in the middle

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<sup>3</sup>If data for only 1 year of a particular period met the criteria for inclusion in the dataset, the change for that year was averaged in the nearest time period so that none of the changes correlated represented those for a single year.

of one of these periods. The effects of such shifts in the developing countries were incorporated into the analysis to some extent by the criteria for inclusion or exclusion from the dataset. Further, events significant for one developing country would often be of minimal importance for others. In addition, the use of changes in trade shares rather than absolute levels meant that the basic measure used was sensitive to such changes that might have affected trade in any one country. There were significant events in Europe, such as the Hungarian uprising in 1956, the occupation of Czechoslovakia in 1968, and the problems in Poland in 1970, 1976, and 1980, all of which clearly did have an effect on economic links within the Soviet bloc (Evanson and Lutz, 1983). Again, because changes in trade levels were being used, the analysis was not biased by these events and, as it happens, these major occurrences in Eastern Europe took place at the beginning or the end of the multiyear periods utilized, further reducing the chances of exogenous effects on the analysis. Since the different data entries at times represented a varying number of years for each developing country, the average change figures were weighted by the specific number of years that were averaged for the period in question.

#### IV. RESULTS

Between 1955 and 1986 there were some patterns apparent in the trade links between the developing world and the Soviet bloc as well as the trends in Soviet trade vs. East European trade. Although the absolute levels of trade with various developing countries for the USSR and the East European states were at different levels in most cases, the trade of the satellites as a group could have increased more, or at least declined the least, with those states where the Soviet Union was expanding its trade more rapidly. There were temporal trends apparent in the correlations between the Soviet trade and that of Eastern Europe. Such trade was very highly associated in the initial periods, as can be seen in Table I. This trade then diverged in a somewhat inconsistent pattern in later years.

Table I  
Average Annual Changes in Trade by Time Period

Time Period	Number of States	Number of Observations <sup>1</sup>	Correlations: Changes in Percentages	
			Exports to USSR with Exports to Eastern Europe	Imports from USSR with Imports from Eastern Europe
1955-1959	18	74	.92***	.88***
1960-1964	25	113	.42***	.70***
1965-1969	27	130	.42***	.29***
1970-1974	28	135	.16*	.40***
1975-1979	28	125	.64***	.38***
1980-1986	24	152	.33***	.15*
1955-1986	34	729	.27***	.50***

<sup>1</sup>Observations are the number of states times the number of years of data available for each state.

\* $\alpha = .05$ .

\*\*\* $\alpha = .001$ .

In the last half of the 1950s, the association between changes in the levels of both Soviet and East European exports and imports was very strong. The strong convergence of the trade changes in this period is hardly surprising given the strong ties between the Soviet leadership and its counterparts in Eastern Europe. Cold War tensions and Soviet hegemony in Eastern Europe, as evidenced by the suppression of the uprising in Hungary in 1956, all created a situation in which the East European states would logically be expected to follow the Soviet lead. The relationship between Soviet and East European trade links with the developing world weakened in the 1960s. By the second half of the decade developing country imports from Eastern Europe were weakly related with the corresponding imports from the Soviet Union.

The last three time periods included in Table I displayed no consistent trends. The association between the exports to the Soviet bloc reached its lowest point in the 1970-1974 period, but then it

rebounded to relatively high levels for the next two periods. The correlations for changes in imports from the Soviet bloc rose noticeably in the 1970–1974 period but reached a point of limited significance by the 1980–1986 period. The lack of a clear pattern for the 1970s within the context of lower relationships between Soviet and East European trade with the developing world reflected in part the fact that the early 1970s was a period of great expansion of Eastern European trade with non-Communist countries. Trade with the Western industrialized countries was on the increase (Marer, 1988, p. 23), as was trade with the developing world. Expansion with developing countries resulted from both political opportunities, which arose as a consequence of the declining involvement of the United States in the developing world, as well as an effort by Eastern European countries to receive additional economic benefits from trade (Kaminski and Janes, 1988, pp. 17–18). In addition, overall Soviet foreign policy vis-à-vis the developing world became more cautious in the 1960s as the somewhat risky policy initiatives of Khrushchev gave way to the more guarded approach of Brezhnev (Kaushik, 1987, p. 174). Under these economic and political circumstances East European trade links would have been less closely associated with those of the Soviet Union. Finally, the associations for the periods from 1970 to 1986 also would be expected to be somewhat lower than those of the earlier decade and a half because of the appearance of Rumanian disagreement with Soviet policies. Rumania diverged from strict adherence to Soviet economic goals as part of its national attempt at industrialization. One reflection of this foreign policy independence was the creation of economic ties with the developing world and the West that were quite different from that of the Soviet Union. One consequence of this independent policy was that the combined trade of the six Eastern European countries with the developing world would not be expected to correspond quite as closely with Soviet patterns because one of the states was obviously no longer following the Soviet lead. Soviet tolerance of such an independent foreign policy was no

doubt in part due to the Stalinist internal regime, which posed no threat to Soviet ideological leadership of the Communist countries.

It was obvious that after the first period of high correspondence between East European trade and Soviet trade the level of association diverged and then converged again. To at least some extent the relationships could be expected to have varied over time, influenced by such world economic events as the various oil crises. The correspondence was somewhat lower for the centrally planned economies as suppliers to the developing world as can be seen in the lower levels of association for developing countries' imports for four of the six periods. With the appropriate political will Cuban sugar, Egyptian cotton, Ghanaian cacao, or Sri Lankan tea could be absorbed by the Soviet bloc nations—even if at an economic cost—to support friendly regimes or to gain access to foreign leaders.<sup>4</sup> It is somewhat more difficult, even with the use of barter agreements and tied aid arrangements typical of the centrally planned economies, to arrange for particular developing states to purchase goods from the Soviet bloc. Too much pressure on the leaders in developing countries could even negate some of the political and diplomatic influence gained through the expansion of trade links, particularly because Soviet and East European manufactured goods have never compared too favorably with their Western equivalents and thus have been in less demand.

Because the composition of the dataset varied, it was possible that the above relationships were affected by the changes in the countries that were included in the different periods. It was possible, for example, that Soviet and East European trade would have been most closely associated in the initial years of the establishment of a trade

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<sup>4</sup> Machowski and Schultz (1987, p. 122) suggest that Soviet exports to the developing world reflected political factors more than imports from the developing world that reflected economic needs. Of course, political will cannot increase exports if other countries are unwilling to purchase the goods (as is evident with the continuing trade deficit that the United States faces), unless the goods are sold on concessional terms.

link with a particular developing nation. Once such a relationship was in place, however, there might have been a lower level of association as the trade responded more to economic imperatives and less to political ones. The set of extremely strong associations from 1955 to 1959 suggests that such an eventuality was at least possible. In the multiyear periods used, the mix of new trading relationships and older, established ones varied, a difference that could have had an effect on the results. As a consequence, analyses with more limited groups of states were used to verify the validity of the results for the larger group of countries.

As was noted above, including data for all the countries from 1955 to 1986 would have artificially increased the level of association between Soviet and East European trade. There were, however, 15 states that consistently had trade links at the threshold level from 1960 to 1986.<sup>5</sup> Soviet and East European changes for the 1960s, 1970s, and 1980s were correlated and are presented in Table II. Although there were some variations between this set and the larger group of countries, the patterns were similar. The relationship for both exports and imports was greatest in the 1960s. The link for exports declined in the 1970s whereas there was a greater relationship in the 1980s, as was the case in Table I. Moreover, the association for imports declined in the 1980s in both cases.

The 15-nation subset also permitted an analysis for potential lagged effects, reflecting the possibility that a year or two elapsed before changes in Soviet trade patterns were mirrored by changes by the East European allies. Table III contains correlations based on annual changes rather than multiyear periods. Changes in exports to and imports from Eastern Europe were correlated with changes in similar Soviet trade for the current year, the previous year, and the year prior to that. Overall, these figures provided no evidence for the

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<sup>5</sup>These 15 nations are noted in the Appendix.



Table II  
Average Annual Changes in Trade by Time Period: Constant Set

Time Period	Number of States	Number of Observations	Correlations: Changes in Percentages	
			Exports to USSR with Exports to Eastern Europe	Imports from USSR with Imports from Eastern Europe
1960-1969	15	150	.31**	.66***
1970-1979	15	150	-.01	.58***
1980-1986	15	102	.59***	-.50***
1960-1986	15	402	.26***	.63***

\* $\alpha = .05$ .

\*\* $\alpha = .01$ .

\*\*\* $\alpha = .001$ .

Table III  
Average Annual Changes in Trade: Constant Set

<i>n</i>	1960-1969 150	1970-1979 150	1980-1986 102	1960-1986 402
<i>Correlations</i>				
Exports to USSR with Exports to Eastern Europe				
<i>t</i> - 2	.17*	-.06	.03	.07
<i>t</i> - 1	.30***	.07	-.14	.13*
<i>t</i>	.17*	.01	-.16	.04
Imports from USSR with Imports from Eastern Europe				
<i>t</i> - 2	-.11	-.04	.02	-.06
<i>t</i> - 1	.22**	.19**	-.12	.20***
<i>t</i>	.52***	.02	-.05	.36***

\* $\alpha = .05$ .

\*\* $\alpha = .01$ .

\*\*\* $\alpha = .001$ .

presence of consistent lagged effects for either exports or imports. There also was no indication that single-year changes in trade in the current year were consistently associated for the USSR and Eastern Europe. These results, when compared to the ones for the multiyear periods, suggest that East European trade sometimes changed very quickly in order to follow the Soviet lead but in other cases did so only after a time lag. The results of the analysis based on the changes year-by-year also confirmed the utility of using the multiyear periods in order to better measure the relationship between Soviet and East European trade links with the developing world. East European trade indeed followed that of the Soviet Union in broad outline even if often not in detail.

The data were also analyzed for different regions of the developing world. The results can be seen in Table IV where some clear differences appeared in various parts of the world. Correspondence between Soviet and East European trade was obvious for the Middle Eastern and North African countries that composed nearly half of the observations. Association between exports to the Soviet Union and East Europe and imports from the Soviet Union and its allies were present for the entire time frame of the analysis as well as both halves of the time period. It is obvious that in this important strategic region of the world East European trade links did follow those of the USSR. The importance of the region for Soviet policy is made obvious by the fact that the 13 countries involved averaged over 25 years of maintaining meaningful trade levels with the Soviet bloc. Further, the countries for which continuing levels were not present were states that did not report trade data due to domestic (Lebanon and Afghanistan) or international (Iran and Iraq) conflicts. The average years of trade links for other regions were somewhat less than twenty years for Latin American countries, eighteen years for the Asian countries, and only eleven years for the sub-Saharan African states included in the analysis.

Table IV  
Average Annual Changes in Trade by Region

Region and Time Period	Number of States	Number of Observations	Correlations: Changes in Percentages	
			Exports to USSR with Exports to Eastern Europe	Imports from USSR with Imports from Eastern Europe
Middle East and North Africa				
1955-1986	13	353	.48***	.49***
1955-1969	13	170	.38***	.67***
1970-1986	13	183	.54***	.38***
Sub-Saharan Africa				
1955-1986	6	78	.17*	.32**
1955-1969	3	29	.81***	.52**
1970-1986	6	49	.21	.10
Asia				
1955-1986	7	147	.57***	.24**
1955-1969	5	59	.79***	.24*
1970-1986	7	88	-.37**	-.20*
Latin America				
1955-1986	7	151	.03	.75***
1955-1969	6	59	.38***	.78***
1970-1986	7	92	-.25**	.68***

\* $\alpha = .05$ .

\*\* $\alpha = .01$ .

\*\*\* $\alpha = .001$ .

While sub-Saharan African nations did not maintain trade links as long as countries in other areas, in part the shorter time span for the trade relationships resulted from the later independence of these countries. Diplomatic initiatives with concurrent increases in trade could not be established with the former Portuguese colonies until after they had attained independence after the Portuguese withdrawals in 1975. The relationship between Soviet and East European trade with the sub-Saharan African countries was positive and significant in the first part of the period used for analysis. After 1970, however,

Eastern European trade patterns no longer paralleled those of the Soviet Union. In this respect the results for sub-Saharan Africa paralleled those for the sample as a whole with the earlier period indicating a much greater linkage between Soviet and East European trade. The declining correspondence of trade within the Soviet bloc could have reflected the lesser importance placed on this area of the world in the foreign policy priorities of the Soviet Union, even though Ethiopia was a major exception to this lower level of concern (and, of course, the Ethiopian client regime was important due to its proximity to the higher priority Middle Eastern region).

Asian exports to the Soviet Union and to Eastern Europe had an extremely high level of association. The links were particularly strong in the first half of the period of analysis. The pattern was different for the Soviet bloc as suppliers. For the first half of the period, imports in the Asian countries from the Soviet Union and from Eastern Europe corresponded. In the latter half of the period, however, Soviet and East European trade patterns diverged. When bloc shipments to the Asian countries were declining overall, the Soviet Union remained important as a supplier, and the role of Eastern Europe declined. In the case of serving as suppliers for Asian countries, there is very little evidence that East European trade was being used to support broader Soviet political and diplomatic initiatives in the last half of the period under analysis.

The results for the Latin American region did not appear to correspond with the results for the other regions. For the entire time period, exports to the Soviet Union and Eastern Europe never displayed any significant level of correspondence, notwithstanding the presence of Cuban sugar exports in the data. In the earlier half of the period, however, the correspondence was very high. In effect, 80% of the variation of Latin American exports to Eastern Europe could be explained by Soviet imports of goods from the selected countries. In

the latter half of the period, however, this positive relationship disappeared, and in fact changes in exports to the two parts of the Soviet bloc were negatively related. The shift in the latter part of the period would reflect greater concern for profitable trade that was apparent in the overall analysis and for the other regions. Further, since 1975 Soviet imports from Brazil, Uruguay, and Argentina for the most part represented food imports (Machowski and Schultz, 1987). These food imports reflected the need for additional food supplies for the Soviet Union rather than a Soviet attempt to gain influence with these countries whose political regimes that showed no interest in developing closer political relationships with the Communist countries. The commercial nature of this trade would leave little reason to anticipate supportive activity by the East European countries. The Soviet Union and East Europe were more closely related in terms of their roles as suppliers to the selected Latin American countries. In fact, the correspondence was even stronger in the latter half of the period. These results reinforce the differential nature of Soviet trade with Argentina, Brazil, and Uruguay. Trade with these countries was primarily one-way with the three importing very little from the Soviet Union. As a consequence, the Soviet Union normally ran a trade deficit vis-à-vis these countries. East European trade was minimal in terms of both exports and imports. Thus, there was correspondence in terms of very few exports from the bloc to these three countries, whereas exports from Eastern Europe and the Soviet Union to the other countries in Latin America were much more closely linked, as indicated in the correlation coefficients for Latin American imports from the two parts of the bloc.

## V. CONCLUSIONS

A number of factors have probably played a role in the varying levels of association between Soviet and East European trade with the

developing world. The extremely high associations in the 1950s occurred during a period of extreme bloc cohesiveness and limited extrabloc trade, a situation not duplicated in later years. The number of developing countries trading with the Soviet Union or Eastern Europe at meaningful levels increased with time. The greater dispersion of such trade to additional countries could have made the coordination of trade activities somewhat more difficult, even when close coordination was desired (at least in Moscow). The greater emphasis on economic gains from trade that first appeared in the 1960s could also have led to some divergence in trade patterns as the Soviet Union or different East European countries sought trade opportunities where they could without regard to the ideological posture of the government in power or with diminished concern about establishing a position of influence. The purchases of foodstuffs from Argentina, Brazil, and Uruguay clearly are evidence that even centrally planned economies must purchase some types of products where they are available on the world market. By contrast, Soviet bloc trade with Cuba and Nicaragua, and with Peru and Bolivia in periods where the governments in power in those two states were flirting with the Soviet Union, offer examples of trade with an ideological flavor and noneconomic goals.

More importantly, the general weakening of the association between Soviet and Eastern European trade through time reflected the greater integration of the Soviet bloc countries into the international economy and the expansion of East-West trade. Purchases of capital goods from the West and of technology have required payment with hard currency, currency that has often had to be earned by exporting to the West or to the developing world. The trade of the centrally planned economies gradually became more susceptible to the broader currents in the world economy as they became more involved in the international system, both to take advantage of Western advances and to seek solutions to bottlenecks that were becoming increasingly

troublesome in their domestic economies. The worldwide recession that began in the 1970s and continued into the 1980s had well-known negative consequences for the centrally planned economies as they faced declining export markets and mounting external debt payable in increasingly scarce hard currency. Even though the centrally planned economies were smaller traders than their economic size would indicate as normal (Kihl and Lutz, 1985, p. 206), their involvement in the international economy was more crucial because their trade often involved critical items that could not be produced within the bloc. The decline of market opportunities in the West that occurred with the recession negatively affected Eastern Europe, which was dependent on export earnings to meet domestic economic needs. As a consequence, much more emphasis was placed on economic returns from trade links with the developing world than had previously been the case. Eastern Europe consistently generated trade surpluses with the developing world, with the proceeds being applied to the deficits accumulated with the industrialized West. These surpluses were particularly important in the late 1970s and 1980s as efforts were undertaken to balance trade and pay hard currency debts to the West (Despres, 1987, p. 157; Kaminski and Janes, 1988, p. 20). Later in the 1980s, economic concerns became virtually the only factor in determining trade with the developing world once the political impetus disappeared with the departure of Soviet influence and domestic Communist regimes.

The recurrence of closer links between Soviet and East European trade in the 1970s and at least for exports in the 1980s resulted from a number of factors. The Soviet Union had begun to press for changes in the COMECON legal structure in 1974 and 1975 in an effort to increase economic cooperation and integration among the member states (Friesen, 1976, p. 60). The resulting integration was not major, particularly when offset by Rumania's decision to develop an independent foreign policy, including trade policy, in response to these Soviet

efforts at deepening economic links among the centrally planned economies. The internal difficulties in Poland in 1976 also led to a strengthening of economic links within Eastern Europe (except for Rumania) and with the Soviet Union (Evanson and Lutz, 1983, pp. 78-79). In the face of the global recession, the Soviet leadership and elites in Eastern Europe may have come to reappraise the dangers inherent in greater involvement in the world economy. Overall, divergence between the trade patterns of the Soviet Union and Eastern Europe was greater in periods when the potential economic gains from trade were larger or more essential. When economic advantages were fewer or when the political objectives of the Soviet leadership became more salient, then East European trade was more directly linked to the political and diplomatic goals of the Soviet Union.

There is no doubt that the trade of Eastern Europe with the developing world was often associated with that of the Soviet Union in terms of trading partners and the extent of ties. The correlation was close to perfect in the last half of the 1950s, when much of the trade was beginning. It never achieved that degree of correspondence in later years. Although the East European countries could not be considered to have always served as surrogates or supplements for Soviet foreign policy concerns, they often did follow the Soviet lead, especially in the early years of the bloc (Kaminski and Janes, 1988, p. 16). Their trade, like that of their Soviet mentor, clearly had a political component—one that was usually determined by the leadership in the Soviet Union rather than the indigenous leaders in Eastern Europe. The political goals involved were determined externally, and trade, aid, and technical support flowed to the selected countries from the Soviet bloc. While trade was never totally political in orientation for the East European centrally planned economies as they responded or reacted to international economic trends and events, it was much more political than it was for many other trading entities in the world



that were similar in size to the East European states. As a consequence, when historical analyses of Soviet economic activities designed to establish a presence in the developing world are undertaken, they must at least consider the role that the other centrally planned economies played in those efforts. The activities of these nations do provide an additional example of the role of trade policy as part of foreign policy. Although the East European countries were not always Soviet puppets, simply focusing on the Soviet activities would underestimate the extent of the economic influence that was present or the resources that were expended in the pursuit of diplomatic or political objectives in the international system.

These results also suggest that Soviet history of using trade policy to further foreign policy goals may be highly relevant to Russia as the major successor state. In the future, Russia could use trade as a policy tool on a case-by-case basis as many countries presently do. Or, building on the economic linkages established when there was a USSR, there could be a concerted effort to use economic and trade policy to dominate the Community of Independent States. In effect, Russia with its own weak economy could seek to dominate the even weaker economies of the other successor states. Russia could, in effect, model its behavior on the general policy of Weimar Germany in the 1920s, seeking to buttress a weak economy by developing close ties with less industrialized and, in many respects, even weaker economies and to maintain access to natural resources and raw materials essential to domestic industries. Finally, if Russia does prove to be successful in establishing its leadership over some or most of the successor states, it could utilize the trade activities of these allies as an additional diplomatic lever with other states in the world, much as the Soviet Union utilized the trade of Eastern Europe in the past. Only time and detailed trade data for a number of years for the successor states will provide indications of whether these eventualities are likely to come to pass.

## APPENDIX

## Countries and Years of Inclusion

<i>Middle East and North Africa</i>		<i>Latin America</i>	
*Cyprus	1955-1986	*Argentina	1955-1984
*Egypt	1955-1986	*Brazil	1955-1986
Iran	1955-1977	*Uruguay	1955-1986
*Jordan	1955-1986	*Cuba	1960-1986
Lebanon	1955-1973	Bolivia	1968-1978
*Morocco	1955-1986	Peru	1968-1977
*Sudan	1956-1983	Nicaragua	1981-1986
*Syria	1956-1986		
Iraq	1958-1978	<i>Asia</i>	
*Libya	1958-1986	*India	1955-1986
*Tunisia	1958-1986	Pakistan <sup>1</sup>	1955-1974
Afghanistan	1960-1981	Pakistan <sup>2</sup>	1977-1986
Algeria	1964-1986	Bangladesh	1975-1986
		*Sri Lanka	1958-1986
<i>Sub-Saharan Africa</i>		Indonesia	1960-1972
*Ghana	1957-1986	Burma	1963-1976
Mali	1962-1972	Malaysia <sup>3</sup>	1970-1986
Somalia	1962-1978		
Ethiopia	1977-1986		
Guine-Bissau	1976-1981		
Mozambique	1981-1984		

\*Countries included in the 15-nation subset.

<sup>1</sup>Data for Pakistan when comprised of both East and West Pakistan.

<sup>2</sup>Data for Pakistan comprising the former West Pakistan (data for 1975 and 1976 are incomplete)

<sup>3</sup>Data for the trade of West Malaysia, Sabah, and Sarawak (but excluding Singapore when part of Malaysian federation)

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