

# *ACDIS* *Occasional* *Paper*

## **Four Decades of Soviet Economic Assistance: Superpower Economic Competition in the Developing World**

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Research of the Program in Arms Control,  
Disarmament, and International Security  
University of Illinois at Urbana-Champaign  
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## CONTENTS

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<i>About the Author</i>	v
<i>Acknowledgments</i>	vii
<b>Part One</b>	
<b>Introduction</b>	<b>1</b>
<b>Part Two</b>	
<b>The Soviet Turn toward the Developing World</b>	<b>3</b>
<b>Part Three</b>	
<b>The Emerging Socialist International Division of Labor</b>	<b>7</b>
<b>Part Four</b>	
<b>Gorbachev, 'New Thinking,' and the Decline of Soviet Assistance</b>	<b>11</b>
<b>Part Five</b>	
<b>Concluding Observations</b>	<b>13</b>



## ABOUT THE AUTHOR

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Professor Kanet has edited or co-edited twenty-eight books on Soviet and Russian foreign and security policy, American foreign policy, and global politics; contributed almost 200 articles and chapters to scholarly journals and books; and lectured widely in the United States, Europe, and Asia. Two forthcoming titles being published by Palgrave Macmillan in fall 2010 are *Key Players and Regional Dynamics in Eurasia: The Return of the 'Great Game'* and *Russian Foreign Policy in the Twenty-first Century*. He has received various grants and awards, including from American Council of Learned Societies; Center for Advanced Study (University of Illinois), International Research and Exchanges Board; NATO; Bundesinstitut für ostwissenschaftliche und internationale Studien, Cologne; U.S. Institute of Peace; National Security Education Program; and Ford Foundation.





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**PART ONE**  
**Introduction**

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For more than four decades the Soviet Union and the United States engaged in a global competition for influence and power. Military alliances, arms races, espionage, propaganda campaigns, arms transfers to allies and to client states and movements, support for revolutionary and counterrevolutionary groups, as well as economic assistance and economic development projects were all part of the arsenal used by the two countries in this global confrontation. The purpose was, in part, to pursue the creation of a world supportive of and modeled after either the Soviet Union or the United States. The present essay focuses on one of those instruments, the economic and development assistance programs for what were then termed ‘Third World’ states, as established and employed by one of the global protagonists, the Soviet Union, from the immediate post-Stalin period until the disintegration of the Soviet state itself in December 1991. The purpose of the essay will be to track and explain the evolution of and the changes in those programs throughout the cold war, in order to determine their place in the Soviet competition for global influence with the United States.<sup>1</sup>

The real high point of this competition came during the 1970s after then-Soviet leader Leonid Brezhnev announced, as part of what the Soviets viewed as the ‘changing international correlation of forces,’ that the expanding socialist world system was in the process of replacing the heretofore dominant international capitalist system.<sup>2</sup> The turn of numerous Third World governments toward what Moscow viewed as ‘progressive’ domestic and foreign policies that were leading them on the ‘path of non-capitalist development’ was clear evidence, in the Soviet view, of the progress of the Socialist community in its global struggle with imperialistic capitalism.<sup>3</sup> This optimistic period, however, was short-lived. Less than a decade later Moscow found its clients under growing challenge and the Soviet system itself in serious decline—to the point that its entire orientation toward the outside world, including allies and clients in the developing world, changed dramatically. The focus turned to internal reform in the USSR, while Third World clients were advised to adapt to compete more successfully in the global capitalist economy.

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<sup>1</sup> For a discussion of the role of military assistance in Soviet policy toward developing countries see Roger E. Kanet, ‘Sowjetische Militärhilfe für nationaler Befreiungskriege,’ in Bernd Greiner, Christian Th. Müller, and Dierk Walter, eds., *Heiße Kriege im Kalten Krieg* (Hamburg: Hamburger Edition, 2006), pp. 61-83. A modified English language version of the article appeared as “The Superpower Quest for Empire: The Cold War and Soviet Support for ‘Wars of National Liberation’,” *Cold War History*, vol. 6, no. 3 (2006), pp. 331-352. Christopher Andrew and Vasili Mitrokhin have written an interesting study, based on the latter’s detailed notes of KGB documents made over the course of over a decade, about Soviet involvement in the Third World that touches on the highlights of that policy and provides many interesting historical vignettes. See their *The World Was Going Our Way: The KGB and the Battle for the Third World* (New York: Basic Books, 2005). Odd Arne Westad provides an excellent overview of U.S.-Soviet competition in the developing world that is based in part on Soviet archival sources in *The Global Cold War: Third World Interventions and the Making of Our Times* (Cambridge-New York: Cambridge University Press, 2005). Useful summaries of and responses to Westad’s work can be found in Jeremi Suri, ‘The Cold War, Decolonization, and Global Social Awakenings: Historical Intersections,’ *Cold War History*, vol. 6, no. 2 (2006), pp. 353-63 and William Wohlforth, ‘Superpowers, Interventions and the Third World,’ *Cold War History* vol. 6, no. 3 (2006), pp. 365–371.

<sup>2</sup> On the concept of “changing international correlation of forces” see Vernon V. Aspaturian, ‘Soviet Global Power and the Correlation of Forces,’ *Problems of Communism*, vol. 29, no. 1 (1980), pp. 1-18; Andrew Bennett, *Condemned to Repetition?* (Cambridge, MA: MIT Press, 1999), pp. 132-37; and Georgi Shakhnazarov, ‘On the Problem of Correlation of Forces in the World,’ *Strategic Review*, no. 3 (1974).

<sup>3</sup> For a discussion of the concept of non-capitalist development see R. Ul’yanovskii, ‘Nekotorye voprosy nekapitalisticheskogo razvitiya osvobodivshikhsya stron,’ *Kommunist*, no. 1 (1966); see also Roger E. Kanet, ‘Soviet Attitudes Toward Developing Nations Since Stalin,’ in Roger E. Kanet, ed., *The Soviet Union and the Developing Nations* (Baltimore: Johns Hopkins University Press, 1974), pp. 27-50.



## PART TWO

### The Soviet Turn toward the Developing World

Almost immediately after Stalin's death in 1953, the new Soviet leadership under Nikita Khrushchev concluded that the anti-colonial struggle and the emergence of new states across the global South afforded the USSR an opportunity to conduct its struggle against capitalism on terrain likely more favorable to the Soviets than Europe. To justify this shift in Soviet policy the Soviets under Khrushchev abandoned the 'you are with us, or against us', two-camp view developed in the late 1940s by Stalin's chief ideologue Andrei Zhdanov,<sup>1</sup> for the idea of a 'zone of peace' as part of his view of 'a policy of peaceful coexistence,'<sup>2</sup> that included both the socialist states and also non-aligned states not members of a Western-oriented military alliance.<sup>2</sup> Moreover, by the mid-1950s, in particular after the uprisings in Hungary, it had become evident to leaders in both Moscow and Washington that continuing their competition for influence in the middle of Europe was likely to result in direct nuclear confrontation, and disaster.<sup>3</sup> Thus, by the middle of the 1950s development assistance—and increasingly over time military support—became an important part of the Soviet-U.S. global competition for influence and access in Asia, Africa and Latin America.<sup>4</sup>

Soviet economic aid began with commitments to Egypt for the construction of the Aswan Dam in 1954,<sup>5</sup> followed soon thereafter by commitments to Syria and to Iraq, after the overthrow of the monarchy in 1958, as well as numerous other countries.<sup>6</sup> By the end of the decade of the 1950s a growing number of Middle Eastern and African countries were receiving Soviet economic assistance, as well as Soviet economic advisors, while increasing numbers of students were travelling to the USSR for both university studies and other training programs.<sup>7</sup> At the outset the Soviets targeted states and liberation groups whose leadership was in direct conflict with the West—either as part of an ongoing anti-colonial conflict or, in the case of the Arab states, the confrontation with the state of Israel. Commitments of economic assistance, usually in the form of industrial development projects, were an important element in Soviet policy, although over time arms transfers and general military support for 'wars of national liberation' outpaced the growth and importance of development

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<sup>1</sup> Andrei Zhdanov, *O mezhdunarodnom polozenii* (Moscow: Gospolitizdat, 1947), p. 42.

<sup>2</sup> Nikita S. Khrushchev, *On Peaceful Coexistence* (Moscow: Foreign Languages Publishing House, 1961), p. 247. Khrushchev introduced, as well, the idea of the national democratic states to describe that third world countries that were not part of Western military alliances, resisted Western economic penetration, expanded the role of the state sector in the economy, and were open to the political activities of the political left, especially local communist parties. Boris Ponomarev, 'O gosudarstve natsional'noi demokratii,' *Kommunist*, no. 8, (1961), pp. 45ff.

<sup>3</sup> Kanet, 'Sowjetische Militärhilfe,' pp. 61-68.

<sup>4</sup> Basing her argument on Soviet archival data, Ragna Boden notes that during the Sukarno period almost 90 percent of Soviet aid to Indonesia went for military purposes. This is a much higher percentage than other analysts in the past, who had no access to Soviet data, had estimated. Ragna Boden, 'Cold War Economics: Soviet Aid to Indonesia,' *Journal of Cold War Studies*, vol. 10, no. 1 (2008), pp. 118-19. See also Ragna Boden, 'Fortsetzung des Klassenkampfes mit anderen Mitteln? Sowjetische Militärhilfepolitik gegenüber Entwicklungsländern am Beispiel der Republik Indonesien,' *Militärgeschichtliche Zeitschrift*, vol. 65, no. 2 (2006), pp. 463-83.

<sup>5</sup> In fact, the Soviets also made important commitments of military support to the Egyptians at the same time, supplied officially by Czechoslovakia. It is important to note that calculating the actual aid content of Soviet development assistance is extremely difficult. The figures employed throughout this paper are drawn from summaries put together by Western sources based on official Soviet claims of loans and credits provided. For the most part the USSR did not provide non-repayable grants to their clients. For an excellent article that attempts to calculate the actual grant component of Moscow's aid late in the Soviet period, see Quintin V. S. Bach, 'A Note on Soviet Statistics on Their Economic Aid,' vol. 37, no. 2 (1985), pp. 269-75.

<sup>6</sup> For a recent examination of the place of economic assistance in Soviet relations with Indonesia during the cold war, drawing in part on documentary materials, see Boden, 'Cold War Economics.'

<sup>7</sup> On Soviet economic assistance and educational programs focused on Africa, see Roger E. Kanet, 'Soviet Economic Policy in Sub-Saharan Africa,' *Canadian Slavic Studies*, vol. 1 (1967), pp. 566-86; and Roger E. Kanet, 'African Youth: The Target of Soviet African Policy,' *The Russian Review*, vol. 27 (1968), pp. 161-75.

assistance.<sup>8</sup> This assistance was offered in the form of credits, at low interest rates, for the acquisition of equipment and technical assistance from the USSR itself. Unlike the United States and the West European states, the Soviets did not extend grants to the recipients of their assistance programs.

In the early stages of Soviet involvement in the developing world the model that clients were expected to follow was, as had been the case in Eastern Europe in the immediate post-World War II era, that of the Soviet Union itself with its focus on state control of the 'heights' of the economy, heavy industrial projects, import substitution, reducing ties with the capitalist West, and closer integration with the socialist states.<sup>9</sup>

Throughout the decade of the 1960s Soviet involvement and influence in the developing world expanded visibly, as more states achieved independence after bitter struggles with Western colonial powers and as more radical leaders came to political power in states that had achieved their independence earlier.<sup>10</sup> Among the most fortuitous developments for Moscow was the commitment of Fidel Castro and his government to embrace Marxism-Leninism after they had come to power in Cuba and the close ties that were established between Havana and Moscow by the end of the 1960s. Across the Middle East ever since the mid-1950s Russia had supported the Arab states in their ongoing confrontation with Israel and its Western supporters, as well as supporting the more radical of the Arab countries in their conflicts with the traditional Arab monarchies which, in general, gravitated in their relations toward the United States.

As noted, an important aspect of Soviet policy toward the countries across Asia, Africa and Latin America was the provision of equipment for infrastructure and industrial development projects, such as the Aswan Dam in Egypt, the Bihar Steel Mill in India, and various smaller projects across the Middle East and Africa, as well as the technical assistance and the education and training of locals to build the foundations of modern industrial and agricultural enterprises. This assistance was meant to cement political ties between Moscow and the respective developing countries, but also to establish and strengthen economic relations between the respective countries. By the early 1970s the Soviets had established a broad network of relationships, focusing initially on more left-oriented partners who, they argued, were already moving on the path toward socialism and, later, on a more diverse set of countries not necessarily committed to Soviet-style socialism.

Although over time military support generally outweighed economic assistance in Soviet policy, the latter remained an important element. Low interest rates and long-term repayment periods for Soviet loans proved to be quite attractive. Moreover, Soviet credits helped recipients solve balance of payment problems, since they were often able to make payments in local currency or by exporting goods produced with Soviet aid. Added to this was the fact that Soviet aid almost always went for large and visible projects in the state sector that were expected to increase the productive capabilities of the recipient country and reduce their dependence on the capitalist West. Since the Soviets made no claims of ownership on the enterprises that they supported, they often had a psychological advantage over Western private investment that was seen by many in the developing world as a continuation of the colonial relationship of dependence. Although in comparison with the United States and the West more generally the Soviets provided rather limited amounts of development assistance, this

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<sup>8</sup> Roger E. Kanet and Rajan Menon, 'Soviet Policy Toward the Third World,' in Donald R. Kelley, ed., *Soviet Politics in the Brezhnev Era* (New York: Praeger, 1980), p. 244.

<sup>9</sup> See Elizabeth Kridl Valkenier, *The Soviet Union and the Third World: An Economic Bind* (New York: Praeger, 1983). Through the early 1970s, for example, 75 percent of Soviet economic aid to Africa went to energy and heavy industrial projects. See P.O. Polshikov, *Kontinent v dvizhenii* (Moscow: Izdatel'stvo 'Mezhdunarodnye otnosheniya', 1976).

<sup>10</sup> It is important to recognize that reverses in the political orientation of developing states occurred, as well. For example, in Ghana, Mali and Guinea, the first recipients of Soviet economic assistance in Africa, leftist governments were soon overthrown and the relationship with the USSR dissolved. In Indonesia, Sukarno was overthrown in a bloody coup that also decimated the political left, including the Indonesia communist party. See Boden, 'Cold War Economics.' In Egypt, Nasser's successor Anwar Sadat broke with Moscow early in the 1970s. Probably the best general treatment of Soviet-Egyptian relations in this period remains Alvin Z. Rubinstein, *Red Star on the Nile: The Soviet- Influence Relationship Since the June War* (Princeton: Princeton University Press, 1977). See also Galia Golan, 'The Soviet Union and the Outbreak of the June 1967 Six-Day War,' *Journal of Cold War Studies*, vol. 8, no. 1 (2006), pp. 3-19.

aid was focused on major projects in a few key geographical areas, in particular in the Middle East and South Asia, regions of special security importance for Moscow.<sup>11</sup>

While these ties had their roots in the policies initiated by Khrushchev soon after the death of Stalin, they had been expanded significantly by Leonid Brezhnev since the former's overthrow in 1964. In fact, Soviet policy in the developing world by the beginning of the 1970s had become much more differentiated. At the center were those countries that were integral parts of the socialist world community, such as Cuba, Mongolia, North Korea and Vietnam. Then came a growing list of countries variously referred to as 'countries on the non-capitalist path of development' or 'socialist oriented' countries that included Angola, Ethiopia, and Mozambique in Africa; Egypt (until the break with the USSR in 1972), Iraq, Syria, and South Yemen in the Middle East; and eventually Nicaragua in Latin America. These countries were expected to emulate the development experience of the USSR and the other Marxist-Leninist countries of Europe. Finally, and of growing importance in Soviet Third World policy, were large countries such as India, which did not fit into these categories, but with which the Soviets maintained close economic, political and even military ties.<sup>12</sup>

The involvement of the United States in Vietnam and the escalation of the war there throughout the 1960s and into the 1970s provided the Soviets with additional opportunities to point to the capitalist West as the opponent of true independence and development for the peoples of the global south, and to the expanding international socialist system as their true friends and the model for their future development.

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<sup>11</sup> There is no conclusive evidence that either the Soviets or the Americans 'learned' from one another's development aid experience or responded directly to it—except in the sense that both sides used aid as an important instrument to establish and strengthen political and security ties with strategically-located client states. A recent quantitative analysis of Soviet and other communist aid programs finds little statistical difference in Soviet and Western aid. See Charles R. Dannehl and R. Rose, 'Explaining Economic Assistance by Non-Democratic Regimes: A Statistical Analysis of Authoritarian Aid to Less Developed Countries,' *Southeastern Political Review*, (27)3 (2007), 491-524.

<sup>12</sup> The Soviets' ongoing confrontation with the People's Republic of China complicated relations with both communist and non-communist political forces throughout the developing world.





### PART THREE

#### The Emerging Socialist International Division of Labor

By the early and mid-1970s the Soviets were speaking confidently of the ‘changing international correlation of forces’ resulting from the decline of the capitalist West and the successful expansion of the community of socialist states. Briefly, this change resulted from the closing of the military gap between the USSR and the United States, which made it impossible for the latter realistically to threaten the use of nuclear weapons any longer. Moreover, the defeat of the United States in Vietnam made it increasingly unlikely, even impossible, for Washington to intervene militarily to prevent the emergence of progressive and socialist states throughout the developing world—a point regularly noted by Soviet commentators.<sup>1</sup> The second important element of the changing global force structure, according to the Soviets, was the rapid expansion of the socialist community of states internationally, which by the mid-1970s included the USSR, the people’s democracies of Eastern Europe, Vietnam and Cuba, and a host of self-proclaimed Marxist-Leninist and progressive states in Africa and the Middle East. By the mid-1970s Leonid Brezhnev and other key Soviet political figures spoke confidently about the emergence of a Socialist International Division of Labor which was gradually replacing the capitalist international system. The basic argument was that no longer did socialist states and aspiring socialist states in the developing world have to operate within the capitalist international economic system and according to the finance and trading rules established by the imperialist powers. Rather, because of the growing strength of the international Socialist Community, these countries would be able increasingly to interact among themselves and operate outside the framework of the existing, but declining, international capitalist system.<sup>2</sup>

An important component of this new theoretical construct concerning the positive changes in the international system was the role of other socialist states, in particular the members of the Council for Mutual Economic Assistance (CMEA), along with the Soviet Union, in providing support for those states across the developing world that had opted for what the Soviets viewed as a progressive approach to development.<sup>3</sup> By the 1970s countries such as the German Democratic Republic and Poland were providing substantial amounts of development support to ‘allies’ throughout the Third World to supplement that of the Soviets, while Cuba was actively involved in providing direct military support to a number of African states, in particular Angola and Somalia, and later Ethiopia.<sup>4</sup> Moreover, the Soviets themselves, seemingly buoyed by their view of the progress of history and the defeat of the United States and its implications for U.S. policy, became much more assertive in the 1970s—first by providing extensive logistic and military materiel support to clients in Angola and Ethiopia and, finally, by direct military intervention in Afghanistan in fall 1979.

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<sup>1</sup> See Michael J. Deane, ‘The Correlation of World Forces,’ *Orbis*, vol. 20 (1976), pp. 625-37; and Sh. Sanakoyev, ‘The World Today: Problems of the Correlation of Forces,’ *International Affairs* (Moscow), no. 11 (1974), pp. 40-50.

<sup>2</sup> By the early 1980s, even before the ideological and political shifts that occurred under Mikhail Gorbachev, Soviet economists began to distance themselves from this position and maintained that developing countries should adjust their development plans to an efficient use of the existing international division of labor. See, for example, Karen N. Brutents, *et al.*, *Sotsialisticheskaya orientatsiya osvobodivshikhsya stran: Nekotorye voprosy teorii i praktiki* (Moscow: Mysl’, 1982), pp. 35-36; and Evgenyi Primakov, *et al.*, *Vostok: rubezh 80-kh godov* (Moscow: Nauka, 1983), pp. 195-96.

<sup>3</sup> In fact, the single most important criterion that defined the overall political orientation of a country was the nature of its relations with the USSR and with the West, not really the nature of its domestic politico-economic system or its internal policies, as the author has argued elsewhere.

<sup>4</sup> In many respects the Cuban-Soviet relationship differed from those of East European countries with the Soviets in the sense that Cuba was as often as not the initiator of operations in Africa, rather than simply responding to Soviet requests for support for Moscow-initiated projects. On East European involvement in the developing world see Michael Radu, ed., *Eastern Europe and the Third World: East vs. South* (New York: Praeger, 1981). Among the many studies of the Soviet-Cuban relationship in Africa, see William M. LeoGrande, *Cuba’s Policy in Africa, 1959-1980* (Berkeley, CA: Institute for International Studies, University of California, 1980); Peter Shearman, *The Soviet Union and Cuba* (London: Routledge & Kegan Paul, 1987); and, especially, Piero Gleijeses, *Conflicting Missions: Havana, Washington, and Africa, 1959-1976* (Chapel Hill, NC: University of North Carolina Press, 2002) and Piero Gleijeses, ‘Moscow’s Proxy? Cuba and Africa 1975-1988,’ *Journal of Cold War Studies*, vol. 8, no. 2 (2006), pp. 3-51.

All in all, from the perspective of official Moscow the first quarter century of Soviet economic involvement in the developing world, during which economic development assistance played an important role, had been eminently successfully. In 1954, when Nikita Khrushchev made the first commitments of Soviet assistance to Egypt, Moscow had virtually no effective political, economic, or military presence in or relations with the countries of emerging postcolonial countries of Asia or Africa, and only limited relations with Latin America. In fact, during the late Stalin years local communists, as in Indonesia, had been instructed by Moscow not to support anti-colonial forces headed by non-communist groups.<sup>5</sup>

By the end of the Brezhnev era at the beginning of the 1980s, the USSR was a major global actor with seemingly close ties to a large and growing number of new states. In fact, Ronald Reagan's 1980 presidential election campaign was fought in part on the premise that what the Soviets termed the 'changing international correlation of forces' was in fact occurring and that the United States must respond by reasserting its position and interests across the developing world in order to prevent the Soviets from gaining dominance throughout the global south.

However, this very positive Soviet view of the place, role and prospects for the Soviet Union and their clients and partners throughout the Third World was about to change—in fact, it was already in the process of changing, independent of the shifts in U.S. policy initiated in the final year of the Carter Administration and then, with real gusto, under President Reagan. First of all, there were the increasingly visible problems of the Soviet economy and the escalating costs associated with the effort to build a Socialist International Division of Labor to replace the supposedly declining capitalist system. In fact, the Soviet economy was beginning to give clear indication of the declining growth rates, poor quality goods and inadequate agricultural performance that in a few years would underline Mikhail Gorbachev's efforts at reform and then contribute to the ultimate decline and downfall of the Soviet state itself. These economic shortcomings made increasingly evident the 'costs of empire' associated with the subsidies provided to established socialist states in Europe, as well as to the growing list of supposedly socialist and proto-socialist states across the developing world.<sup>6</sup>

Moreover, by the early 1980s, even before the arrival of Gorbachev and the initial opening up of serious policy-relevant discussions in the USSR, Soviet experts writing on the developing world became increasingly concerned about the slow pace of their development, the levels of corruption, and their commitment to real socialist development.<sup>7</sup> Those regimes in the developing world that had most closely adopted the Soviet-style politico-economic system, such as Ethiopia and South Yemen, were among the least developed and in need of the greatest amounts of economic and development assistance from the USSR and other CMEA states<sup>8</sup>—assistance that the Soviets were increasingly unable to provide because of their own economic malaise. Other developing countries that the Soviets usually categorized as 'progressive' and were in areas of strategic importance for Moscow were in fact strongly anti-communist. Moreover, these countries were at a higher level of industrial development and required imports of more sophisticated machinery and equipment of the type in short supply in the USSR itself.

Added to these problems was the fact that because of poor implementation much of prior Soviet development assistance had not really contributed to the type of growth that had been expected. In addition,

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<sup>5</sup> See Malcolm D. Kennedy, *A Short History of Communism in Asia* (London: Weidenfeld & Nicholson, 1957), pp. 440ff.; Charles B. McLane, *Soviet Strategies in Southeast Asia* (Princeton: Princeton University Press, 1966), pp. 401-07; and Ruth T. McVey, *The Calcutta Conference and the Southeast Asian Uprisings* (Ithaca, NY: Modern Indonesia Project, Southeast Asia Program, Department of Far Eastern Studies, Cornell University, 1958), pp. 58ff.

<sup>6</sup> Writing in the early 1980s, a group of U.S. analysts estimated that the cost of Soviet subsidies for their clients, including Eastern Europe, Cuba, and Vietnam, had reached a figure of \$35 to 46 billion annually by the end of the Brezhnev era. See Charles Wolf, Jr., *et al.*, *The Costs of Soviet Empire*, No. R-3073/1NA (Santa Monica, CA: The Rand Corporation, 1984).

<sup>7</sup> For an overview of the early Soviet reassessment of prospects in the developing world, see Elizabeth Kridl Valkenier, 'Revolutionary Change in the Third World: Recent Soviet Reassessments,' in Roger E. Kanet, ed., *The Soviet Union, Eastern Europe and the Third World* (Cambridge-New York: Cambridge University Press, 1987), pp. 23-41.

<sup>8</sup> Roger E. Kanet, 'Patterns of Eastern European Economic Involvement in the Third World,' in Michael Radu, ed., *Eastern Europe and the Third World: East vs. South* (New York: Praeger, 1981), pp. 303-32.

since the Soviets tended to focus on large-scale industrial projects based on the experience of the USSR, many of these projects proved to be unsuitable for the needs of the recipient countries. In fact, only a few of the large-scale Soviet projects—such as the Aswan Dam in Egypt and the Bhilai steel plant in India—had the desired impact on the local economy.<sup>9</sup>

In other words, by the beginning of the 1980s it was becoming evident to those knowledgeable about the internal economic situation in the Soviet Union, as well as about developments in Soviet client states, that the prospects for the successful development of a global Socialist Division of Labor to challenge and supplant the capitalist system were in decline.<sup>10</sup> The Soviet Union itself, as well as virtually all of its CMEA allies, was enduring serious economic problems that made it increasingly difficult to continue to support its extensive list of global clients with both economic development assistance and military assistance.

Added to this economic reality was the fact that the Reagan Administration initiated a new offensive targeted at Soviet client states. One of the advantages that the Soviets had enjoyed early in the Cold War as it challenged the West for influence in the developing world was the fact that for local political elites the capitalist West was the enemy—either because it comprised the colonial power from whom independence had not yet been wrested or was part of a global politico-economic system viewed as neo-colonial. By the 1980s authoritarian political systems, put into place or continuing to hold power with Soviet and other communist country support, were challenged by domestic movements that were committed to eliminating these regimes. From Nicaragua to Angola and Afghanistan, Marxist regimes supported by the Soviet Union had failed to respond to local expectations and now found themselves under attack by groups backed by the United States. These internal upheavals put even greater pressure on these regimes and on their Soviet benefactors at a time when the latter's economic system was increasingly challenged domestically. In a way, the competition for influence by the USSR and the United States had been, in part, reversed, with the United States now aiding challengers of the status quo in Marxist-oriented states.

One result of these developments was the reshaping of Soviet economic policy toward the developing world already in the early 1980s. Moscow began to take a more cautious approach in its support for client states. First, primary attention was devoted to the need to increase Soviet economic productivity. In addition, the Soviets became less willing to enter economic relationships with developing countries that were not 'mutually beneficial'. In addition, whereas economic relations with developing states in the 1950s and 1960s had usually been based on long-term agreements based on predetermined prices for the goods exchanged and settlements in non-convertible currencies, by the 1980s three-quarters of Soviet trade balances were cleared in convertible currency—an indication of the Soviet requirement to generate hard currency to cover the costs of imports of industrial products from the West. During his brief period as General Secretary of the Soviet Communist Party, Iurii Andropov on several occasions made comments that appeared to question the benefits for the USSR of its extensive ties with the developing world. Most important, he made clear that the USSR would not expand its commitment of development assistance when he stated: 'We contribute also, to the extent of our ability, to economic development. But on the whole their economic development, just as the entire social progress of those countries, can be, of course, only the result of the work of their peoples and of a correct policy of leadership.'<sup>11</sup>

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<sup>9</sup> For discussions of these projects see Robert Horn, *Soviet-Indian Relations* (New Haven: Yale University Press, 1983) and Louis T. Wells, *Third World Multinationals* (Cambridge, MA: The MIT Press, 1983).

<sup>10</sup> For comprehensive examinations of the increasing pessimism of Soviet analysts about prospects in Soviet client states see Jerry F. Hough, *The Struggle for the Third World: Soviet Debates and American Options* (Washington: The Brookings Institution, 1986) and Daniel S. Papp, *Soviet Perceptions of the Developing World in the 1980s: The Ideological Basis* (Lexington, MA: Lexington Books, 1985). Aleksandr Bovin, a noted Soviet analyst of the developing world, pointed out in discussing the policy 'zigzags' in Soviet clients that 'The roads of freedom are difficult, agonizingly difficult.' See his 'Difficult Roads of Freedom,' *Izvestiya*, November 12, 1984, p. 5; translated in *Current Digest of the Soviet Press*, vol. 36, no. 48 (December 1984), p. 48.

<sup>11</sup> Iurii Andropov, 'Speech of the General Secretary of the Central Committee of the CPSU Comrade Iu.V. Andropov,' *Kommunist*, no. 9 (1983).

As we have seen, by the time of Mikhail Gorbachev's selection as General Secretary of the CPSU in spring 1985, Soviet policy toward the developing world—including its development assistance and its trade—had already begun to undergo change from the days, only a decade earlier, when Leonid Brezhnev was in effect declaring the emergence of a Soviet-led Socialist World System that was in the process of overwhelming the capitalist West. Caution and encouragement of Marxist clients to make more effective use of their own resources within the international capitalism system had replaced Brezhnev's braggadocio.

## PART FOUR

### Gorbachev, 'New Thinking,' and the Decline of Soviet Assistance

The election of Mikhail S. Gorbachev as General Secretary of the CPSU on March 11, 1985 ushered in six and a half years of tumultuous change in the USSR that eventually led to the dissolution of the Union itself in December 1991 and the emergence of fifteen new states.<sup>1</sup> Almost immediately the new Soviet leader pointed to the catastrophic economic—and political—situation in which the country found itself, and began calling for *perestroika*—major reform in the economy as well as in the political system—intended to revitalize the entire Soviet economic system. 'New thinking' about foreign policy, including that toward the developing countries, was an integral part of the Gorbachev plan for reinvigorating the Soviet Union. Briefly, drawing upon the conclusions of many Soviet analysts and political figures, Gorbachev concluded that 1) Moscow had to abandon the politics of confrontation with the West, which threatened to destroy the human race; 2) security cannot be guaranteed without one's opponent also feeling secure; 3) the cost of past foreign and security policy was not sustainable and, moreover, had not really added to Soviet security; 4) extensive new investments, including expanded economic collaboration with the West, was essential to rebuild the Soviet economy; and 5) the reduction of conflict with the West throughout the Third World was essential both to lower the cost of Soviet foreign policy and to improve relations with the West.<sup>2</sup>

What the shift in policy meant for Soviet allies and clients across the developing world was a continuing drop in Moscow's interest and commitment. As we have already seen, even before Gorbachev's rise to political power the Soviets were in the process of reconsidering the level of their commitment to Third World clients who depended upon them for security and development assistance. Now the focus was on reducing global confrontation with the United States and eliminating much of the cost of Soviet foreign and security policy—by reducing the commitment of both military and economic support for allies and clients. In Afghanistan, for example, after an initial expansion of Soviet efforts to 'win' the way against the insurgents, by early 1988 Moscow announced that within a year it would withdraw from the country and turn over responsibility for security to the Afghan government. The broad shift in Soviet policy became evident in 1987-89 as the Soviets moved to defuse the confrontation in Europe by agreeing to dismantle intermediate-range nuclear weapons that had soured relations for the past decade, announcing the unilateral withdrawal of 100,000 Soviet troops and 10,000 tanks from Central Europe, and a major reduction of Soviet support for clients, such as Afghanistan, in Third World conflicts.<sup>3</sup>

A central element of 'new thinking' concerned the feasibility and cost-effectiveness of Soviet policy goals in the developing world, as well as the impact of earlier Soviet policy objectives on relations with the West, which was now viewed as the sole source of the technology and investment capital needed to turn the Soviet economy around. The result was a gradual, but escalating Soviet disengagement from the Third World that by 1991 resulted in a virtual renunciation of prior Soviet economic and security commitments to radical client

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<sup>1</sup> The three Baltic republics were recognized as sovereign states already in September 1991; the December dissolution of the remainder of the USSR resulted in an additional twelve new countries.

<sup>2</sup> For a more extended treatment of the place of the developing world in Gorbachev's reinterpretation of Soviet foreign policy see Roger E. Kanet, 'Reassessing Soviet Doctrine: New Priorities and Perspectives,' in Edward A. Kolodziej and Roger E. Kanet, eds., *The Limits of Soviet Power in the Developing World: Thermidor in the Revolutionary Struggle* (Houndmills, UK: Macmillan Press, 1989), pp. 297-425.

<sup>3</sup> Soviet policy in the developing world went through three stages during the Gorbachev years. Until late 1987 or early 1988, despite the new rhetoric, policy changed little. In fact, in Afghanistan involvement was increased in the attempt to gain a military victory over U.S.-supported insurgents. Then, beginning in 1988 until mid-1990 or so, the Soviets engaged in major efforts to encourage clients from Nicaragua and Angola to Cambodia to resolve conflicts with insurgents peacefully, as they reduced their economic and military involvement. In the final year and a half of the Soviet state, Moscow was so focused on domestic economic and political problems that it virtually deferred to the West, as in the Gulf War of 1990-91. See Roger E. Kanet with Garth T. Katner, 'From New Thinking to the Fragmentation of Consensus in Soviet Foreign Policy: The USSR and the Developing World,' in Roger E. Kanet, *et al.*, *Soviet Foreign Policy in Transition* (Cambridge, UK: Cambridge University Press, 1994), pp. 121-44.

states and movements—as in Afghanistan, Cuba, and Cambodia—and a major reduction in overall involvement in the developing world that was not clearly and immediately beneficial to the economic interests of the USSR.<sup>4</sup>

The economic and political impacts of these changes on developing countries were visible quickly. For example, from 1988 to 1991 Soviet trade with Cuba, conducted mostly on a preferential basis for political reasons, fell by 94 percent. Simultaneously, Moscow withdrew its military support for the Sandinista regime in Nicaragua and by 1991 withdrew its support from the Marxist regimes in both Angola and Ethiopia.<sup>5</sup> In Southeast Asia, in anticipation of the reduction of Soviet economic assistance, Vietnam, Laos, and Cambodian—all at that time communist allies of Moscow—were forced to initiate internal economic reforms and begin the search for alternative sources of economic assistance.

So, even before its implosion in December 1991 the Soviet Union had, in effect, abandoned its four-decade effort to build an alternate economic and political system incorporating the developing states as part of its global confrontation with the capitalist West. In fact, it had abandoned that confrontation itself and was in the process of attempting to adjust as a member of the existing, and capitalist, international system. Only in recent years and on a very limited basis has the Russian Federation, the successor state to the USSR, attempted to renew its ties with states in the developing world—generally for pragmatic economic reasons, but also at times as part of its effort to challenge U.S. global dominance.

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<sup>4</sup> This and the following discussion borrow from Roger E. Kanet, Alexander V. Kozhemiakin, and Susanne M. Birgerson, 'The Third World in Russian Policy,' in Roger E. Kanet and Alexander V. Kozhemiakin, eds., *The Foreign Policy of the Russian Federation* (Houndmills, UK: Macmillan Press, 1997), pp. 159-91.

<sup>5</sup> One Soviet specialist on African affairs writing at the time commented that Gorbachev had presided over the collapse of the USSR's African policy. See A. Kiva, 'Afrika i zdes zanovo?' *Literaturnaya gazeta*, no. 21, May 29, 1991.

## PART FIVE

### Concluding Observations

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For more than four decades Moscow and Washington engaged in a global competition for presence, influence and control. For much of that time the post-colonial developing world was an important arena in which that confrontation played out. Although military and security support to client states and access to military facilities across the globe soon outweighed economic aid, development assistance played an important part in that competition from the mid-1950s until the late 1980s, when the Soviets rapidly withdrew from the competition.

Perhaps the greatest limiting factor on Soviet policy in the Third World—as it was in the broader global competition that Moscow carried out with the United States—was based on the USSR’s economic limitations and the fact that it had little to offer to regimes outside the area of security-related support. For those wishing to overturn colonial regimes, as was the case throughout substantial sections of the colonial world in the immediate aftermath of the Second World War, the Soviet Union had much to offer, including political support, as well as military training and equipment. For governments faced with internal and external threats to security, as well as for authoritarian leaders challenged by their populations, the USSR proved to be a decently reliable source of support until almost the very end. However, its relative inability to provide effective economic development assistance, even for those political leaders committed to some form of socialism, meant that Western markets, Western investment and Western development assistance remained an important element in their policy. Despite Soviet claims, voiced most loudly in the mid-1970s about the emergence of a new Socialist International System that was in the process of replacing the capitalist system, the reality was that the Soviet Union was unable to provide the type of support to permit its growing list of clients to make significant economic progress. This, when added to the fact that the Soviet system itself proved to be incapable of matching the economic development of the capitalist world, largely doomed to failure the entire effort to create an alternative and expanding international system.

An important question arises about the impact of the ending of Soviet economic and military assistance programs in the developing world even prior to the dissolution of the Soviet state itself. For countries such as Cuba the initial impact of the loss of the substantial Soviet subsidies undercut significantly the level of national income. For others—such as Nicaragua, Ethiopia, and Afghanistan—where the Soviets, while withdrawing their economic and military support also encouraged their allies to negotiate with their opponents for a settlement of ongoing conflicts, the result was a collapse of the Marxist regime and its replacement by its opponents. It is important to recall that the impact on the developing world more broadly was even greater than simply the disappearance of the Soviet Union as an important source of assistance. To an important degree the United States also lost interest in much of the developing world as soon as it was no longer engaged in what was usually viewed as a zero-sum game for influence and control with the Soviet Union. This resulted in a decline in U.S. commitments. Perhaps the clearest example of this development occurred in Afghanistan where, with the Soviet withdrawal, the United States made no commitment whatsoever to provide the assistance so urgently needed to try to rebuild Afghan society.

Perhaps the most important impact that Soviet assistance programs had on the recipient countries concerned the manner in which development priorities were often skewed. First, there was the fact that both the Soviet Union and the United States increasingly emphasized military support for Third World clients over development projects, thereby advantaging military and security elites in the competition for domestic political influence in developing countries.<sup>1</sup> Closely related to the advantages that this gave to the military and their supporters, it also meant the commitment of scarce resources for military projects rather than for economic development. In the case of Soviet development assistance, however, there were the added problems associated with the focus on large, often inappropriate, industrial projects—projects that, much as was the case in Eastern Europe and the USSR itself—proved to be non-competitive in global markets once the centralized planned economy collapsed.

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<sup>1</sup> Roger E. Kanet, “The Superpower Quest for Empire: The Cold War and Soviet Support for “Wars of National Liberation,”” *Cold War History*, vol. 6, no. 3 (2006), p. 343.

A final assessment of Soviet economic development assistance is that, with relatively few exceptions, the large projects did not prove to be successful in the long term.<sup>2</sup> Moreover, since the Soviet aid program was driven primarily by political considerations, cost-benefit analysis, economies of scale, and similar considerations that would likely have provided more impetus toward efficiency were not central considerations.

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<sup>2</sup> Most of the successful large projects supported by the Soviets probably are in India. The fact that India had an effective and independent administration, large numbers of qualified scientists and technicians to participate in the construction and oversight of the projects, and that India never became dependent on the Soviets for its security or economic well-being probably go far to account for this.