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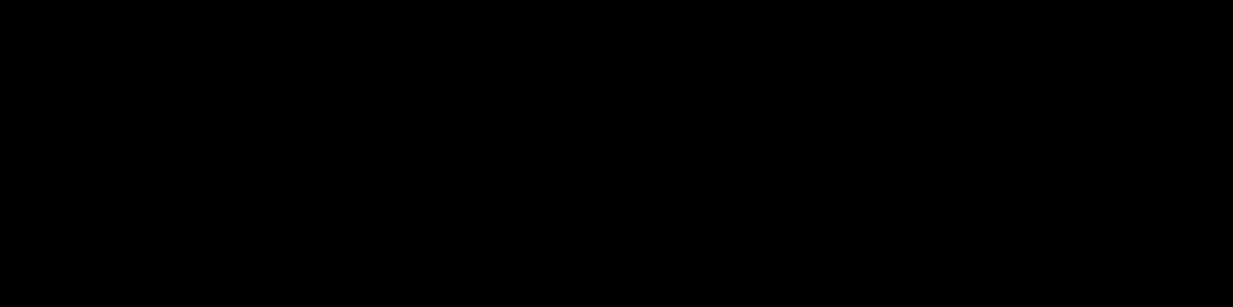
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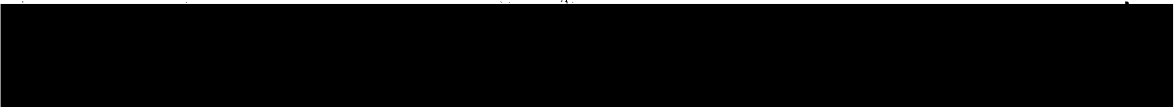
The following pamphlets in English on international trade, published in connection with the World Economic Conference held in Moscow, April 1952, are available on loan from the CIA Library:

- a. The Soviet Union and International Economic Cooperation, I. Fituni; Foreign Languages Publishing House; Moscow; 1952.
- b. Trade, Peace, Prosperity, published by News; Moscow; April 1952.
- c. The Resumption and Development of International Economic Relations, A. Osipov; Foreign Languages Publishing House; Moscow; 1952.
- d. Normalization of World Trade and the Monetary Problem, A. Smirnov; Foreign Languages Publishing House; Moscow; 1952.
- e. The Collaboration of Nations in the USSR, E.A. Dunayeva; Foreign Languages Publishing House; Moscow; 1952; 1.35 R.
- f. International Trade and the Improvement of the Standard of Living in the West, M. Alexandrov; Foreign Languages Publishing House; Moscow; 1952.

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CLASSIFICATION

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TRADE RESTRICTED
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ENCLOSURE TO

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**NEWS
INTERNATIONAL
ECONOMIC CONFERENCE IN MOSCOW
NEWS**

Approved For Release 2002/01/04 : CIA-RDP83-00415R011900060004-9

TRADE
PEACE
PROSPERITY

A Collection of Articles

Published by NEWS

Moscow

April 1952

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EDITORS' NOTE

Collected in this booklet are some of the articles that have appeared in NEWS in the last few months in connection with the International Economic Conference. They were written by well-known scientists, economists and other Soviet personalities, and discuss the vital problem of international economic co-operation from the practical angle, namely, the need to resume normal trade. This is a subject in which people in all countries are keenly interested, for a return to normal world trade would be a big step towards international economic co-operation in a wider aspect, making for development of the economic resources of all countries and higher living standards.

In the world of today, a conference with businessmen, economists, trade unionists and co-operative leaders of different countries seeking together for ways and means of solving a variety of economic problems is an event of major importance. And in presenting the opinions expressed here on international economic relations to the members of the Conference, NEWS is following its policy of promoting understanding and co-operation between nations.

The Editors of NEWS

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STANISLAV STRUMILIN
Academician

International Trade Should Be Resumed

The International Economic Conference, which will meet in Moscow in April, sets itself very important and wholly feasible tasks. The appeal of the Initiating Committee, which met in Copenhagen some time ago, and on which various countries are represented, reflects the concern felt everywhere over the rupture of international economic ties. It points out that artificial barriers are causing the severance of traditional economic bonds between states, are hampering exchange of material and cultural values, undermining international credit relationships and are aggravating the general currency chaos. Needless to say, this is having a ruinous effect on living standards in many countries. On the other hand, consolidation and extension of international economic co-operation would undoubtedly help to improve the condition of the people and would ease international tension. The sponsors of the Moscow meeting proceed from the basic premise that

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the present world cleavage is not so deep as to preclude co-operation between countries with different social and economic systems. Nor do they suggest that the Conference discuss political issues; all they propose is that it **study ways and means of raising living standards** in the second half of this century through the maintenance of peace and by extending international economic contacts.

The Conference will bring together economists, businessmen, co-operators, trade-union leaders and technicians of diverse political views and beliefs. They are not coming to Moscow to debate controversial political issues. The prime purpose of the Conference is to examine, in a concrete and businesslike way, the problem of **economic co-operation**—co-operation in international trade based on full equality and precluding any discrimination.

In assessing the chances of its success, it would be naive to ignore the conflicting economic interests that divide the world today, for they determine the attitude of various circles towards the Moscow meeting. Some support the Conference; others are working against it. But a sober analysis of the international situation shows that the vital interests of the nations demand that it fulfil its mission.

An objective and impartial survey of the economic state of affairs will bear this out. The basic fact in world economy is, of course, the existence of two social and economic systems. And though opinion is divided on this score, the fact itself cannot be brushed aside. Another key fact that cannot be disregarded is the possibility of **peaceful** co-existence of the two systems which has been proved beyond all doubt by past experience. Economic **competition** does not rule out

mutually advantageous **co-operation** in world trade and in technical, scientific, and cultural progress. In fact, both sides find this co-operation necessary, notably in such matters as supply of essential materials.

Why, then, has this peaceful co-operation been disrupted, and its future jeopardized? Why all these discriminatory measures—the Battle Bill, the embargo on trade with Eastern and Southeastern Europe and certain Asian countries, the attempts to blockade the People's Democracies?

The inference is that the authors of this policy have lost faith in the superiority of their own economic system and its chances of coming out on top in **peaceful** competition in the world markets. Theirs is a policy of economic self-isolation, to be followed by more drastic methods of **extra-economic competition**. This is a cold war tactic, and the attempt is being made to justify it by pleading "defence" exigencies and possible "aggression from the East." But there is no military menace "from the East," and never will be. Moreover, it is extremely difficult to unleash another world war when the masses in all countries have so clearly and determinedly expressed their will to defend the peace. Consequently, the real menaces facing the people in many countries are the armaments drive and continued dislocation of international economic ties.

The cold war strategists have evidently borrowed a page from Napoleon's book. Their "continental blockade" is spearheaded against the whole Eastern half of the world. But when one half of the world tries to blockade the other half, it is bound to find that it has blockaded itself. It will be recalled that Napoleon, even at the very height of his power, when he had mustered the forces of the whole continent against

Britain, found, great strategist though he was, that he could not stifle her through blockade. The present-day advocates of economic blockades against whole continents maintain that the method can be more effective in our industrial age than it was in Napoleon's time. But even if that were true, it is still a moot question which half of the industrial world will suffer most—the blockading or blockaded half. Scientifically established facts lead us to the conclusion that it is the countries with planned economies that enjoy the greatest advantages and are less vulnerable to the adverse consequences of blockade than countries with uncontrolled economies which are being constantly subjected to the ravages of capitalist competition.

There are ample facts to bear this out. The Soviet Union's planned economy withstood a long period of foreign intervention and blockade in its early formative years. The blockade did not lead to economic decline; the Soviet Union developed at a more rapid rate than the blockading countries. This first blockade of the Soviet Union had to be abandoned in 1920 because the capitalist countries were badly in need of Russia's raw materials and markets. Only a few short years later, and the U.S.S.R. had advanced to first place in Europe in volume of output, and by 1935 it had outstripped France, Britain and even Germany. The Soviet people have drawn a lesson from this blockade: their planned economy is so organized as to be practically invulnerable to the periodic upheavals in the world markets and other contingencies.

In 1935, Soviet industrial output was nearly six times as great as in 1913, the increase in engineering being 22-fold, and in power generation—32-fold. In 1913, Russia imported 62 per cent of her machines and appliances, 27 per cent of her chemicals, 22 per cent of her cellulose, and so on. By 1935 the Soviet economy was already able to meet almost all of its

requirements in these and other products, even though the demand for them had increased many times over. The Soviet Union continues to be a market of no little importance for the West, but no blockade can shake its economic independence. At the same time the sweeping development of Socialist economy offers wide opportunities for trade with other countries.

I have cited these facts of recent economic history only to emphasize that the future of the European and world economy, as experience has shown, lies not in blockading continents and isolating one group of countries from another, but in ensuring brisk trade based on equality and mutual advantage.

The belief that nearly the whole of Asia and a good part of Europe can be effectively blockaded is a sheer illusion. Even assuming that such a blockade were possible, it should be borne in mind that the 800 million people of this area are united in close fellowship and have planned economies that are free of crises and can continue to develop by tapping their own resources. And another factor: what will the West gain by blockade, considering that no Western country can develop economically by relying solely on its own resources? Every economist knows that access to the markets of the Soviet Union, China, the countries of Eastern and Central Europe is a prime necessity for the West. Besides, many of the Western countries depend to a large extent on imports of food and raw materials. Just try to imagine what would happen to Britain were she to cut off all imports of grain, timber, cotton, rubber, oil, bauxite, iron ore, copper, nickel and zinc. Germany is another case in point: she has always been dependent on foreign supplies of oil, cotton, rubber, manganese ore, bauxite, and imported up to 45 per cent of her iron ore. The United States has to import practically its entire supply of rubber, man-

ganese ore, nickel and chromite. Much the same can be said of every other industrial country in the West. For this reason, if for no other, the idea of "blockading the East" is fallacious in its very conception, and is justly regarded by many Western businessmen and economists as dangerous and fraught with grave complications for their own countries. Receding trade brings with it serious difficulties for industry, it spells lower incomes for the employers and unemployment for the workers. The publication of a list of 313 items, whose export to Eastern Europe is prohibited, has not helped to brighten the business outlook in the West.

Commenting on Britain's present economic position, Richard Crossman pointed out that a "complete blockade" of the Soviet Union and China would ruin Britain. And Herbert Morrison has been quoted as saying that such a blockade would damage and dislocate Britain's economy.

That the economies of many West-European countries are experiencing severe difficulties is generally known. It is becoming increasingly obvious that the country whose rulers have initiated the trade blockade stands to gain little from its discriminatory policies. I am certain that sober-minded American economists and businessmen realize that conversion of the entire economy to military purposes and abandonment for purely political considerations of traditional markets and of trade relations with the Soviet Union, China and the European People's Democracies can hardly contribute to a solution of economic problems. The armaments drive is diverting an immense share of manpower and material resources from **productive** activity; the productive forces of the nation are being squandered, with the result that civilian production is heading for a severe crisis. Guns instead of butter, but the guns have to be paid for, and taxation of the working classes has increased fivefold in recent years. The

purchasing power of the dollar has been cut by half, and, according to trade-union estimates, the price index six months ago was 162 per cent of prewar.

In his last report to President Truman, Defence Mobilization Director Wilson admitted that, with the arms race continuing, 1952 will bring even greater shortages of civilian goods than 1951. Peace industries will receive 40 per cent less steel than last year, 66 per cent less copper and aluminum, and no nickel. Civilian construction will be drastically curtailed and the supply of machine tools to firms not engaged on "defence" orders will cease in February. The inevitable result will be further cuts in civilian production and, of course, a further increase of unemployment.

These are the fruits of the war boom. The realization is gaining ground in Western business circles that the blockade policy, especially in view of mounting commodity shortages, is absolutely untenable. The only ones to gain from it are the arms manufacturers, who are making billions on military contracts. But besides these death merchants there are many people in every country who prefer to trade in less lethal commodities and who realize that the cold war, while enriching the owners of the war industries, is ruining civilian production, that it means bankruptcy for employers and starvation for the workers of these industries.

That is why the forthcoming International Economic Conference in Moscow should be of interest to Western businessmen as well as to economists.

The resumption of normal economic relations among the various nations is a matter of cardinal importance, and we Soviet economists fully support the convocation of the International Economic Conference, one of whose aims will be to work out ways and means of attaining that goal.

NIKOLAI LYUBIMOV
Professor

What Is Wrong with International Trade?

The mechanism of world trade is definitely out of gear. Exchange rates have lost their stability; frequent currency devaluation has upset the intricate and extremely sensitive mechanism of international credit and payments. The machinery of price formation is likewise not running smoothly as a result of postwar dumping and arms deliveries on terms that do not fit in with normal trade practices. This state of affairs is the outcome of a number of economic and political factors in the past two decades: the economic crisis of the 'thirties, the repercussions of World War II and the discriminatory policies pursued by certain governments since the war.

The severance of traditional commercial, financial, transport and other international economic ties is causing **immense material losses** to most of the countries. The situation has deteriorated especially in the last four years (1948-51) with the introduction

of a veritable system of discriminatory measures, the express purpose of which is to disrupt normal trade relations between the West and the Soviet Union, China and the European People's Democracies.

I doubt whether any precise computation is possible of the damage caused to the various countries, to the industrial, commercial, transport and insurance interests, by the disorganization of world commercial intercourse. But even the most conservative and approximate estimate will show that the financial loss is tremendous and the economic consequences extremely grave.

Let us try to estimate, if only approximately, the direct losses caused by the contraction of East-West trade, and by the general functional disruption of commercial and credit ties between the West and the U.S.S.R., the Chinese People's Republic and the People's Democracies of Eastern and Southeastern Europe.

The following figures of the Organization for European Economic Co-operation cast a revealing light on the subject:

In 1938 the East-West trade turnover totalled 1,559 million dollars (East-European exports to Western Europe amounting to 917 million dollars, and West-European exports to Eastern Europe—to 642 million). It should be noted, of course, that for several countries 1938 was a crisis year, and the volume of trade consequently was much smaller, than, say, in 1928. Profits of industrial and commercial firms from foreign trade operations make up approximately 10 per cent of the cost of merchandise. In other words, the minimum direct loss caused West-European business interests by the contraction of West-European

exports to Eastern Europe, and imports from the latter to Western Europe, can be placed at 150 million dollars. This covers only one year, and for the six postwar years (1946-51) the figure is therefore 900 million dollars, and over 1,000 million dollars if we add the direct losses suffered by American firms.

This calculation refers to West-European trade with the U.S.S.R., Czechoslovakia, Poland, Rumania, Hungary and Bulgaria, and does not include China and several other Asian countries. If these were taken into account, the loss caused, directly or indirectly, to West-European and American industrial and commercial interests would be greater still.

Some periodicals in America and Western Europe claim that the importance of East-West trade is being greatly exaggerated. The "New York Times" (January 13, 1952) carried this computation: in 1949 the Soviet Union and several East-European countries accounted for no more than 6 per cent of aggregate world trade, and, the paper asserts, even if the percentage were doubled and the absolute figure raised to 3,000 million dollars, even then it would not be a "decisive factor" in the total volume of world trade which amounts to 60,000 million dollars.

This line of argument will hardly bear examination, if only for the reason that statistical "averages" hardly ever give the full picture. Austrian businessmen, for instance, point out that in 1937, 90 per cent of Austria's grain imports, 75 per cent of her coal imports, and 44 per cent of her tobacco, came from Eastern Europe. And it would be hard to persuade the Austrian economists that trade with Eastern Europe is not important to their country. Or consider the following figures: in 1938, the last prewar year,

Eastern Europe supplied Western Europe with more than 5 million tons of wheat—9.5 per cent of total imports, barley—889,000 tons or 26 per cent, 500,000 tons of butter or about 12.6 per cent, eggs—19 per cent, poultry—54 per cent, and so on.

The record of Soviet foreign trade shows that the U.S.S.R. is a highly important market for foreign goods. Now that the country's economy is on the upsurge, following the healing of the war wounds, vast opportunities are open to foreign firms, both traditional suppliers and new entrants in the field.

The 1946 Soviet trade agreement with Sweden, the 1947 commercial and financial agreement with Great Britain (the fact that it has not been properly implemented certainly cannot be blamed on the U.S.S.R.), and other postwar commercial agreements, furnish ample proof of the Soviet Union's desire for close economic co-operation with other countries and of its scrupulous fulfilment of all commitments.

In 1931-33 the Soviet Union was the world's biggest buyer of machinery and industrial equipment: in 1931 it purchased nearly one-third of the world's export of machines (excluding motor vehicles). In these past twenty years the U.S.S.R. has achieved a high degree of industrialization and the nature of its imports has changed accordingly. But it does not require much business acumen to realize that far from reducing, this actually increases the opportunities for advantageous trade. There is not a grain of truth in the assertions of certain foreign publications that the Soviet Union is interested in acquiring only "special plant for military purposes," "strategic materials," and so on. Any foreign visitor who looks into Moscow's shops can see that the U.S.S.R. imports a

wide range of merchandise, right down to Austrian furniture and Mexican canned fruit. Naturally the import of foreign wares presupposes favourable conditions for export of Soviet goods.

In an interview with Walter Duranty, the American newspaperman, published in the early part of 1934, J. V. Stalin said: "We cannot import without exporting, because we do not want to place orders without having the assurance that we shall be able to meet our payments."

This was, and is, an ironclad rule of Soviet foreign trade.

Stagnation, indeed recession, of East-West trade brings in its wake not only greater losses for individual firms; it spells substantial economic losses for whole countries.

Last December the London "Economist" estimated that Western Europe's general payments deficit with the rest of the world in 1950 amounted to about 1,000 million dollars, increasing to an annual rate of about 2,500 million in 1951. The figures are based on the returns for the first half of 1951, for Britain's payments position was less favourable in the second half. The "Economist" remarks that if import and export prices had remained unchanged, the deficit would have been no more than 500 million dollars, or about one-fifth of the present figure. But the fact of the matter is that prices of imported items advance much more rapidly than prices of export goods, and this has cost Western Europe some 2,000 million dollars!

One might well ask whether this "additional" loss was really inevitable, and whether the unprecedented flow of gold and dollars from Britain in the third

quarter of 1951 (598 million dollars) was inevitable as the London "Times" of January 14 tries to make out.

Had Britain extended her trade with the Soviet Union, the Chinese People's Republic and the European People's Democracies, and adhered to the principle of mutually advantageous economic co-operation, there is every reason to believe that she could have avoided these terrible gaps in her balance of payments.

The "Times" notes that whereas in 1949 Britain was passing through a dollar crisis, today the sterling area is faced with a general deficit in its balance of payments.

And indeed there are numerous facts to show that last year brought Britain additional difficulties in international trade and in her financial dealings with other countries. The trade deficit rose from 314 million pounds in January-November 1950 to 1,113 million in the same period of last year. The balance of payments in 1951 showed an official deficit of roughly 500 million pounds, whereas in 1950 it had even registered a small surplus.

Many prominent British economists urge the continuation of large purchases of grain, cattle produce and poultry, timber, minerals, asbestos and other items, in the Soviet Union, Poland and other People's Democracies. But at the same time long lists are being issued of items which may not be exported to these countries. There have even been instances of requisition by the British authorities of ships, machinery and other goods ordered in Britain by these countries.

In nearly every issue the "Economist" makes the point that trade presupposes bilateral exchange that meets the requirements of both sides. But Britain's foreign trade practices seem to be widely at variance with her national interests and do not adhere to this simple truth known to the British merchant long before Adam Smith.

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Early this year the Paris press complained about the adverse effect of the French government's ruling of 1950 forbidding French shipyards to accept a Soviet order for fourteen 5,000-ton tankers (the order eventually went to Dutch shipyards). Yet, employment in the French shipyards has dropped from 80,000 in 1948 to 42,000 at the beginning of the present year, and French shipbuilders have been deprived of a very profitable order.

Another example: the Chinese People's Republic wanted to purchase rails and railway equipment from France. The French government proscribed the deal and the order was placed in Western Germany and Britain. Press reports indicate that China is prepared to place substantial orders for developmental material in connection with its program for laying 60,000 kilometres of railway within the next five years. The Chinese government also wants to buy mining, metallurgical, chemical equipment, and so on.

Perhaps France does not stand in need of these orders, and can afford to ignore these opportunities for extending trade with the East? Just the contrary. The position of France's foreign trade and its prospects are such as to give no grounds for optimism. Her trade deficit for 1951 stood at 339,000 million

francs, as against 102,000 million in 1950. Total imports exceeded exports by 27 per cent, and the currency reserves of la Banque de France dropped from 292,000 million francs to 104,000 million at the end of 1951. France has an adverse balance not only in trade with the dollar area, but vis-à-vis Western Europe as well. In the early part of the year the influential Conseil National du Patronat français predicted a further decline of 30-75 per cent in exports of various electrical and engineering goods. Cannot some of these goods be sold in the East if there is no market in the West?—this is a question which French industrialists are asking more and more insistently.

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Business leaders in many countries are persuaded that the two systems can live side by side and compete in peace—this indeed is a fundamental principle in our present-day world. There is also widespread confidence that the International Economic Conference, which will meet in Moscow in April, will find ways and means of extending and normalizing world trade.

For that is the essence of the subject it will discuss. Trade must develop and it must be advantageous to all parties concerned. Less politics and more commerce is a watchword now often repeated in Western business circles. Such a policy will be beneficial to all concerned.

N I K O L A I T S I T S I N
Academician

Man's Daily Bread

The December 1951 issue of "Twentieth Century," a British journal, carried a lengthy article by Mr. Werner Klatt "Towards Agricultural Integration in Europe." The author is recommended by his editors as an expert on European food and farming. Having been engaged for a number of years in research on new cereal varieties which has brought me in close touch with world agricultural problems, I read the article with interest. Everyone, I think, will agree with Mr. Klatt that World War II played havoc with European farming. This applies to other parts of the world as well.

Mr. Klatt asserts that acreage and production of the main crops are still below prewar levels. And though he tries to prove that the agricultural net production of Europe has increased—presumably, due

to some act of magic—his whole line of argument leads one to the inescapable conclusion that the European and several other areas of world agriculture are confronted with serious difficulties, aggravated, moreover, by the rupture of traditional East-West economic ties.

That, indeed, is the picture. Every observer and agronomist can cite ample facts to show that the problem of harvests and harvest yields has now become one of urgent moment. And it is this problem that I wish to discuss in the present article.

I am a biologist. Ever since my school days I have been fascinated by plant life with all its multiformity, of varieties. But my particular interest is in food grains, and above all, of course, in wheat. Wheat has figured in man's life for thousands of years and he has worked diligently for many centuries to improve the plant, to make it yield more nourishing food. By steadily creating more and more favourable environmental conditions, we have learned to increase wheat yields.

Despite centuries of unremitting effort, however, we are still a long way from the ideal wheat plant, one that would come up to all the present essential requirements. Human genius has done much to improve our planet, but so far it has failed to evolve varieties of wheat that would yield high harvests and at the same time successfully resist frost and heat, drought and moisture, arid winds, disease and pests.

It is, moreover, quite within the potentialities of modern science to breed varieties of wheat that will produce two crops a year, and double and even treble the present harvest yields. There need be no doubt

that the science of agronomy can help farmers attain and surpass the prewar level of agricultural production, about the state of which Mr. Klatt is so concerned.

In the Soviet Union a large army of scientists and practical agriculturists are working tirelessly in that direction. I shall always remember the encouragement J. V. Stalin gave me in 1935:

"Be bolder in your experiments, we will support you."

And Soviet scientists are boldly experimenting, contributing in no small measure to the creation of an abundance of food and goods which is one of the most important goals our country has set itself.

For several years now I have concentrated on perennial wheat varieties, something hitherto unknown anywhere in the world. Can there be anything more fascinating for the researcher than the prospect of growing wheat that will produce high and stable harvests, and, moreover, will not have to be **planted anew** every year? A single sowing will produce crops for several years to come, freeing millions of farmers from the need to devote so much time, effort and money to annual ploughing and planting.

It was in the work of Ivan Michurin, the great transformer of Nature, that I found the key to my experimentation. At my experimental field near Moscow I grow wheat which is planted only every other or every third year, but produces stable annual harvests. By distant hybridization we have also evolved new varieties of one-year wheats. They have passed the laboratory stage and are now extensively sown

in our fields where they produce as much as 40 and more centners of grain per hectare. The new varieties not only produce high yields; they are also immune to fungus and can resist strong winds.

Modern science can accomplish much, and there is every reason to assume that the time is not far distant when per hectare harvests of 100 centners will not be a rarity. In other words, already today the earth can be made to feed even double its present population, and within the foreseeable future it should be able to produce food in such abundance as to do away with man's worries over his daily bread.

Make More Rational Use of Our Planet

The development of science and normal economic relationships among all areas and nations of the world can help to advance considerably living standards in many countries.

Ours is a century of great scientific discoveries which can and must become the levers of peaceful progress. But for all that, we are still a long way from making rational use of the plant life of our planet. There are hundreds of thousands of varieties of useful plants, but only an insignificant fraction has been wrested from Nature, or has been brought into cultivation, to use the term of plant breeders. Properly speaking, man is only now beginning to reconstruct and master the world's flora, with its multitude of hitherto unutilized natural wealth and with its boundless sources of food, fats, vitamins, medicaments, rubber and fibre, tanning materials and dyes:

A glance at the agricultural map of the world will show you that the assortment of cultivated plants is still a very poor one. All in all, it comprises some 15 or 20 varieties—wheat, rice, rye, barley, oats, sugar beet, cotton, flax, potatoes and several other staple plants.

In addition, the surface of our planet is being utilized in a highly irrational way. Only a negligible part of the earth's land surface is devoted to agriculture, the rest remaining largely unused and untilled. Over 36 million square kilometres are still in the grip of the desert, semidesert and arid wastes. There is the great Sahara, stretching from the Atlantic to the Nile, and its continuation, the vast barren expanses of Nubia, Arabia, Iran, Central Asia, Mongolia, and China.

Another case in point is British agriculture. In the middle of the last century, Nikolai Chernyshevsky, the eminent Russian philosopher, sociologist and writer, remarked that given a crop-rotation system of farming Britain could increase her agricultural output eight or nine times over within twenty-five years. Agricultural science has made great strides since these words were first written, but British farming remains in a state of stagnation and crop areas in that country have actually declined since World War II.

Africa, South America and India possess vast natural resources. Their soil and climatic conditions favour the rapid development of many branches of intensive agriculture. Yet between 1875 and 1900 India lived through eighteen famines which took a toll of 26 million lives, and there has been no change for the better since then. Famines continue to stalk India, where the average life span is less than 27 years and

where 40 per cent of the children die before reaching the age of five.

In such countries as Brazil and Australia the arable makes up only a small percentage of the territory. All countries, both the economically advanced and the so-called underdeveloped nations, have sufficient land suitable for farming, but only about one-third is actually being used.

If men's minds were not distracted by wars, just think how many deserts could be transformed into fertile fields! Professor Joliot-Curie has remarked that the effort put into a single month of World War II would have sufficed to irrigate the whole of the Sahara Desert.

That is no exaggeration, for in most countries nothing is being done by way of a general offensive against the desert, and some fertile lands are steadily degenerating into lifeless wastes.

Not so very long ago the United States was famed for its immense stretches of fertile land. When the Europeans first set foot on the newly-discovered continent they found that practically half of it was covered with dense forests, and that beyond these stretched the fertile prairies where wheat and corn could be grown in abundance.

The American farmer put much devoted effort into the land. Plants were brought here from every continent and climate.

But what a sad picture American farming presents today. Large tracts of once fertile soil are being ruined by erosion which threatens to destroy important seats of agriculture.

Lands That Lose Their Fertility

As an agronomist and biologist I was deeply perturbed to learn that every year no less than **three billion** tons of fertile top soils are washed away from America's fields and pastures. And they carry with them at least 40 million tons of phosphorus, potassium and nitrogen. The amount of nutritious substances washed away from America's farmlands by rains and floodwaters is equivalent to 150 per cent of the world's output of chemical fertilizers and is twenty-one times more than is absorbed by cultivated plants!

Dr. Hugh H. Bennett, the noted American soil scientist, testifying before a Congressional Committee in 1939, said: "In the short life of this country [the United States] we have essentially destroyed 282,000,000 acres of land, crop and rangeland. Erosion is destructively active on 775,000,000 additional acres. About 100,000,000 acres of cropland, much of it representing the best cropland we have, is finished in this country. We cannot restore it."

The American economist McWilliams writes in his book "Ill Fares the Land" that in Oklahoma and Texas 75 per cent of the land is affected by erosion, and that in three states alone, Oklahoma, Arkansas and Texas, the stricken areas add up to 195 million acres.

Not being a sociologist or an economist, it is not my purpose to define the social and economic factors behind these destructive processes. But judging from American sources, erosion and soil exhaustion are increasing progressively, mainly because the American farmer specializes in one definite plant—cotton, corn, wheat, tobacco, or some other.

It is not only monoculture, however, that exhausts the soil and destroys its structure. It has been proved beyond all doubt that the haphazard cutting down of forests is detrimental to the soil. Our own Russian scientists, notably Kostychev, Dokuchayev and Williams, have shown that land deprived of wood and grass covering very rapidly loses its nutritious matter, becomes a prey to arid winds, floodwaters and erosion, with attendant droughts and famines. My information is that in the United States four times more woodland is cut every year than is planted. Official American data reveals that 40 per cent of the country's timber resources were destroyed between 1908 and 1938.

It is only natural that all of this should lead to a decline in crop areas and to diminishing yields. Among American scientists these facts have given rise to justified concern and alarm for the future of the country's agriculture.

France was once famous for her rich crops of wheat, sugar beet, grapes and olives. History contains many a glowing record of how heroically the French peasant toiled to create one of the world's centres of modern farming. But today crop areas and harvest yields are diminishing, and whereas only some 50 years ago 53 per cent of the national territory was given over to ploughlands, vineyards, orchards and gardens, in 1949 the percentage was only 38. In 1934-38 the grain area comprised 10.6 million hectares, in 1947-49 the figure was only 8.3 million, and in the same period the area sown to wheat had declined by one million hectares. Time was when France supplied grain to other countries; today she cannot even provide for her own population and has been compelled to increase grain imports by 8 million centners.

Some Fictitious "Laws of Nature"

This, in brief, is the general picture of the state of world agriculture today. Some scientists refuse to face and analyze the facts and seek to attribute the destructive processes to "natural causes," to what they describe as the "laws of Nature." Their reasoning is usually based on the fallacious theory of "overpopulation," on the assumption that more human beings are brought into the world than the world can feed. This sort of "scientific argumentation" is meant to serve as a "scientific" justification of new wars and the destruction of millions of human lives. That is why it is so dangerous and pernicious. Forces bent on instigating war and provoking international conflicts are making this theory serve their own ends. It is from this angle that one should appraise the literature and science which preach man's impotence against the elemental forces of Nature. Their only cure for hunger is restriction of the world's population. Professors Frank Pearson and Floyd Harper of Cornell University suggest that the population of the world be reduced from the present figure of over 2,000 million to 900 million. Projects of this kind are repellent and have no scientific basis; they are usually motivated by purely sordid political considerations.

Some agronomists are trying to explain the exhaustion of natural resources by the law of diminishing fertility and by what they call the "natural wearing out of the land." But science and practice have demonstrated long ago that there is no law of diminishing fertility, and that man is quite capable

of regulating, directing and, indeed, changing the process of natural development to suit his own purpose. This is borne out by the experience of several countries, and notably that of the Soviet Union.

Remaking Nature and Climate

The Soviet Union has an increasing birth rate and a declining death rate. The natural increase in the population is over three million a year, and the death rate has been reduced 50 per cent compared to the prewar year of 1940, with an even steeper decline in infantile mortality. These facts are generally known, so is the fact that increasing population is due to higher living standards.

The population in the U.S.S.R. is increasing, but far from being an impediment, this is a factor making for larger crop areas, higher harvests, and more food and industrial raw materials. In the five years since the war, the grain area of the U.S.S.R. increased nearly 20 per cent and the technical crop area—59 per cent. The annual gross grain harvest is now in excess of 7,000 million poods. The Soviet Union today produces more cotton than such traditional cotton-growing countries as India, Pakistan and Egypt taken together.

It is common knowledge that the United States possesses a large number of agricultural machines and implements, but two-thirds of the American farmers still cannot afford a tractor, and on 60 per cent of the farms the work is done by hand. In the Soviet Union nearly all ploughing has been mechanized; in 1950 three-quarters of all farmer crops were sown with

tractor-drawn seeders, and over 60 per cent of the grain area was harvested by combines.

Science is an important factor in the development of Soviet agriculture. It is closely linked with practice and this combination makes for higher harvests, greater fertility and the universal application of lea rotation.

Huge forest shelter belts are being planted throughout the steppe and forest-steppe areas of the European part of the U.S.S.R.; they will protect over 120 million hectares of our best lands from drought, arid winds and erosion. If our shelter forests were stretched in a single belt 30 metres wide they would gird the equator fifty times. Only 80 million hectares of land have been irrigated throughout the world. The Soviet Union is now building the world's largest hydroelectric stations on the Volga, Dnieper, Don and Amu Darya. These will help to irrigate over 28 million hectares, which is equivalent to 35 per cent of the world's total irrigated area. Our irrigation schemes will be completed within five to seven years.

The irrigated areas will not only change the geography of large parts of our country, their climates and soils, but will provide food, clothing and housing for **over 100 million people**. Farmers will gather stable and high harvests, 50 or 75 per cent above present average yields, and these crops will not be dependent on the whims of Nature. Irrigation will enable the country to produce an additional three million tons of cotton a year, which is equivalent to more than a third of America's annual total cotton crop. The rejuvenated lands will grow over eight million tons of wheat, 480,000 tons of rice and six million tons of sugar beet.

The refashioning of Nature will eliminate all desert and semidesert zones. Soviet experience proves the hollowness of the so-called "law of diminishing fertility."

This is also borne out by the experience of other countries. In Rumania the large Danube-Black Sea Canal now being built will bring back to life the scorched steppelands of Dobrudja. Hungary is irrigating the Hortabágy steppe, and in Poland the swamplands of Zulawy are being converted into fertile fields. In Bulgaria, irrigation canals will cut across the Belene lowland, and in Northeast China a forest shelter belt of 1,700 kilometres is being planted. These facts go to show that man is fully able to make Nature do his bidding, and they furnish the answer to the question of whether our earth produces enough food to feed its population, and whether, given unhampered normal world trade, all nations can enjoy a life of prosperity and well-being.

I believe that the questions raised here will, in one form or another, be discussed at the International Economic Conference, for they are of cardinal importance to the development of world economy and living standards. It should be borne in mind that grain, and foods generally, hold an important place in world trade.

I see the future as one of peaceful co-operation of the nations in the battle to remake the Nature of **all continents**, to develop the natural resources of **all countries** and to ensure agricultural advancement **throughout the world**. This will bring bigger harvests and a plenitude of food for the world's working population.

V L A S N I C H K O V
President, Exportles

International Trade in Timber

There are something like eight billion acres of timber covering the earth as a whole. Out of this total, however, about five billion acres—the virgin forests lying mostly in the tropical zone—so far remain practically untouched. Thus only about a third of the world's resources is being worked.

Another thing that perhaps not everybody knows is the different uses to which wood is put. We all know that timber is used for mine props and telegraph posts, railway cars and sleepers, ships and furniture, and that it is the most widely used building material. Then there is wood as a solid fuel and a source of liquid and gaseous fuels. But what about the multitude of other products obtained from wood? Not only resin and turpentine, alcohol and paper, but artificial silk, wool, and leather, synthetic rubber,

sugar and yeast, medicines, protein and even animal fodder. Plastics produced from wood pulp go into the making of fountain pens and telephones, dishes and automobile bodies. No wonder wood is considered the most universally used raw material.

Man has used wood since time immemorial. And though in more recent times it has in part been superseded as a fuel, the need for wood has not diminished; on the contrary, with the progress of science and technology, its sphere of application has grown even wider, until today there is perhaps no branch of industry that can do without it. This explains why in the world output of raw materials, timber in physical volume shares first place with coal.

Although only about 10 per cent of the total output comes into the world market, timber and timber products are (in physical volume) the third largest item in international trade (in value they account for about 5 per cent). This is due not only to the large variety of uses it is put to, but also to the fact—which anyone can see by glancing at the map—that timber resources are very unevenly distributed among the different countries. Because of this, the world economy cannot possibly function properly without a regular trade in timber—between countries which possess adequate timber resources and countries that lack such resources.

For the reasons I have given above, the requirements in timber are constantly growing. But the resources of most countries are shrinking because forests are being ruthlessly cut down and also because of fires. Figures given by the U.S. Forest Service reveal, for example, that the timber resources of the United States decreased by nearly 40 per cent between

1910 and 1940. In the huge forest fire of 1933 in the Wilson valley in Oregon, which affected an area of 267,000 acres, 30 million cubic metres of timber were destroyed. At the present time the United States is cutting down more timber than is produced by the annual growth, and this threatens serious difficulties in the future. U.S. officials have admitted that the timber supply available for 60 per cent of the sawmill capacity in Washington and Oregon will only last another ten years or so. A similar picture is to be observed in Canada, where resources are fast being exhausted for the same reason.

As to the European countries, the great majority of them have long been importers of timber (Sweden, Finland, and a few others are exceptions), and their reserves were badly sapped by the war. Britain, which had few enough forests before, was compelled to cut down about two-thirds of them, for nearly fifty instead of the prewar five per cent of her requirements had to be met out of her own resources. Sweden lacked coal imports in the war years, and to make up the fuel deficiency timber was cut down in amounts exceeding the natural growth. The forests of France and Germany also suffered greatly, and in general forest areas nearly everywhere have been rapidly shrinking. Latterly, the West-European countries have been cutting down about 20 per cent more every year than is produced by natural growth. And in spite of this many of them experience an acute shortage.

There are vast stretches of tropical forest in Central and South America, Africa, and Southeast Asia, but they are hardly being worked at all, because of the scanty population and the lack of communications, skilled labour and mechanization. The Amazon valley,

for example, with nearly a billion acres of dense tropical forest, has a population of only about 2,000,000 in all. Professor Josué de Castro of Brazil writes: "Geographically, this is the world's largest equatorial forest zone; demographically, it is one of the world's biggest deserts, comparable only to the tropical deserts of Africa and Australia or to the icy wastes of Greenland."

In the other tropical areas too, timbering is extremely restricted: out of the 825,000,000 acres of tropical forest in the colonial possessions of Britain, France, the Netherlands, Belgium and Portugal, only about 25,000,000 are being commercially worked, and the 1950 exports from these colonies amounted to only 1,200,000 cubic metres.

Such being the case, it is not surprising that timber should today be a vexing problem for many countries, the subject of parliamentary debates and of discussions in international economic bodies.

Very different is the position in the U.S.S.R. The Soviet Union is one of the world's leading producers and exporters of timber. Its forest area is five times the European total and exceeds that of the United States and Canada taken together. Moreover, these forests are relatively accessible and consist largely of softwoods: the Soviet Union's reserves of the softwood varieties are the most extensive in the world. These resources are being rationally exploited according to a sound national economic plan, and in spite of its vast and constantly growing domestic consumption of timber and timber products, the U.S.S.R. is able to supply the needs not only of the European but of many other countries. It will therefore continue to play a decisive part in the world timber trade.

International trade in timber was greatly affected by developments during and since the last war. Output of timber and cellulose in most countries has gone down. Traditional trade ties in timber between the different countries have been interrupted. Owing to coal shortages, some countries are using much of their available supply for fuel. Then, too, the destruction wrought by the war has greatly increased the demand for building timber. In Britain alone, about 4,500,000 out of the total of 13,000,000 houses were wrecked or damaged, and large quantities of timber are required to rebuild them and mitigate the acute housing shortage.

That is why many businessmen, both in Britain and in a number of other countries, urge more vigorous development of the international timber trade. The chief European timber importers—Britain, Holland, Belgium and Denmark—are experiencing an acute shortage of timber. But despite their crying need these countries are compelled to reduce their imports under pressure from certain quarters. This fact is adversely affecting housing construction and leading to increased unemployment.

The need for timber is therefore enormous, yet the volume of world trade in this sphere is not what it should be. In 1950 the figure for sawn timber reached only 70 per cent of the prewar level, while wood pulp and cellulose (of which the United States, for example, has to import considerable quantities), stood at 92 per cent.

The consequences of the lag in the world timber trade are only too obvious when it is remembered that more than four-fifths of the globe's population live in houses built of wood.

Many economists and businessmen in a number of countries point out with truth that the stagnation in the world timber trade is preventing an improvement in living standards and is unfavourably affecting many branches of economy. For instance, coal mines suffer from a shortage of props and fuel supply falls off as a result. Per capita consumption of wood and wood products, which is quite an important index of the living standard, has in some countries dropped to an exceedingly low level.

Restoration of world trade in timber to its proper volume has a direct bearing on the conditions of whole nations, on the national prosperity of a number of states. As rightly noted by many representatives of business circles, the present abnormalities react unfavourably on the interests of the Western countries themselves.

Removal of the barriers obstructing the development of world trade, including East-West trade in timber and cellulose (discriminatory barriers, currency and other restrictions) would promote trade of mutual advantage between countries, irrespective of their social and economic systems, and raise the standards of living of their people.

The International Economic Conference, to meet in Moscow in April, will, it is to be hoped, duly examine this problem.

We here feel that international trade in timber as in other branches can be fully restored, and relations developed under which it will be possible to utilize the vast "green treasures" of the earth rationally and on a basis of mutual advantage.

M I K H A I L S E R O V
*Chairman, Central Committee of Foreign Trade
Employees Union*

Problems of International Trade

No one will deny that the present condition of international trade is far from normal.

This state of affairs may best be illustrated by the American ban recently imposed on the importation of dressed and undressed furs like ermine, fox, Siberian mink, marten, muskrat and other pelts, either from the Soviet Union or Poland. The reason usually given by governments for their discriminatory foreign trade policies is considerations of national defence. It is difficult to see, however, what bearing the prohibition of fur imports from the Soviet Union and Poland might have on United States security. A stuffed ermine or mink would hardly do for a Trojan horse concealing an "army of invasion." Furthermore, it would be naive to assume that the American ban on fur imports could cause any appreciable loss to a leading industrial power like the Soviet Union which has economic

ties with all parts of the world. If anything, the measure might cause difficulties for the fur industry in the U.S.A. and increase the number of unemployed among the American fur workers, the majority of whom have been employed as it is for only seven, eight or nine months in the course of the past year.

The embargo on Soviet and Polish furs is indicative of the foreign trade methods employed by the United States at the present time. Old and established commercial relations are being discarded and supplanted by new ones which, as a rule, are artificial and unilateral.

Soviet people deplore the talk about "economic warfare" which seems to be one of the favourite topics of overseas government leaders and also the press. The "New York Times," for instance, in its July 22 issue inadvertently commented that "...the United States is coming close to regarding East-West trade as an element in economic warfare."

Indeed, the "New York Times" has aptly described the present foreign trade policy of the United States. Its development may be traced through a number of landmarks: annulment of the trade agreement between the U.S.A. and the Soviet Union, effective since 1937; the Battle Bill, forbidding financial or economic aid to countries exporting certain goods to the Soviet Union and to countries friendly to it; the new rulings regarding trade with Czechoslovakia, which, according to the Associated Press, would practically suspend trade between both countries; abrogation of the 1930 trade agreement with Rumania, etc. Evidently, the object is to break off all East-West economic ties.

In other words, the United States is clamping down more heavily on trade today than was the case during

the most crucial period of the late world war. Is there any need for this?

The economic war waged by the United States is an entirely one-sided affair. The Soviet Union and the countries friendly to it are as willing as ever to promote commerce with all countries wishing to trade with them on a footing of equality and mutual benefit.

This willingness was reaffirmed once more by Lavrenty Beria, one of the leaders of the Soviet state, in his speech on November 6 on the occasion of the thirty-fourth anniversary of the Great October Socialist Revolution. "We have no objection to considerably extending business co-operation on the basis of mutual advantage with the U.S.A., Britain, France and other bourgeois countries both in the West and the East," he said. "It is not the fault of the Soviet Union that the rulers of these states have, to the detriment of their own countries, taken the course of undermining and disrupting economic relations with the U.S.S.R."

Even the enemies of the Soviet Union have to admit that it has always been ready to strengthen economic relations with all countries without exception. No one could cite a single measure the Soviet government has taken to restrict or prohibit trade with other countries. This unquestionably speaks of the Soviet Union's consistent foreign policy, designed to strengthen peace and promote international co-operation.

The most incongruous aspect of the unilateral economic war today being waged with such zeal by the United States is that it is causing much more harm to the West than to the East. The Soviet Union, the Chinese People's Republic and the People's Democracies of Eastern Europe together possess inexhaustible

raw material resources, a highly-developed industry and big markets. Co-operation with the West, therefore, is not as essential to this group of countries as it is to the West.

Trade with the East could greatly stimulate the economies of the West, which is experiencing a shortage of raw materials and is producing, in the main, manufactured goods, machinery and industrial equipment. As regards the Soviet Union, it is now in a far better position to expand its trade with the Western countries than before the last war.

By artificially limiting the orbit of its trade relations the Western world is sowing the seed of discord and contradictions in its own midst. The last few months have witnessed the struggle for raw materials in short supply—tin, manganese, rubber and sulphur—grow more acute among the Western countries. At the same time there has been sharp competition for markets among their industrial firms which threatens to assume even sharper forms in the near future. If West-German industry continues to be cut off from its old markets in the East, it will have to show increasing activity on the Western markets. The same applies to Japanese industry, unless it can resume its traditional trade with China. Intensified competition will inevitably mean the closing down of a number of West-European industries and the ominous prospect of increased unemployment.

Such are some of the consequences of the policy of artificially restricting international trade today by the Western countries, the United States primarily. Is it not prejudice that is blinding the ruling circles of these countries to some of the most elementary rules of business?

Picture to yourself a small-town grocer who decided to do business only with customers whose home life is to his taste. He would surely be out of business before long. Yet is this not precisely what the United States government is doing? The scale of its business may be bigger, but this hardly alters the substance of the matter.

Voices of common sense both in the United States and in Britain can be heard saying that the present trade practices are nothing but detrimental to these countries. The enormous importance of foreign trade in Britain's economic set-up is obvious. As a matter of fact, the former Chancellor of the Exchequer Gaitskell declared in a radio broadcast interview, given on his last trip to the U.S.A., that "to the United States the break-off in trade with Russia would mean cutting off furs and caviar. To us it would mean the loss of timber and grain. We believe this trade helps us more than it helps the Russians."

No less definite on the matter of keeping up trade with the East was Mr. Eden, the present British Foreign Secretary, who expressed a similar view when he said during his recent visit to America: "It is not a wise principle to cut off trade between East and West."

And yet the British government, however reluctantly, is curtailing trade with the East. Last autumn it prohibited the export of 250 different items—most of them of non-strategic value—to the Soviet Union, China and Eastern Europe. This is what is called cutting off your nose to spite your face. No wonder Britain's foreign trade balance showed such a large deficit last year.

A striking example of the economic incongruities rising from such a practice is afforded by the pres-

ent-day foreign trade of Japan, who too has now been listed among the Western countries. Inconceivable as it might seem that industrial Japan should not be trading with her neighbour, China, who possesses vast economic resources and possibilities, Japanese foreign trade is now being artificially regeared to America. Japan has to import coal and ore from the United States. Owing to the high cost of transportation across the Pacific, Japanese firms now pay three times as much for their coal and iron ore as they would had they done their buying in China. This explains the Japanese industrialists' demand for government subsidies to cover the tremendous difference.

Another aspect of international economic relations that should be dwelt upon is the part they play in promoting peace and co-operation among the nations.

People of the most varied political views agree that economic co-operation among the different countries and systems can contribute to the strengthening of peace, while economic discord can only aggravate world tension. This is an axiom. Hence those who want peace are for developing and strengthening economic co-operation among the nations.

The direct connection between the promotion of international economic co-operation and the strengthening of peace is becoming increasingly obvious to the broad public in all countries.

In Britain the national conferences of the Union of Mineworkers, the Amalgamated Union of Foundry Workers, and other big trade unions went on record last summer for promotion of trade with the Soviet Union, the People's Democracies of Eastern Europe, and the Chinese People's Republic. A great many local co-operative and Labour organizations have taken a

similar stand. This demand is also supported by a number of trade unions in the United States.

Highly interesting in this respect is the book "Two Worlds in Focus," published in London by the British National Peace Council and reviewed in NEWS No. 9. The National Peace Council is an organization whose members subscribe to the most diverse political opinions. This is reflected in the book in question. But all the members of the Council are at one on the matter of West-East trade. The East-West Commission of the National Peace Council reached the broad conclusion that trade should be developed between the East and the West, and that this development would make a significant contribution to European economic recovery and to securing world peace.

It is in the light of the facts mentioned above that the significance of the International Economic Conference, which is to convene in Moscow on April 3-10, 1952, should be viewed. As was set forth by the Initiating Committee at its meeting held in Copenhagen at the end of October, it will be the object of the Conference to find ways and means of facilitating peaceful co-operation between countries of different social systems, while avoiding any discussion of the relative merits of the various economic and social systems. It will be attended by economists, industrialists, farmers, merchants, engineers and labour and co-operative leaders adhering to various political views but who have made international co-operation and the strengthening of world peace their common goal.

The convocation of such an international economic conference is a sensible and useful step and one can but wish it every success.

ALEXANDER KASHKAROV
M.Sc.(Econ.)

Rearmament: Prosperity or Crisis?

Can the arms drive ward off a crisis? The answer given by a large section of the press, by political leaders and economists in the United States and Western Europe is that economic militarization is about the only way to offset an economic crisis. Many have their doubts about this. Indeed, the view is gaining ground that this line of policy is fraught with danger for the economies of the arms-drive countries and carries the menace of war for their peoples.

There is no denying that war spending means stock exchange booms and high profits for the munitions firms. It is a shot in the arm for some sections of the business community, and the giant concerns look to the future with optimism. But is it justified optimism? Let us turn to the facts. The volume of industrial output in the United States was 20 per cent higher in

the first quarter of 1951 than in the same period of the preceding year. But no advance was made in the second quarter, and subsequent months registered a steady decline. The industrial production index (cleared of seasonal fluctuations) stood at 223 in April and May, dropped to 222 in June, 213 in July, rose slightly in August (217), September (219), October (220) and November (218). The trend is obviously a downward one, despite the continuous growth of military spending. Military expenditure in the first half of 1950 was running at an annual average of 12,500 million dollars; the figure for the fourth quarter was 20,000 million dollars, and 25,100, 33,100 and 38,000 million dollars, respectively, for the first three quarters of 1951.

In other words, mounting military output cannot compensate for the drop in peace goods production. Highly indicative in this respect is the drop in the textile production index: from 194 in January 1951, to 170 in August, 164 in September and 155 in October. Food production has registered a similar decline: from 168 in January to 164 in August and 162 in September. Yet, it would be wrong to assume that these industries did not benefit from lavish military spending. They received their share of orders for food and equipment for the armed forces, but were unable to raise output. Why? Primarily, because inflationary price advances and top-heavy taxation had cut into mass incomes.

The larger the share of material values diverted from useful production to the manufacture of arms and war equipment, the greater the impact of inflation and taxes on the population. This, in turn, means a steady decline in effective demand for peace goods.

And these are elements of overproduction, elements of economic crisis.

No amount of price control can check the mounting cost of living. The rulings issued from time to time by the price stabilization agencies only legalize, retrospectively, factual price rises. Bureau of Labour Statistics figures show that in one month alone, from September 15 to October 15, food prices in New York advanced 8 per cent on the average. Three additional taxation bills were enacted in the 1950/51 fiscal year, adding another 15,000 million dollars to the nation's tax bill. The facts show that every new step in economic militarization considerably undermines purchasing power and cuts another segment off the home market.

This explains a specific feature of the American economic picture today. Civilian output is contracting not so much as a result of raw material shortages, but primarily because of declining purchasing capacity. Marketing difficulties have forced the automobile industry and especially the industries producing refrigerators, television and wireless sets, washing machines and other durable goods, to reduce output to a level where they do not even utilize their allotted quotas of steel and other materials in short supply. Sales in these industries are dropping off all the time.

On the other hand, the drop in civilian goods output is not helping to reduce stocks, which continue to increase from month to month. Gross value of stocks on hand increased from 53,200 million dollars in July 1950 to 67,400 million dollars in April 1951. In subsequent months, though there was a definite downward trend in production, inventories stood at 70,300 million dollars in July, 70,100 million in August and

69,900 million in September. Obviously, the lag in sales activity is greater than the decline in production.

The prospect is therefore one of continued reduction in civilian output, and, consequently, of increased unemployment. Official American statistics tend to minimize the number of unemployed. For one thing, they do not take into account temporary layoffs, though these involve approximately two million workers a month. If this category is added to the unemployment figure, the number of totally unemployed will be in the neighbourhood of four million, instead of the official estimate of two million. In addition, there are two million part-time workers, engaged from 1 to 14 hours a week, and the majority of them should, of course, be classed with the totally unemployed.

New factors making for further production cuts are bound to come to the surface in the near future. They include a slowdown in private capital investments. Though investments increased from 18,600 million dollars in 1950 to 24,800 million in 1951, the American press has all along been predicting that the upward trend would stop short by the early part of 1952. This is what the "New York Times" wrote at the end of August:

"The expansion program of private business will be over by the early part of next year and capital goods generally should be in fairly steep decline. There is reason to believe that this stop in private spending will more than offset the promised increase in government defence spending—and will come first."

Private capital investments were to a large extent artificially induced by increased war orders and only

helped to widen the disparity between the country's productive capacity and potential markets. Sooner or later this will be sure to cause still greater marketing difficulties for the heavy industries generally, and machine building in particular.

The financing of war production is encountering grave difficulties, and inflated taxation has in no way helped to bridge America's budgetary deficit. From 1,230 million dollars in the second quarter of 1951 it jumped to 2,620 million in the third quarter—an all-time high if we exclude certain periods of World War II. Senator Byrd of Virginia estimates that government expenditure in the 1952/53 fiscal year will run at 18,000 million dollars above revenue.

There is one more consideration to be borne in mind. Financing of war production by new loans is all the more difficult because World War II has burdened the United States with an enormous national debt of 257,000 million dollars. The interest on this debt swallows a goodly part of the national budget, and postwar inflation has cut the value of government war-time securities by practically one-third. It is hardly likely that many Americans will be willing to invest in new government bonds. Declining incomes are compelling the population to cash in their savings bonds: beginning with October 1950, for the first time in the postwar period, monthly sales of savings bonds have been lagging behind premature redemption. This represents an additional expenditure item for the budget and, naturally, swells the deficit.

What it all adds up to is that the colossal war production can be financed only by further substantial increases in taxation and the inevitable release on inflationary trends. But the huge national debt and mount-

ing inflation hamper the floating of new loans which would increase the national debt still further.

With the continued expansion of the already excessive military expenditures, the only way to meet the budgetary deficit will be to print more and more money, which, in turn, will undermine currency circulation and tend to disorganize business activity generally.

Economic militarization makes for lopsided industrial development, for it inflates war production and hampers the output of consumer goods. The result is rising taxes and prices, and a consequent decline in civilian consumption.

It is obvious, therefore, that the arms drive does not remove the danger of economic crises. If anything, it accentuates economic difficulties.

The aim of NEWS is to promote closer understanding between the peoples of the Soviet Union and the Anglo-Saxon world. We are firmly persuaded that there is no cogent reason why nations should not co-operate in peace and concord no matter what the political structures or social systems of their countries may be.

NEWS surveys and discusses the major developments in international life, devoting particular attention to the affairs of the Anglo-Saxon countries, chiefly and primarily with a view to promoting the cause of peace and democracy. It endeavours to present as full and accurate a picture as possible of the leading events and trends in the political, economic and cultural affairs of the world.

We believe that one of the most effective means of eliminating the present tension is to give a truthful exposition of the issues that are vexing relations between states, to provide the public at large with a broad insight into current political, economic and other problems.

We do not believe that war is inevitable. We are firmly convinced that peaceful international co-operation is possible, and, indeed, essential for the tranquillity and security of the peoples of the world.

THE EDITORS

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M. ALEXANDROV

INTERNATIONAL
TRADE
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IN THE WEST

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FOREIGN LANGUAGES PUBLISHING HOUSE

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ACADEMY OF SCIENCES OF U.S.S.R.
INSTITUTE OF ECONOMICS

M. ALEXANDROV

INTERNATIONAL TRADE
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FOREIGN LANGUAGES PUBLISHING HOUSE
Moscow 1952

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Lately, large sections of the public in all countries, prominent leaders of industry and commerce, economists, and leaders of trade union and cooperative organizations, have been eagerly discussing the problem of developing international economic relations. Most diverse sections of the public are realizing that the disturbance of normal commercial relations is painfully affecting the vital interests of the people of all countries, and that an expansion of trade can greatly facilitate the development of world economy, an improvement in the conditions of life of the people, and the maintenance of peace.

All this explains the universal interest that is being displayed in the International Economic Conference that is to be held in Moscow April 3-10, 1952. As is known, the preparations for the Conference have been undertaken by the Initiating Committee, which met in Copenhagen in the autumn of 1951 to define the character, object and technical organization of the forthcoming international gathering. In a communique it issued, the Committee stated: "The object of the Conference is to explore means for facilitating peaceful collaboration between different countries and different economic and social systems." The agenda of the Conference contains only one item, namely: "Finding possibilities of improving living conditions of the people of the world through the peaceful

cooperation of different countries and different systems and through the development of economic relations between all countries."

The International Economic Conference is not being convened by governmental bodies. The Initiating Committee is the only body that is responsible for the organization of the Conference. The Soviet Union has made it possible for the Conference to be convened in Moscow and has agreed to grant visas without hindrance to all the participants. As regards the participation of Soviet representatives in the International Economic Conference, it, like that of other countries, is organized on a public basis. In February 1952, on the initiative of the U.S.S.R. Chamber of Commerce, Soviet industrial and commercial organizations, cooperative societies, trade unions, the Institute of Economics of the Academy of Sciences of the U.S.S.R. and economic research organizations, an Arrangements Committee was set up in the Soviet Union. This committee includes representatives of different Soviet public organizations which study problems concerning economics and trade. The chairman of the committee is M. V. Nesterov, President of the U.S.S.R. Chamber of Commerce.

An extremely important feature of all the measures taken in connection with the organization of the International Economic Conference is that people of the most diverse political convictions are participating in the work of the Initiating Committee, and of the Arrangements Committees which have been set up in many countries. These people do not meet for the purpose of engaging in political and ideological disputes, or to thrust different views concerning social and economic systems down each other's throats; they meet in order to work out, in a prac-

tical and businesslike way, concrete proposals for the development of international trade, for the resumption and expansion of long-established economic relations between countries. This will also be the outstanding feature of the International Economic Conference itself. Robert Chambeiron, the General Secretary of the Arrangements Commission of the International Initiating Committee, wrote: "This is to be an economic conference, and participation in it is in no way bound with the acceptance of any particular political conceptions. To demand that a man who regards the capitalist system as the best in the world should become a Socialist, or that a Socialist should become an advocate of the capitalist system, would mean foredooming the Conference to failure. But I do not think that anybody has any intention of doing so."*

The communique issued by the Arrangements Commission on February 15, after its meeting in Copenhagen, again emphasized that the object of the Conference is to ascertain "how the development of normal commercial relations between countries and an increase in foreign trade can help to expand national production, to increase employment and reduce the cost of living."

* * *

The problems to be discussed at the International Economic Conference are of interest to wide business circles and to large sections of the people in all countries.

Information is being received from various countries that the convocation of the International Economic Conference has roused interest among industrialists, commer-

* *In Defence of Peace*, Russ. ed., No. 3, 1951, p. 84.

cial men, economists, trade unions, cooperative societies, etc. Exceptional interest in the prospect of establishing contact with representatives of business organizations of the Soviet Union, China and the European People's Democracies is being evinced by those circles in the West which only a few years ago had carried on a fairly brisk trade with these countries, or had been their regular suppliers of equipment, machines, textile goods, fruit, etc. United States business circles are also displaying interest in the Moscow International Economic Conference. *The New York Times*, for example, although trying to put the object of the Conference in a false light, nevertheless admitted that it opened up real possibilities for expanding international trade, since the Soviet Union and China represent indispensable markets which can keep the industries of the Western countries going for a long time to come. Another American newspaper, *The Daily Compass*, has also reported the desire of a number of representatives of United States business circles to open negotiations with the Soviet Union, and it has uttered the warning that the armaments program which the United States was carrying out could not improve the economic situation in that country. The newspapers report that representatives of the business world in Western Europe, India, Pakistan, Latin America, Lebanon, Egypt, Japan and of many other countries, have expressed willingness to attend the International Economic Conference.

Thus, the initiative taken to improve international economic relations, primarily to develop trade between the East and the West, has met with active support all over the world. The Italian journal *Notizie Economiche* wrote in an editorial article: "The object of the Con-

ference is to devise measures to raise the standard of living of the people by means of peaceful economic collaboration and the development of international trade between all countries on the basis of equality.... In connection with the Conference, we would like to emphasize two important factors: on the one hand, its world-wide character, since it will be attended by representatives of capitalist countries and also of the Soviet Union, China and the People's Democracies, as well as of the colonies and the so-called backward countries; on the other hand, the extremely concrete character of the work and expected results of the Conference. From this we may conclude that, from the very outset, the Moscow Conference will mark an important step towards economic prosperity under the conditions of world peace."

The wide possibilities the International Economic Conference opens, and the practical aims it sets itself, have been very well formulated by the distinguished Cuban economist, Jacinto Torras, in a long article published in *Noticias de Hoy* of February 10. In this article Torras wrote:

"No delegate is asked to state what opinions he holds, or where he was born—admittance to the Conference is not hedged in by any conditions except one, namely, activity in the economic sphere in some country. Thus, although the Conference is to take place in Moscow, for the Soviet Union is the only Great Power which from the outset gave wide guarantees for visas for all persons to whom the Initiating Committee sends invitations, the majority of those attending will be capitalists.

"No delegate will be bound by the decisions of the Conference; his name will not be associated with any decision or agreement to which he has not given his unre-

served consent. In addition to delegates, persons will attend the Conference in the capacity of observers.

"The International Economic Conference that is being convened in Moscow will concentrate its attention on studying the present situation in the field of trade, employment, the standard of living of the people and the economy as a whole in all countries, and in this will not be prompted by academic and speculative motives, but by the desire to find practical solutions for complex problems in order to benefit the people and to promote peaceful collaboration between all nations."

There is a ring of conviction in the warning J. Torras uttered to those who would sacrifice the economic interests of their country to the self-seeking organizers of the policy of discrimination in international trade. "The country which is given the opportunity to sell for cash a considerable quantity of its products on terms of absolute equality, and which throws away this opportunity," writes the Cuban economist, "may be regarded as foolish as a shopkeeper who chose his customers according to the ideas they held and refused to sell goods to people who belong to a political party other than his own. Such a commercial policy in private enterprise must lead to bankruptcy...."

The obstacles to trade between the West and the East that have been created recently by the restrictive measures imposed by United States ruling circles is causing palpable damage to the national interests of the various countries, and this is evoking increasingly sharp criticism among most diverse sections of the public, including industrial and commercial circles in the Western countries. These restrictive measures inflict exceptional privation upon wide sections of the population of West-

ern Europe and America, Asia and the Near and Middle East, who are suffering from the armaments drive, the curtailing of the production of civilian goods, unemployment, and decline in wages. They harmfully affect thousands of small and medium manufacturers who are experiencing enormous difficulties as a result of the disturbance of free commercial intercourse between countries, and also the big manufacturers of civilian goods who are deprived of scarce raw materials, which are diverted for the manufacture of armaments. For the broad masses of the people, and for large numbers of manufacturers, the resumption of normal international trade is indeed a matter of life or death. Nobody can deny now that the armaments drive means ruin and poverty for millions, that it is leading to a crisis in civilian economy, to a reduction in the purchasing power of the population.

* * *

The possibility of widely developing trade, and economic relations generally, between countries having different social systems has been proved by theory and by practice. It has been proved by the experience of the Soviet Union during the thirty-four years it has been in existence. Hardly anybody would dare deny the economic expediency of commercial intercourse between the East and the West.

Trade with Eastern Europe has long been an important item in the foreign trade of the majority of West-European countries. It acquired exceptional importance for the economy of Western Europe in the postwar period for the following reasons: first, the Soviet Union and the People's Democracies are long-standing exporters of items of such extreme importance for industrial and

civilian consumption in the West-European countries as bread and fodder grain, foodstuffs, timber, coal, fertilizers, oil products, industrial equipment, etc.; second, the Soviet Union and the People's Democracies do not demand payment in gold or dollars, the shortage of which creates an extremely acute problem for most Western countries, but are willing to accept in exchange for their goods raw materials, industrial equipment and manufactured goods, the export of which is profitable for the Western countries; third, the Soviet Union, the European People's Democracies, and also China, are long-established extensive markets for many of the commodities that are produced in Western countries and in the colonial East.

On the one hand, the Western countries are in urgent need of markets for their goods, and of orders for their factories so as to be able to reduce unemployment; on the other hand, they need raw materials for their industries and food for their people. The Soviet Union, the countries of Central and Southeast Europe and the Chinese People's Republic are also interested in expanding their foreign trade.

The Soviet Union's attitude towards the possibility of extensive economic collaboration between countries having different social and economic systems has been clearly formulated in repeated statements made by the great leader of the Soviet state, Comrade Stalin. He said: "Our relations with the capitalist countries are based on the assumption that the coexistence of two opposite systems is possible." * He has also defined the practical

* J. V. Stalin, *Political Report of the Central Committee to the Fifteenth Congress of the C.P.S.U.(B.)*, Moscow 1950, p. 30.

basis for agreements between the U.S.S.R. and capitalist countries. "Exports and imports," he said, "are the most suitable ground for such agreements. We require equipment, raw materials (raw cotton, for example), semimanufactures (metals, etc.), while the capitalists require a market for their goods. This provides a basis for agreement. The capitalists require oil, timber, grain products; and we require a market for these goods. Here is another basis for agreement."*

In the speech he delivered on the 34th anniversary of the Great October Socialist Revolution, Comrade L. Beria, the Vice-Chairman of the Council of Ministers of the U.S.S.R., quoted the above statements by Comrade Stalin and went on to say: "This was said in 1927. Today we have incomparably greater potentialities for business relations with the capitalist countries. We have no objection to considerably expanding business cooperation on a basis of mutual advantage with the United States, Britain, France and other bourgeois countries both in the West and the East. It is not the fault of the Soviet Union that the rulers of these states have, to the detriment of their own countries, taken the course of undermining and disrupting economic relations with the U.S.S.R."**

Elliot Roosevelt once asked Comrade Stalin: "Do you think, Generalissimo, that an important step towards general world peace would be the achievement of a wide economic agreement for the mutual exchange of manufactured goods and raw materials between our two coun-

* J. V. Stalin, *Works*, Russ. ed., Vol. 10, p. 123.

** L. P. Beria, *The 34th Anniversary of the Great October Socialist Revolution*, Moscow 1951, p. 29.

tries?" To this Comrade Stalin replied: "Yes, I believe that this would be an important step towards the establishment of world peace. Of course, I agree that it would. The expansion of foreign trade would in many ways promote the development of friendly relations between our two countries."*

Facts have proved that the Soviet Union and the People's Democracies stand for the development of mutually profitable trade and of business relations with all countries, irrespective of their social and economic systems. It is a well-known fact that, after the war, the U.S.S.R. and the countries of Central and Southeast Europe concluded trade agreements with different countries. On the basis of these agreements the West-European countries began to receive goods they need from the Soviet Union and the People's Democracies and to export manufactures and raw materials to these countries.

The Soviet Union was the initiator in the setting up of the Sub-Committee for Developing Trade of the United Nations Economic Commission for Europe. The Soviet Government has invariably supported all the measures proposed by this Committee for the resumption and development of mutually profitable trade between Eastern and Western Europe.

The Soviet Union demonstrated its desire to develop trade with the West-European countries at the conference of government experts for the development of European trade that was held in Geneva in August 1951. The Soviet expert who attended that conference emphasized that the U.S.S.R. was willing to maintain the volume and assortment of its trade with the West-Euro-

* *Pravda*, January 23, 1947.

pean countries at least on the 1949-50 level, provided those countries supplied the U.S.S.R. with approximately the same assortment of commodities that they had supplied in 1949-50. If the West-European countries were able to enlarge the list and offer larger quantities of commodities the Soviet Union is interested in, the latter would be willing correspondingly to increase its supplies.

It is well known that, before the war, exports of various kinds of raw materials and foodstuffs from Eastern Europe went a long way to satisfy the needs of a number of countries in Western Europe. Eastern Europe supplied 35 per cent of the timber imports of Great Britain, France and Belgium and 47 per cent of those of Germany. Eastern Europe supplied 20 per cent of all the wheat, 18 per cent of the fodder grains, 20 per cent of the eggs, etc., imported by Western Europe.

At the present time Eastern Europe is in a position to export still larger quantities of commodities like timber, furs, certain kinds of ore, oil products, coal, wheat, rye, butter, meat, sugar, eggs, etc. On the other hand, the vast peaceful construction that is going on in the Soviet Union, the European People's Democracies and in the Chinese People's Republic opens up the possibility of placing big and profitable orders with the industries of the Western countries for equipment for the innumerable construction schemes that are being carried out in a vast area stretching from the South China Sea to the Danube. Nor are there any business considerations that can hinder an increase in the export from the Western to the Eastern countries of the products of the consumer goods, food and other industries. Even if trade with Eastern Europe were brought back to the prewar level—

and in view of the steady improvement in the conditions of life of the people in the East-European countries this could easily be exceeded—Great Britain could increase her exports of cotton goods by 80 per cent, woollen cloth by 50 per cent and worsteds by 24 per cent. It would enable France to increase her exports of medicaments by 20 per cent, dyes, pencils and paints by 30 per cent, cotton yarn by 54 per cent, perfumes and soap by 9 per cent, canned fish, including sardines, by 36 per cent, etc.

* * *

Every sober-minded businessman must admit that all the necessary conditions exist for the development of trade between East and West. Numerous facts go to show that this is possible and necessary; it is proved by statements in the press, and by the utterances of many political and business leaders in a number of Western countries.

It is appropriate to recall here what Lloyd George once said about trade with Soviet Russia. Having convinced himself of the stability of the Soviet regime, and expressing the sentiments of British business circles who were displaying great interest in trade with Soviet Russia, he, as Prime Minister, stated in the House of Commons on February 10, 1920, that Europe needed what Russia could supply. If the members of the House were familiar with the figures which showed the part Russia had played in supplying Europe before the war, he said, they would appreciate the degree to which Russia's dropping out of the supplying countries affected the rise in prices, the rise in the cost of living, the appearance of dearth and hunger.

More than thirty years have passed since those words were uttered, but they are being repeated in different variations by leading people in present-day Britain. For example, in August 1951, Sir Hartley Shawcross, then President of the Board of Trade in the Labour Government, stated in the House of Commons that trade between Eastern and Western Europe had always been a constant and important feature of European economy. He said that it was necessary to reckon with the vast grain resources of Eastern Europe, with the timber from the U.S.S.R., coal from the Polish mines and foodstuffs from Hungary and Poland. In 1950, Great Britain imported from the East-European countries 690,000 tons of fodder grains, more than a third of her total imports of these grains. These purchases provided fodder for a fourth of all cattle in the country. Further, the purchase of 220,000 standards of soft wood accounted for a fourth of the total imports of this commodity. Of bacon imports, 10 per cent came from them. Britain is interested in many other commodities that are exported by the East-European countries. In conclusion he said that for certain commodities, Eastern Europe remains Britain's sole source of supply.

Several days later, Anthony Eden, the present British Foreign Secretary, delivered a speech in New York in which he associated himself with Shawcross's statements. He said: "Britain needs the materials she is getting from the Soviet Union, especially timber and coarse grain... it is not a wise principle to cut off trade between East and West."

The British press has lately contained numerous statements openly admitting that the cessation of trade with Eastern Europe, which the leaders of the Atlantic bloc are

demanding, would cause a reduction in the food supplies of the British people, a further reduction of housing operations, a reduction of cattle fodder, etc. The newspapers emphasize that the commodities of primary importance which Britain imports from Eastern Europe cannot be obtained from any other part of the world.

In an article entitled "Trade Bar Deepens Crisis" published in the *New Central European Observer*, Gordon Schaffer writes: "I suggest that we in Britain have now reached a stage in our postwar story when the condition of survival of our people, the only chance of preventing economic catastrophe, lies in our ability to rebuild the bridge of friendship between East and West." Schaffer reviews the possibilities of trade between the U.S.S.R. and other countries of the camp of peace, on the one hand, and Western Europe, on the other hand, particularly emphasizing the vast development of the national resources in the U.S.S.R., the European People's Democracies and the Chinese People's Republic. He remarks that "Western Europe—and Britain in particular—cannot live without Eastern trade. The Economic Commission for Europe where, it should be remembered, there is an anti-Communist majority, has issued statistics proving this fact time and time again." Schaffer adds that "the fundamental question emerges that only by reducing expenditure on armaments and by securing markets in the eastern world for British goods can there be any radical change" in the steady lowering of standards of the British people. Schaffer concludes:

"As the crisis grows deeper (and it will grow deeper), as threats to our standards of living and our social services become more vicious, we shall find that more and more people are joining us in our struggle for trade

and friendship and for peace which trade and friendship will bring."

The importance for Great Britain of the import of food, raw materials and other commodities is very well known. Even with rationing, 60 per cent of the food consumed in the country is at present imported from abroad. According to reports in the British press, during eleven months of 1951, Britain imported from the Soviet Union grain and timber to the value of £34,000,000. The entire sum the U.S.S.R. obtains from the excess of exports to Great Britain over her imports from that country is spent in the sterling zone, which is obviously to the advantage of Great Britain herself as well as of her dominions and colonies. The more farsighted of the British industrialists and commercial men fully appreciate the mutual advantages of trade and other economic relations with the U.S.S.R., the European People's Democracies and with the Chinese People's Republic. They are aware that the development of trade with these countries would not only assure for Britain stable and ever expanding markets, but also a reduction and even the liquidation of the dollar shortage.

It is appropriate here to mention, in particular, the importance of the Chinese market for Great Britain. For a long time, Britain was a constant purchaser of large quantities of Chinese commodities, particularly of egg products, tung oil, bristles, wool, raw silk, tea, etc. On the other hand, she supplied China with manufactured goods, equipment, chemicals and fertilizers. By participating in the economic blockade of China, Britain is causing herself considerable economic loss by artificially reducing the revenues of Hongkong, through which China imports her goods. By establishing with the Chinese

People's Republic normal trade relations based on mutual advantage and equality, Britain could greatly enhance her exports to China and purchase there the raw materials and foodstuffs she needs so urgently without having to spend dollars. This would improve Britain's balance of payments and enable her to reduce her dollar deficit.

The measures taken by United States ruling circles, such as the Kem Amendment and the Battle Act, with the object of utterly paralyzing trade between the Western and Eastern countries and the threats to cut off United States "assistance" for those who refuse to submit to these American laws, are rousing increasingly sharp criticism in Great Britain, for it is becoming more and more evident there that the embargo on the export of a long list of commodities to Eastern Europe, and also the cessation of trade with China at the behest of the United States, are causing great damage to Britain's economy. For example, *The New Statesman and Nation* wrote that an economic union of Western Europe which would demand the isolation of the East is an absurdity, for it would mean a sharp deterioration of the standard of living of the Western countries, unemployment in industry, and reversion to a distinctly agrarian type of economy. The opinion of the Labour weekly was echoed by the *Conservative Statist*, which wrote that a study of intra-European trade leaves scarcely any doubt that the artificial division of Europe into two parts is "responsible for many of the shortages and economic difficulties in the United Kingdom and the other West-European countries." American pressure on Britain to compel her to stop trading with Eastern Europe has also been censured by *The Times*, which wrote that the problem of the future economic relations between the Western world and the Soviet Union

and the People's Democracies cannot be solved simply by the hasty passing of a law in Washington.

The Press Association reports that Arthur Bottomley, Labour M.P., former Secretary for Overseas Trade, said at the annual rally of the Kent Labour League of Youth that the most natural markets for Britain and the Commonwealth countries are in the East and that "we must not allow political expediency to damage our long-term interests."

Reynold's News publishes an article by James Harold Wilson, President of the Board of Trade in the Labour Government, in which he says that to avert a crisis Britain should resume her freedom to develop trade with Eastern Europe and other parts of the world which can send the goods she needs and will take the goods she can sell.

The United States press is energetically spreading the story that the U.S.A. is compensating the West-European countries, and Great Britain in particular, for the loss incurred by the rupture of trade relations with the Soviet Union and the People's Democracies. The London *Economist* stated that this claim is groundless, and it went on to say that there is a sincere desire in West-European countries to avoid dependence upon American charity. In Great Britain, for example, the resumption of Marshall Plan assistance would be regarded with utter disgust, largely because of the unforeseen and often unreasonable conditions that are attached to American assistance, and often introduced when the program is already being carried out.

There can be no doubt whatever that trade between the Soviet Union and Great Britain could develop much more successfully, to the benefit of both countries, if the British Government abandoned the policy of discrimina-

tion in trade with the Soviet Union and developed this trade in conformity with Britain's national interests, as wide circles of the British public are demanding. Speaking at the Annual Conference of the National Union of Mineworkers in Blackpool, William Pearson, representing the Scottish miners, said that expansion of trade and the strengthening of friendship between Britain and the Soviet Union are needed now more than ever before. Everybody realizes that improved relations would serve as a basis for permanent peace. The revival of trade would help to reduce prices in Britain. This would help to solve Britain's economic problems.

The opinion of many representatives of British business circles was expressed by *The Star*, which in an editorial article on the forthcoming International Economic Conference wrote that the appeal for the revival of trade between East and West at least on the 1949-50 scale deserves serious attention. This trade is profitable for both sides economically and politically. It helps to maintain peace.

* * *

The representatives of the business world in the Western countries are becoming more and more convinced that reduction of trade with the East is one of the direct causes of the aggravation of the economic difficulties these countries are experiencing. The unsound, one-sided trend which the advocates of a policy of war are trying to give international trade is so patently unwise and profitless that it is rousing increasing indignation in the Western countries. Indeed, looking at it from the point of view of economic interest, can anybody fail to see the utter absurdity of breaking long-established

and tried international trade relations based on mutual advantage and of yielding to the American monopoly of the markets which is forcibly converting the Western countries into mere appendages of the American market? When the Western countries are compelled, for example, to import high-priced American coal and pay for it in dollars, whereas they have every opportunity to buy high-grade coal at a much lower price in the East-European countries and to pay for it in goods, is it not obvious that such a policy cannot be regarded otherwise than as suicidal for the economy of the Western countries? Can the rupture, as a result of United States pressure, of interzonal trade between Western Germany and the German Democratic Republic, or the pressure that is being brought to bear upon Japan to stop trading with the Chinese People's Republic, be regarded as normal?

Unable to justify their policy on business grounds, United States ruling circles are calling it "economic war." *The New York Times* wrote that the United States has reached the point of regarding trade between East and West as an element of economic war. Every sound-minded person will agree, however, that economic war in peacetime is abnormal, to say the least. Moreover, this economic war operates to the detriment of precisely those who are organizing and taking part in it.

But even United States ruling circles cannot deny that the maintenance of trade relations with the Eastern countries is a matter of vital importance for the Western countries. Congressman Battle, who introduced the Act that bears his name, and the object of which is to reduce trade between East and West to zero, said in a speech in Congress that if the West-European countries' imports

from Eastern Europe were to stop suddenly, most of the West-European countries would be faced with a real crisis. The raw and other materials they import from Eastern Europe are needed for their normal existence. In the light of such statements, the demand for a complete rupture of trade relations between West and East recently repeated most categorically by Harriman, U.S. economic dictator of Western Europe, sounds particularly absurd. It is not surprising that the West-European countries cannot submit to the demand for the cessation of trade with the East, a demand which simply flies in the face of reason.

Wide sections of the public in West-European countries see no grounds whatever for rupture of business relations between West and East; they are demanding that economic relations be placed on a normal footing with all countries, irrespective of their social systems. Recently, *The New York Times* stated that European trade experts doubt very much whether the United States Congress, with all the problems facing it, can have a sufficiently clear idea of whether it will be good or bad for the West to send, say, ten tractors to Poland in exchange for 5,000 tons of coal.

Every day brings proof of the fact that the commercial policy which United States ruling circles are forcing upon the West-European countries is undermining the very foundations of the normal economic development of these countries. The hindrances to trade between West and East create insurmountable economic difficulties for the Western countries. Disturbance of normal international economic relations injures the foreign trade of the Western countries themselves. This trade cannot develop under the conditions created by the armaments drive and

the financial crisis which this drive has intensified; it cannot develop when the West-European countries are forcibly bound to the dollar market and are deprived of the opportunity to solve their economic problems in conformity with their national interests.

Facts show in particular that the so-called European economic cooperation imposed upon the Western countries by the Marshall Plan has proved a failure. The latest measures taken by the British and French Governments, and also by the West-German authorities, who have imposed restrictions on imports from other Western countries, show, on the one hand, that the financial crisis in these countries is growing more acute owing to their increasing dollar difficulties and excessive expenditure in armaments; and, on the other hand, that the struggle for markets is becoming more intense. All this testifies to the failure of the vaunted West-European "economic cooperation."

The same is proved by the recent protests of the Scandinavian countries against the unilateral reduction of the price of cellulose by Britain and France, and also by the representations made by the Italian and a number of other governments to the U.S. State Department concerning the new restriction of United States imports.

The American idea of "free trade" is very one-sided, and has nothing in common with normal economic collaboration, which presupposes equality and mutual consideration for partners' interests.

Deterioration of the balance of trade is today characteristic of all the West-European countries without exception. Efforts to find a way out of this difficult situation force all practical-minded people to the

conclusion that international economic relations must take a resolute turn towards equality and mutual advantage, towards the resumption and expansion of trade between East and West.

It is well known that whereas Britain's foreign trade deficit is due, in the main, to increased imports, that of France is due primarily to the drop in her exports, which from the end of 1950 to the summer of 1951 amounted to 26 per cent (in volume). This inevitably resulted in a considerable increase in unemployment and in increased difficulties in many branches of France's industry.

More often and more loudly are voices being raised in France demanding the all-round development of foreign trade. Only very recently a statement in favour of expanding trade between East and West was made by Bonnefous, Chairman of the Foreign Affairs Committee of the French National Assembly. A similar statement was made at the end of September 1951 by Robert Schuman, then Minister for Foreign Affairs. The opinion is widespread in French business circles that an increase in exports to the Eastern countries will help to solve the problem of using the production capacities of French industry in other ways than by pursuing the antinational armaments drive policy. A statement in favour of expanding trade with Eastern Europe has been made by the French National Council of Industrialists, emphasizing that the restriction of trade with the U.S.S.R. and the countries in Central and Southeast Europe is harmfully affecting the development of French industry. Business circles in Marseilles, one of the biggest ports in France, know from their own experience how much France is losing as a result of the shrinkage of economic relations with the East. Chartron, the manager of a big pipe-roll-

ing mill in Marseilles, told a correspondent of *In Defence of Peace*: "Our port is suffering from stagnation. We must have trade with the East; we must resume trade relations with the Black Sea countries.... Unless we exert all efforts to make France resume normal trade relations with all countries, we shall not be able to remove this stagnation even next year. Regrettable though it be, I am profoundly convinced of this."*

The forthcoming convocation of the International Economic Conference has given a strong impetus to the movement in France in favour of expanding trade relations with the U.S.S.R. and the People's Democracies. The *Paris Presse Intransigeant*, in an article on the International Economic Conference in its issue of December 26, 1951, stated that the development of trade relations between West and East, which may result from the Conference, "would enable us to pass from the policy of armaments to the policy of peace-time economy." The author went on to say that the expansion of such trade would provide the Western countries primarily with building timber and other raw materials in exchange for manufactured goods. In the middle of December 1951, the French National Prices Committee unanimously adopted a resolution demanding an expansion of trade relations with all countries without exception. In Grenoble, at a public meeting held to welcome the French delegation that had visited the Soviet Union, a resolution was passed calling for the improvement of trade relations between the countries of Western and Eastern Europe. In Villeurbanne, the Works Committee of the Fayol textile-machinery plant, consisting of the represent-

* *In Defence of Peace*, Russ. ed., No. 6, 1951, p. 46.

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atives of the management and of the workers, protested against the plant being prohibited from executing an order for the Chinese People's Republic and demanded an improvement in trade relations between France and the U.S.S.R., the European People's Democracies and the Chinese People's Republic. The Works Committee also called upon the management to send a delegation to the Moscow International Economic Conference. The managements and workers' committees at the paper mills in Roanne, Department of the Loire, the Municipal Council of Clermont-Ferrand, Department of Puy-de-Dôme, and the workers' committees of the soap works in Marseilles have passed resolutions calling upon the French Government to increase trade between France and the Soviet Union and the People's Democracies. Lefauchaux, manager of the Renault plant, stated: "I am in favour of the resumption of trade with the Eastern countries. The nationalized Renault plants will do all in their power to have this trade resumed at the earliest date."

American ruling circles ordered the French authorities to prevent representatives of France from attending the Moscow International Economic Conference, but considering how strongly French public opinion is in favour of participation in the Conference, it is not so easy openly to place obstacles in the way. At the end of February, Robert Buron, Minister of Economy in the Faure Cabinet, now resigned, was obliged under pressure of public opinion to state in the National Assembly that the French Government was willing to issue passports to all those who wished to attend the International Economic Conference in Moscow. He added that, in his opinion, the International Economic Conference would help to promote trade.

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In addition to business circles, interest in the International Economic Conference is also being displayed by the French trade unions. For example, the Management Committee of the Confédération Générale du Travail has announced its intention to send representatives to the Conference. In the resolution that was published in this connection, the Management Committee of the C.G.T. said:

"The difficulties that are at present encountered in the economic life of many countries are largely due to the disturbance of international trade and the shrinkage of markets. This applies particularly to France, for the deficit in her balance of trade in the dollar zone and in respect to the European Payments Union, renders problematical the importation of commodities that are of the utmost importance for the economic life of France. It would be a mistake to think that French industry can find the markets it needs in the dollar zone. The shortage of raw materials and the shrinkage of markets are already causing a rapid increase in unemployment and of its corollary, poverty.

"Consequently, the resumption of trade between East and West is in conformity with the vital interests of French industry...."

The resolution further emphasizes that the convocation of the Moscow International Economic Conference is in conformity with "the interests of the whole of France's economy, whose position is at present extremely critical, and which can gain immediate and tangible benefit from a favourable outcome of the Conference, just as other countries can."

A big movement in favour of developing trade relations with the East-European countries is seen in Italy,

which is meeting with ever-increasing difficulties in exporting civilian goods and, as a consequence, is suffering from increasing unemployment and a deterioration of the standard of living of the people. The Milan economic newspaper *Venti quattro Ore*, organ of influential circles of the General Federation of Italian Industry, after quoting excerpts from an article by the director of the Paris newspaper *Le Monde*, who called for the participation of businessmen and economists in the Moscow Conference, and censured American interference in this matter, declared that it fully agreed with the French paper, provided there will really be no political propaganda at the Moscow Conference.

We consider it useful, the paper continues, for our businessmen to go to Moscow and conclude contracts there.

Political partitions always upset economic equilibrium, breed poverty and eventually boomerang back at those who are guided by ideological prejudice. No one who "is worthy of being called a businessman" can reconcile himself to such a state of affairs, declares the paper.

Belgium, Holland, Switzerland and the Scandinavian countries are also experiencing increasing economic difficulties as a consequence of the armaments drive and the disturbance of international trade relations; they are suffering considerable loss as a result of the shrinkage of trade with Eastern Europe. The Dutch newspaper *De Waarheid* quoted a statement made by Milius, the director of the International Fair in Utrecht, who, after mentioning the difficulties encountered in international payments, expressed the opinion that the only rational means of surmounting them was to increase exports and to develop trade with the Eastern countries.

During the debate in the Belgian Chamber of Deputies on the budget of the Ministry of Labour and Social Maintenance, Deputy Isabelle Blume rightly pointed to the connection between the development of trade with the East and the problem of improving conditions of life in the Western countries. She said that one of the means of combating unemployment is to expand trade relations with the East-European countries. "We must not," she said, "neglect the opportunity to provide work for the 300,000 Belgian unemployed. This can be done by developing trade with countries which offer favourable terms for profitable long-term economic relations."

The Swiss newspaper *Vorwärts* published an article on the Moscow International Economic Conference under the significant heading "It Is Necessary to Act Before It Is Too Late." Pointing to the symptoms of an approaching economic crisis in the Swiss textile, food and other industries, the newspaper says: "Switzerland has every reason to support every effort made at invigorating international trade. There is hardly another country as dependent on its imports and exports as Switzerland is. The national interest requires that our economic circles, in the broadest meaning of the term, be represented at the Conference. It would be unpardonable if political considerations, now so much in vogue, prompted Swiss circles not to take a serious view of the Conference, or if suspicion and prejudice gained the upper hand over common sense.

"The participation of Swiss economic circles in the work of the Conference," continues the paper, "is in the interests of our country. It is necessary to act before it is too late. Moreover, it would be useful to bear in mind the failure of the policy of nonrecognition of the U. S. S. R.

which Switzerland conducted for 25 years between the two world wars....

"Switzerland's interests dictate the need to follow the path of multilateral economic relations with all the countries of the globe."

Reflecting the sentiments of business circles and of the general public, the Scandinavian press is more and more often expressing discontent with the obstacles that are being artificially put in the way of the development of trade between West and East, and is speaking in favour of expanding this trade. The Danish newspaper *Berlingske Aftenavis* wrote: "Denmark has to choose between dollar aid and trade with Eastern Europe. In her present position she will find it difficult to dispense with trade with Eastern Europe, to dispense with coal imports from Poland and commodities from other East-European countries."

A similar point of view is expressed by the Norwegian press. The *Aftenposten* stated that the West-European countries are disturbed by the restrictions that are being placed on trade with the East. "This trade," it wrote, "must not be regarded as the sale of goods for the purpose of gain. It is a matter of obtaining vitally important commodities, which cannot be obtained elsewhere." And the journal *Kontakt* observed that "the U.S.S.R., Poland, Eastern Germany and Czechoslovakia are our most important partners in the East." It quotes data showing that Norway buys from the U.S.S.R. grain and ore in exchange for salt herrings, hard whale blubber and aluminium. From Poland Norway obtains coal and grain, and she sells to Poland ferro-alloys, sulphur pyrites, herrings and fats. From Czechoslovakia she obtains sugar in exchange for herrings, ferro-alloys and other commodities.

Hellmer Holmberg, chief editor of the Swedish *Norrskens-Flammen*, states in a leading article in that newspaper that the International Economic Conference had roused great interest all over the world, including Sweden.

The author writes that it is extremely important for Sweden to develop economic and trade relations with the Soviet Union and the People's Democracies. In conditions of American pressure which has caused certain Swedish industries to suspend production because of the shortage of raw materials, it is important for Sweden to trade with the countries of Eastern Europe, where the market does not suffer from crises. The former Swedish Minister of Trade Gunnar Myrdal at one time said, Holmberg writes, that Sweden should establish relations with the crisis-immune markets in the East. There were many, probably including several members of the government, who shared this view of Myrdal's. But more influential forces appeared on the scene. These forces step by step impelled Sweden's trade policy onto the path indicated by America, and this has resulted in an economic blockade of the Soviet Union and the People's Democracies. The author points out that such one-sided trade relations with unstable markets create a big risk and hold out the threat of catastrophe for the economic life of Sweden.

"It would be better for the world," he concludes, "if the governments of Europe realized that it is in their own interests to conclude trade agreements with countries that are not in need of rationing, which are not closing down factories and mills, but opening new ones, which are not increasing, but are lowering prices, and which urge the peoples of Europe to tear down the economic iron curtain which the Americans are trying to put up."

Trade relations with the Soviet Union and the People's Democracies are a matter of vital importance for Finland, and realization of this has been quickened in that country by the difficulty she is now encountering in finding markets for her goods.

The newspaper *Työkansan Sanomat* has printed brief statements by the Director-General of the Bank of Finland and Foreign Minister Sakari Tuomioja and the prominent Finnish economists Klaus Waris and Jakob Julin, who stressed the importance of the Moscow Conference for Finland. They pointed out that Finland was at present extremely interested in expanding her markets.

Both from the standpoint of the state and from the standpoint of the Finnish Government, said Tuomioja, it is important for Finland to be represented at the Conference by a full-fledged and representative delegation.

Considerable attention to the question of resuming and developing trade relations with the East is being devoted by business circles and the press of Western Germany. Moser, the Chairman of the Society for Trade With the East, stated: "If German economy as a whole fails to claim its right to take part in world trade, particularly with the Eastern countries and the Far East, we shall certainly be faced with the danger of being largely ousted from world trade and with the danger of losing one of the most essential prerequisites for the economic unity of Germany."

The Düsseldorf journal *Chemische Industrie* called for the normalization of trade with the East, stressing how extremely necessary this was for the chemical industry of Western Germany. The latest report issued by the Chamber of Commerce in Bremen notes, for one thing, that "formerly Germany used to hold first place

in exports to the countries of Eastern Europe." In the opinion of the Chamber of Commerce, only brisk trade with the East can place the West-German balance of trade on a sounder basis in 1952. The Düsseldorf *Handelsblatt* on January 1 came out against unilateral control and the disruption of West-German trade with the People's Democracies and the German Democratic Republic. The paper noted that things had reached such a pitch in Western Germany that anyone who called for trade with the East was in danger of political persecution.

The newspaper goes on to say: "Development of trade between East and West is a better guarantee of peace than an armaments drive," and in conclusion it observes that whoever earnestly wants the East and West to be united must be willing to make economic concessions. The German Democratic Republic's five-year plan for 1951-55 shows how sincerely and closely the Eastern countries are collaborating in the economic sphere. Already, in regard to supplying solid goods, the East is beginning to fill the gap which formerly could be filled only by the West.

Josef Orlopp, the Commissioner for Internal German Trade of the Ministry of Home and Foreign Trade of the German Democratic Republic, stated that the convocation of the International Economic Conference meets with the approval of numerous representatives of business circles in Western Germany, who realize that the economic future of Western Germany depends on trade with the East and not on the West-European markets. At the Moscow Conference, representatives of German business circles will have the opportunity to address economic experts from many countries and explain their position on the question of trading with the East. The object of this Con-

ference is to establish normal trade relations between the peoples of East and West, and this is exactly what Germany's economy needs, said Orlopp.

Numerous comments were also aroused by the statement of Dr. Joseph Wirth, ex-Reichskanzler, at a press conference in the British sector of Berlin on January 11 to numerous representatives of the German and foreign press. Dr. Wirth welcomed the calling of an International Economic Conference in Moscow, which, he said, "will serve to strengthen economic relations between nations and, hence, the cause of world peace."

The reasons that prompt West-German business circles to favour the resumption of internal German trade and the development of economic collaboration with the Soviet Union and the People's Democracies are quite understandable. Normal trade with these countries would enable Western Germany greatly to reduce imports of those commodities she is obliged to obtain in the West and thus sink deeper and deeper into debt. It must be said that many of these commodities are produced in large quantities in the German Democratic Republic, and they could be supplied on mutually advantageous terms to the West-German industrial enterprises, which are sorely in need of them.

Larger and larger sections of the people in Western Germany, including industrialists, commercial men and representatives of trade unions and cooperative societies, are beginning to realize that the resumption and development of close economic relations with the Soviet Union and the People's Democracies, and unhindered trade with the German Democratic Republic, would provide employment for thousands of workers and greatly reduce unemployment in Western Germany, that it would provide work for the

industries which produce civilian goods and thus help to raise the standard of living of the broad masses of the West-German population.

The announcement of the convocation of the International Economic Conference met with a lively response in Austria, whose isolation from the East-European markets has broken long-standing relations, to the detriment of the vital interests of the country.

The newspaper *Die Union* published by the Austrian Democratic Union notes the great interest felt in Austrian economic circles in restoring trade relations with the countries of Eastern and Southeast Europe, relations which are of vital importance to Austria. This problem is now being studied by many independent businessmen.

In conclusion the paper says that the Moscow Economic Conference will be a "promising beginning in the matter of establishing world economic equilibrium." Austria in particular, the paper says, must give its attention to this Conference, so as not to be late and not to begin attempts to restore trade with the East when all her traditional markets will already have been taken over by other states.

* * *

A striking illustration of the disastrous effects the rupture of long-standing trade relations has upon a country's economy is provided by Japan, which is groaning under the heel of American occupation.

Japan is obliged to import numerous commodities she needs from the United States at exorbitant prices, coal, for example, instead of obtaining them on profitable terms from China.

It is not surprising, therefore, that Japanese industrialists and commercial men, not to speak of broad sections of the general population, are demanding the resumption of normal trade with China, and also with the Soviet Union. In this connection they appreciate the importance of the forthcoming International Economic Conference in Moscow.

A report from the Tokyo Arrangements Committee states that great interest in the Conference is being displayed by Japanese business circles, particularly among the members of the Kansai commercial and industrial associations, who have long had close trade relations with China.

Arrangements Committees have been set up in Osaka and in Hokkaido. Among their members are professors Kobayashi, Nawa and Fushimi of the Osaka University, representatives of Hokkaido cooperative societies, representatives of the Hokkaido section of the Workers and Peasants Party, and others. On January 18, 1952, a conference of business circles was held, attended by Member of Parliament Kitamura of the People's Democratic Party, the financier Ayukawa, adviser of the Ministry of Foreign Affairs Minoura, the Left Socialist Member of Parliament Wada, Liberal Member of Parliament Yamamoto, Hoashi, of the Japanese Industrial Association, and Hirano, scientist and writer. The conference decided to set up a Council for the Study of World Economic Problems which is to make preparations for a conference. On January 27 the Council called a conference in Osaka of representatives of Kansai business circles, which was attended by eleven big industrialists and financiers. This conference declared in favour of sending Japanese delegates to the Moscow Conference. The *Nishi Nippon Shimbun* reports that in

his address, Professor Nawa said: "This conference is of great importance. I think it will promote the cause of world peace."

In obedience to orders from Washington, the Japanese Government is creating obstacles to the participation of Japanese delegates in the Moscow Conference. In spite of this, a number of prominent businessmen and economists have applied for passports.

Trade with the Soviet Union and the People's Democracies is extremely important for the countries of Asia and the Near and Middle East, and for other underdeveloped countries, as a means of facilitating the development of their natural resources, their national industries and agriculture, and their economic independence. As is known, industrial and commercial circles in India, Pakistan, Iran, Egypt, Syria, Lebanon and other Asian countries, are extremely interested in this trade, as is evident from the popularity of the pavilions of the U.S.S.R., the Chinese People's Republic, Czechoslovakia and Hungary at the Bombay International Industries Fair. The merchants and manufacturers of India want to expand trade relations with the U.S.S.R. and to strengthen economic bonds with the People's Democracies. For example, India could sell to the Soviet Union jute, shellac, tea and pepper, and buy grain, industrial equipment, machine tools, locomotives, tramcars, autobuses, automobiles, chemicals, agricultural machines, weaving looms, etc.

The United States, Great Britain and other colonial powers regard the underdeveloped countries merely as sources of strategic raw materials and refuse to supply them with the industrial equipment they need so urgently for their economic development. Far from

promoting social and economic progress in the underdeveloped countries, this "aid" retards the growth of their productive forces, increases their dependence upon foreign capital, and still further forces down the already low standard of living of the vast masses of the people.

By the very nature of its political and social system, the Soviet Union, in its relations with these countries, pursues aims that are totally different from those pursued by the colonial powers. The Soviet Union is a firm and consistent champion of the right of nations to self-determination and independent development, and is accordingly willing to promote the development of the productive forces of the countries that are in need of economic assistance and to help them to achieve political and economic independence.

It is common knowledge that the Soviet Union treats the small nations on an equal footing with the big nations and concludes mutually advantageous treaties and agreements with them. At the banquet given in honour of the Finnish Government Delegation on April 7, 1948, Comrade Stalin said: "Few great-power politicians will be found who regard the small nations as equals to the big nations. Most of them look down upon the small nations. They are not averse to granting the small nations one-sided guarantees. But, generally speaking, these politicians are not prone to conclude equal treaties with the small nations, because they do not regard them as partners."*

All countries, big and small, are interested in the development of international trade. The Pakistan *Sind Observer* reported that at a meeting of business magnates

* *Pravda*, April 13, 1948.

and high government officials connected with trade and industry held in Karachi in connection with preparations for the International Economic Conference, the concrete possibilities of developing Pakistan's foreign trade were discussed. Ahmed Jaffer, M.P., a prominent representative of the Pakistan business world who had recently returned from Europe, said that the East-European countries can offer better and more suitable terms of trade than the other markets.

The expansion of trade with the U.S.S.R. and the East-European countries would be extremely beneficial for Iran, which is encountering financial and economic difficulties. This is proved by the results of the trade agreement concluded between Iran and the U.S.S.R. in 1950. As the Iran newspaper *Keyhan* observed, the tremendous advantages of the agreement lay in that it enabled Iran to purchase commodities vitally necessary for her economy without having to spend dollars and pounds of which she was short. On the other hand, she was able to export a number of commodities, particularly produce from the northern provinces, which formerly she had been unable to export in any quantity owing to the high cost of transportation to the southern ports. The newspaper added that the expansion of Soviet-Iran trade has improved the conditions of the peasants in the northern provinces of Iran.

Many representatives of the Iran business world are determined to take advantage of the International Economic Conference for the purpose of promoting the expansion of Iranian trade with the Soviet Union and the People's Democracies.

The Italian newspaper *Avanti* reports that a statement in favour of participating in the Moscow Conference was

made by the prominent Iranian public leader Kashani, who expressed the conviction that the Conference could make a valuable contribution to the development of economic and cultural relations between countries and could be conducive to the establishment of peace and friendship between them.

Kashani further said that the representatives of Iranian trade and industrial circles who attend the Conference would have a unique opportunity of establishing broad business relations with representatives of foreign trade circles from all over the world. Iran, he added, must normalize her foreign trade.

"We want to alter the sad state of affairs," Kashani said, "in which the Western powers and especially the United States and Britain look upon the Iranian market as a zone for selling their shop-worn goods. Today we are resolved to make the Anglo-Americans give up their selfish trade policy towards Iran."

Active preparations for participation in the Moscow International Economic Conference are being made in the Latin American countries.

A conference was held in Santiago, Chile, which was attended by the distinguished economist Guillermo del Pedregal, ex-Minister of Finance, engineer La Barca, and other prominent businessmen. The conference adopted a resolution stating that "Chile's present economic situation calls for the immediate expansion of trade with all countries. To achieve this, peace and normal economic relations must be restored among all countries, irrespective of their regimes. Chile's representative at the Moscow Conference must submit a proposal in favour of encouraging free trade."

The Uruguayan newspaper *Justicia* in an editorial

article headed "Our Foreign Trade and the International Economic Conference" writes: "We are going through a really critical moment for our economy. Exports are falling off, and this gives rise to a deficit in the balance of trade, which already in mid-1951 exceeded \$8,000,000. The sale of hides and wool abroad has actually stopped. The reserves of foreign currency in the Bank of the Republic are rapidly dwindling. The situation is so grave that, as the newspaper *El Pais* recently wrote, we are 'on the threshold of a crisis. . . . Our economy is suffocating owing to the fact that in the sphere of foreign trade it has been subjugated to the dollar.'" As a way out of this state of affairs, the paper points to the need to develop unhampered trade between all countries. The *Justicia* points out that the demand for the opening of new markets is being voiced by various sections of the population in Uruguay. This view coincides with the aims of the International Economic Conference, which is "inspiring all the nations" and will serve the cause of strengthening peace.

In spite of the fact that owing to the fault of the Brazilian Government there are no diplomatic relations between Brazil and the U.S.S.R. at the present time, the convocation of the International Economic Conference has stimulated the demand among Brazilian business circles for the expansion of trade relations with the U.S.S.R. The Brazilian authorities have consented to the request of Brazilian industrialists, merchants and economists for permission to send observers to the Moscow Conference. It was stated in a broadcast from the Rio de Janeiro radio station that Alberto Lins de Barros, the head of the Economic Department of the Ministry of Foreign Affairs, has again told reporters that it would be "a poor

business for Brazil" not to maintain relations with Russia, China and the countries of Eastern Europe. In geographical terms, he said, this represents nearly half the world. He said that "whenever we can sell, there's some interest involved for Brazil, and that whenever we can make good purchases, it is also in the interest of the country."

All these statements by business circles and the press in the countries of Western Europe, the Near and the Far East and of Latin America provide irrefutable proof that those who encourage the reduction of trade with the U.S.S.R. and the People's Democracies in Europe and Asia are acting to the detriment of the vital interests of their people and country, interests which imperatively call for the utmost expansion of trade. The demand for the development of economic relations between the countries of Western Europe, Asia and America on the one hand, and the Soviet Union, China, the European People's Democracies and the German Democratic Republic on the other, is being voiced ever more loudly. More and more representatives of business circles, trade unions and the cooperative movement are realizing that it is necessary to resist the forces that want to exclude half the world from international commercial intercourse.

It must be noted that many businessmen in the United States are advocating the expansion of trade with Eastern Europe, in spite of the fact that the ruling circles in that country have practically placed an embargo on trade with the Soviet Union, the European People's Democracies and with China and are demanding that the countries dependent on America should do the same. Sober-minded people in the United States cannot fail to realize that this is a shortsighted policy, detrimental to the interests of the United States herself. It is common knowledge

that trade with the U.S.S.R. was always to the advantage of the United States, particularly as regards balance of trade; United States exports to the U.S.S.R. always exceeded imports from that country. In his interview with the American agricultural expert Campbell at the beginning of 1929, J. V. Stalin said: "The U.S.A. has more grounds for maintaining extensive business relations with the U.S.S.R. than any other country."*

America's industrial potential is immense, and immense also are the requirements of the Soviet Union, where peacetime construction is being conducted on a vast scale. Many representatives of United States business circles are rightly of the opinion that, although the economy of the U.S.S.R. has developed to such an enormous degree that she no longer has to import many of the things she was obliged to import before, there is still scope for an increase in the export to the U.S.S.R. of such items as she needs for her rapidly developing economy. Commercial and industrial circles in the United States realize that they are losing a great deal by the rupture of Soviet-American economic relations. For instance, as far back as the beginning of 1948, T. Berna, a representative of the National Machine-Tool Builders' Association, stated that the United States machine-tool industry was in difficulties owing to the restriction of trade with the Soviet Union and the East-European countries. Since then the situation has become still worse.

Aware that the resumption and development of Soviet-American trade relations would be to the advantage of both countries, many representatives of United States business circles are displaying great interest in

* J.V. Stalin, *Works*, Russ. ed., Vol. 13, p. 154.

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the forthcoming International Economic Conference.

* * *

The opponents of international economic collaboration have not remained quiet during the preparations for the International Economic Conference. The organizers of the "cold war" and of the preparation of a "hot war," want to prevent the resumption of normal economic relations. Seeing that the idea of an international businesslike gathering of economists and industrialists, commercial men and trade union leaders for the purpose of finding ways of improving international economic relations has become extremely popular, the ruling circles in a number of countries headed by the United States have resorted to various countermeasures, both propagandist and administrative. By way of administrative pressure, efforts are being made to dissuade people from going to Moscow, and passports are being refused to those who have declared their intention to go. Such measures have been taken in the United States, Great Britain, France, Japan and other countries.

But these administrative measures are no more effective than the propaganda measures that are being carried on against the Moscow Conference. This propaganda has assumed the standard form for the Western countries. All those who come out in favour of normalizing relations with the Soviet Union and the People's Democracies are denounced as "appeasers" and even "Communists." These terms have been applied to the members of the International Initiating Committee for convening the Moscow Conference, in spite of the fact that they hold the most diverse political opinions and represent diverse business interests. Doubt is thrown on the "sincerity" of the inten-

tions of the Soviet Union and the People's Democracies, and lastly, attempts are made to belittle the importance of economic relations between West and East.

These assertions, however, carry very little weight, as even people who are hostile towards international collaboration are forced to admit. For example, Walter Lippmann, the political commentator of the *New York Herald Tribune*, wrote that the attempts to impose an embargo on trade with the Soviet Union and the countries friendly to it are causing more harm to the United States' "weak and stricken allies" than to the Soviet Union and the People's Democracies. And this, wrote Lippmann, "we shall be learning more and more, but in the hard way."

Nor could the London *Economist* deny the importance of the forthcoming Moscow International Economic Conference. A leading article in that journal published at the end of February stated that many businessmen and economists in Britain and other Western countries who have received invitations to attend the Conference, and by no means all of them hold Leftist views, are reposing great hopes on the Moscow gathering. After mentioning that the Conference will not discuss the relative merits of different economic and social systems, the journal goes on to say that if this is really the case, then it should make a favourable impression upon all men of goodwill all over the world who have no sympathy for Communism, but are terrified by the prospect of an atomic war. Further on it says that the Conference could perform a miracle. It could unite the businessmen, trade union leaders and economists of all countries, freely elected by various organizations, and who have obtained visas to the Soviet Union irrespective of

their political views. They could discuss the question of developing international trade in order to utilize available resources and raise the standard of living everywhere.

No impartial observer can deny that these are exactly the principles on which the Moscow Conference is being convened. That being the case, why does *The Economist* try to dissuade English businessmen and economists from attending the Conference? By what motives is it prompted to do this?

A perusal of the article mentioned shows that they are not economic, practical motives, but political motives. They even include the forthcoming presidential elections in the United States.

One cannot agree with such an approach to the problem of developing international trade, the problem that is to be discussed at the Moscow Conference. It will not discuss political problems, and it is useless for *The Economist* to attempt to thrust them upon the Conference. The Conference will not discuss the relative merits of different social systems; it will discuss the possibility of expanding trade between countries, irrespective of their social systems. And we have every ground for anticipating that it will not be an academic but a practical discussion, with the object of promoting international trade on the basis of mutual advantage.

The resumption and expansion of trade between different countries, the development of international economic collaboration on the basis of equal rights and mutual advantage, will serve to raise the standard of living of the people and promote the peaceful development of economy. That is why all those who want peace sincerely wish the International Economic Conference success.

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One the greatest gains of the Great October Socialist Revolution is the solution of the national problem in the U.S.S.R.

Bourgeois ideologists assert that international strife and enmity cannot be abolished, that they are an eternal law of history. Over and over again they repeat that the national problem is insoluble. Actually, however, this problem is insoluble only in the old, capitalist world.

The Great October Socialist Revolution in Russia for the first time showed the ways and means of successfully solving the national problem.

Armed with a scientific understanding of the national problem, the Bolshevik Party, on coming into power, put into practice the Lenin-Stalin theory of the commonwealth of nations; and practice, which is the final and most reliable criterion of the correctness of theory, has fully proved the viability and correctness of Bolshevik theory and of the Lenin-Stalin national policy.

It is to the Party of Lenin and Stalin that we are so greatly indebted for the fact that Russia, which in the past was a hotbed of national oppression and tyranny in their crudest and most inhuman forms, became the homeland of new re-

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lations between nations, an example of the implementation of true equality of nations, a country in which, for the first time, the national question has found solution.

* * *

Lenin and Stalin, the leaders of the Bolshevik Party, made a most valuable contribution to social science by elaborating the Marxian theory of the national problem, thereby laying the necessary theoretical foundations for the practical solution of one of the most difficult problems, i.e., the national problem.

The Bolshevik Party's theory and program of the national problem are the ideological foundation for the solution of the problem of the collaboration of nations in the U.S.S.R. In elaborating the theory and program of the national problem, Lenin and Stalin, the leaders of the Party, disclosed the connection between the national problem and the problem of the socialist revolution, the problem of overthrowing imperialism and abolishing national-colonial oppression. They merged the national problem with the colonial problem.

The Bolsheviks proceeded from the postulate that it is the direct duty of the proletarian parties to support the liberation struggle waged by the oppressed nations, that "... there cannot be a socialist proletariat that can in the least degree tolerate the oppression of other nations by 'its'

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nation,"* that "...pronouncements about the 'equality of nations' which are not backed by the direct support of the proletarian parties for the liberation struggle of the oppressed nations are meaningless and false,"** that "...he who does not recognize and champion the equality of nations and languages, who does not fight against all national oppression and inequality, is not a Marxist, or even a democrat."***

The Bolsheviks showed that the abolition of national-colonial oppression is organically connected with the revolutionary struggle for the transfer of political power to the masses of the working people. The scientific analysis of the specific features of the epoch of imperialism enabled the Russian Bolsheviks to define the place of the national problem in the proletariat's general struggle for power, to disclose the connection between the solution of the national problem and the general struggle of the masses of the people to abolish the rule of capital. Lenin and Stalin irrefutably proved that imperialism cannot exist without oppressing and exploiting the peoples of colonies and dependent countries, that the peoples of colonies and dependent countries cannot

* V. I. Lenin, *Collected Works*, Fourth Russ. ed., Vol. 21, p. 287.

** J. V. Stalin, *The Foundations of Leninism*, Moscow 1950, p. 100.

*** V. I. Lenin, *Collected Works*, Fourth Russ. ed., Vol. 21, p. 12.

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be liberated without the overthrow of the yoke of imperialism, without a proletarian revolution, and, on the other hand, that the victory of the proletarian revolution is impossible without the support of the oppressed and exploited people of the colonies.

For the first time, the Bolsheviks gave the slogan of the right of nations to self-determination a clear, distinct and consistently revolutionary content by showing that this slogan implied the right of oppressed nations to political secession, the right to form independent states. The parties affiliated to the Second International interpreted the right of nations to self-determination, at best, only as the right to autonomy. Their theoreticians on the national problem, Karl Renner and Otto Bauer, restricted the concept of political self-determination to the right of so-called "cultural autonomy," which meant leaving all political and economic power in the hands of the ruling nation. This interpretation converted the revolutionary slogan of self-determination from a weapon for the liberation of nations into an instrument for deceiving nations, into an instrument of imperialist policy.

The Bolsheviks urged the necessity not only of equality in law, but also of *actual equality* between nationalities, which necessarily implies that the advanced nations must assist the backward nationalities, and is one of the necessary conditions for the voluntary union of nations

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and the establishment of friendly collaboration between them.

The Bolsheviks exposed the false legend that for ages the world has been divided into "inferior" and "superior" races, that the "inferior" races are incapable of becoming civilized and are doomed to be objects of exploitation, whereas the "superior" races are the sole vehicles of civilization, whose mission it is to exploit the former. During the whole course of their struggle for the liberation of nations, the revolutionary Marxists-Bolsheviks argued that the economic and cultural backwardness of the oppressed nations is due not to their national, "racial" characteristics, but to the historical conditions under which they have lived and developed, to the intolerable colonial oppression of the imperialist countries which artificially retarded the economic, political and cultural development of the colonial peoples.

The Great October Socialist Revolution proved by facts that "...the liberated non-European nations, once having been drawn into the channel of Soviet development, are no less capable than the European nations of promoting a *truly* progressive culture and a *truly* progressive civilization."*

The reformists were of the opinion that the only way to solve the national problem is the

* J. V. Stalin, *Marxism and the National and Colonial Question*, Moscow 1940, p. 223.

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bourgeois method of the falling away of one nation from another, their disunion and intensification of national enmity among the masses of the working people of the different nations. In opposition to this, the Bolsheviks substantiated the possibility and necessity of the international solidarity of the working people, and elaborated the question of the necessity of a voluntary state and organizational-economic union of equal, national, Soviet republics as a result of the abolition of the capitalist system. The Great October Socialist Revolution proved in practice that a new, proletarian solution of the national problem was possible, a solution under which the peoples who receive equal rights, far from separating from each other, voluntarily unite in order jointly and more successfully to solve the problems that confront them. One of the most important results of the October Revolution is the fact that it proved in practice "... the possibility and expediency of a *fraternal alliance* between the workers and peasants of the most diverse nations based on the principles of *voluntary consent* and *internationalism*. The existence of the Union of Soviet Socialist Republics, which is the prototype of the future amalgamation of the toilers of all countries into a single world economic system, cannot but serve as a direct proof of this."*

**Ibid.*, p. 223.

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The theoretical statements of Lenin and Stalin on the national problem gave the proper direction to the Bolshevik national policy. The Bolsheviks would not have succeeded in successfully solving the national problem and the problem of the collaboration of nations in a vast multinational state had they not been armed theoretically with a precise conception of the ways and means of solving them, and had they not been convinced that it was possible to establish new relationships between nations.

The Bolshevik theory and practice of the solution of the national problem is of enormous international importance. Like a powerful searchlight, it lights up the path of struggle of all oppressed nations for their freedom and independence. It has struck and continues to strike heavy blows at the reactionary theory that it is impossible to solve the national problem, and that the division of the world into oppressed and oppressing nations is inevitable.

Of inestimable scientific and practical importance is the Bolsheviks' exposure of the false race "theories" that are disseminated in capitalist countries.

The fascist party in Germany zealously disseminated among the German people the crazy idea that it was the special mission of the German nation to be the master nation, and that all other nations were to be merely the slaves of the Germans.

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The exposure of the fascist race "theory" even before Hitler Germany collapsed was greatly facilitated by the experience of the U.S.S.R. The practice of the peoples of the U.S.S.R., which is based on the Lenin-Stalin national policy, exposed the slaveowning, imperialist character of the cannibal fascist race "theory" and policy. In the course of the war the Soviet ideology and policy of race equality and friendship among nations achieved complete victory over the bestial ideology of nationalism and race hatred preached by the Hitlerites. But race "theories" are tenacious. The imperialists of the United States and Great Britain, inspired by Winston Churchill, Vandenberg and their ilk, are preaching their own version of the race "theory," in which the role of "superior" race is assigned to the Anglo-Saxons. Race "theories" are convenient instruments in the hands of the reactionary classes for justifying the oppression and exploitation of colonies and the preparation and unleashing of new imperialist wars. That is why it is necessary unceasingly and ruthlessly to expose all varieties of racism, to expose their advocates as obscurantists, imperialists and dangerous warmongers intent on starting another war. In opposition to the misanthropic, cannibal race ideology and policy of the imperialists, the Party of Lenin and Stalin advances the ideology of race equality and friendship among nations, the ideology of proletarian internation-

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alism, the ideology and policy of fraternal collaboration among the free and equal peoples of the U.S.S.R.

* * *

The political basis for the successful solution of the national problem in the U.S.S.R. was the overthrow of the exploiting classes, the establishment of the dictatorship of the proletariat and the establishment of the Soviet form of government. J. V. Stalin pointed out that the vehicles of national oppression are definite classes and strata of the population. These are, primarily, the landed aristocracy and imperialists, who manage to carry with them the petty bourgeoisie, part of the intelligentsia and part of the labour aristocracy who also to some extent share in the fruits of national plunder. As Comrade Stalin said: "There is thus a whole chorus of social forces, headed by the landed and financial aristocracy, which support national oppression. In order to create a real democratic system, it is first of all necessary to clear the ground and remove this chorus from the political stage."*

The Great October Socialist Revolution in Russia carried out this great historical task. In the course of the revolution, the chief exploiting classes, viz., the landlords and the big bourgeoisie, were abolished. Political power passed into

* J. V. Stalin, *Marxism and the National and Colonial Question*, Moscow 1940, p. 55.

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the hands of the working people. A new type of state was set up in Russia, viz., the dictatorship of the proletariat, with a new form of government—the Soviets.

“...The triumph of the Soviets and the establishment of the dictatorship of the proletariat constitute the basis and foundation on which the fraternal collaboration of peoples within a single federal state can be built up,”* said Comrade Stalin.

In the shape of the Soviets, a new and higher form of democracy came into being, viz., Soviet democracy, democracy for the working people, which ensured for the people real political rights and the decisive part in the administration of the state.

The overthrow of the exploiting classes, the establishment of the dictatorship of the proletariat and genuine Soviet, socialist democracy constituted that necessary political basis without which the successful solution of the national problem and the establishment of complete equality and free, voluntary and friendly collaboration among the nations would have been impossible.

The Great October Socialist Revolution brought about and secured freedom and equality for all the nations inhabiting Russia. On October 25 (November 7), 1917, the voice of the

* *Ibid.*, p. 124.

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Second All-Russian Congress of Soviets rang out over the whole world, announcing in its "appeal to the workers, soldiers and peasants" the transfer of power to the Soviets, and declaring that the Soviet State would ensure for all the nations inhabiting Russia genuine right of self-determination. On November 2(15), 1917, "The Declaration of Rights of the Peoples of Russia," signed by Lenin and Stalin, was promulgated. It declared that the national policy of the Soviet government was based on the following principles: equality and sovereignty of the peoples of Russia; right of the nations inhabiting Russia to free self-determination, including right to secede and form independent states; abolition of all and sundry national and national-religious privileges and restrictions; free development for the national minorities and ethnical groups inhabiting the territory of Russia.

These first political acts of the Soviet State for the solution of the national problem served as the basis for the actual emancipation of the colonial and dependent peoples of Russia. The Soviet State granted all the peoples inhabiting former tsarist Russia complete independence in determining their destiny. It granted the right of free self-determination to all the nations in Russia. This did not lead to the disintegration of the state, as the enemies of the Bolsheviks kept on reiterating; on the contrary, it strengthened the state, for the majority of the peoples

that had inhabited tsarist Russia did not wish to separate from Soviet Russia. The Soviet State took shape as a multinational state of a new type, differing in principle from the old multinational states, for it was established on the basis of new relations between nations. Unlike the bourgeois multinational states that are based on violent means of uniting nations, on the oppression and exploitation of the peoples of colonies and dependent countries by the ruling classes of those countries, the Soviet multinational state is based on the principle of *equality* of all nations and of their strictly *voluntary* amalgamation in a single state union. The Soviet Socialist State is "... a *new type* of state, adapted not to the aim of exploiting and oppressing the labouring masses, but to the aim of completely emancipating them from all oppression and exploitation, to the tasks facing the dictatorship of the proletariat."*

Amidst the conditions of civil war and the invasion of foreign troops who repeatedly seized the whole territory of individual republics, amidst incredible economic difficulties, the peoples of Soviet Land built up their state, strengthened their alliance and unity and established increasingly close and more perfect forms of collaboration, while at the same time developing

* J. V. Stalin, *Collected Works*, Russ. ed., Vol. 6, p. 120.

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the statehood of the individual nations. In the course of building up the Soviet State more expedient forms were worked out for the solution of the national problem, forms that corresponded to the vital interests and conditions of life of the peoples inhabiting our country who, thirty years ago, were in the most diverse stages of social development. The forms of uniting the nations and national republics were adapted to the tasks of protecting their common Socialist Motherland and of developing her economy and culture.

In describing the development of the state federation of the Soviet peoples, Comrade Stalin said that in the first period of the revolution, when the toiling masses of the nationalities first came to feel that they were independent national units, while the threat of foreign intervention had not yet become a real danger, collaboration between the peoples did not yet assume a fully definite, strictly established form. In the period of the civil war, when the requirements of military defence in the national republics assumed prime importance, while questions of economic construction had not yet been placed on the order of the day, collaboration took the form of a *military alliance*. In the postwar period, when the problems of the restoration of the productive forces destroyed by the war assumed prime importance, the military alliance was supplemented by an *economic alliance*. The amalgamation of

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the national republics into the Union of Soviet Socialist Republics represents the concluding stage in the development of the forms of collaboration, which has now assumed the character of a *military-economic* and *political* amalgamation of peoples into a single multinational Soviet State.*

The solution of the national problem and the building of a stable Soviet multinational state was a most complicated task. The Soviet State had before it only the unsuccessful experiments in forming multinational states in capitalist countries. Nevertheless, fully conscious of the enormous complexity of the task, the Soviet government set to work on the experiment of building a multinational state, for it knew that "... a multinational state which has arisen on the basis of Socialism is bound to stand every and any test."**

The Union of Soviet Socialist Republics is a new and higher form of collaboration of nations which history has fully justified. Proof of this lies in the fact that this Union already exists for nearly thirty years and is constantly developing and growing stronger. When it was formed in 1922, it consisted of four Union Republics;

* Cf. J. V. Stalin, *Marxism and the National and Colonial Question*, Moscow 1940, p. 124.

** J. V. Stalin, *On the Draft Constitution of the U.S.S.R.*, Moscow 1951, p. 24.

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it now consists of sixteen Union Republics. In 1939, the peoples of Western Ukraine and Western Byelorussia joined the Union of Soviet Socialist Republics, and in 1940 it was joined by the peoples of Latvia, Estonia and Lithuania who, in the first years of the revolution, under the pressure of the foreign imperialists and the national bourgeoisie which served them, had been forcibly detached from Russia. These people found genuine national freedom and independence only after the establishment of Soviet government in their countries and their entry into the fraternal family of nations of the U.S.S.R.

The period the Soviet Union has been in existence has been marked by enormous changes in the life of the Soviet peoples. During this period new Union and Autonomous Republics have been formed; in a number of spheres the powers of the Union Republics have been enlarged, etc. These changes have strengthened the fundamental principles of the Union's organization; they have improved and perfected the administration of the state by adapting it to the changes in the economic and class structure of society, to the new relations between the nations, to the increased communication and intercourse between them, and to the increased independence of the republics. These changes did not, however, cancel the fundamental principles upon which the state structure of the multinational Soviet Socialist State is based.

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Thus, the Soviet state system that was established in our country as a result of the Great October Socialist Revolution is the political basis that is needed for the complete and real solution of the national problem. And this is the basis on which the great commonwealth of nations of the U.S.S.R. developed.

* * *

The economic basis of the collaboration of nations in the U.S.S.R. is the socialist mode of production. After the victory of the Great October Socialist Revolution, the socialist reconstruction of the economy of Russia was commenced. The revolution was not restricted to granting the nations right to self-determination and completely abolishing national oppression and inequality; it also created the necessary economic conditions, without which political self-determination can be converted into a fiction. In the course of the revolution, in the course of building Socialism, the private ownership of the means of production was abolished and public, socialist ownership was established. In this way, a firm economic basis was laid for the solution of the national problem in the U.S.S.R.

The private ownership of the means of production is the economic basis of class and national oppression, exploitation and of enmity between nations. The development of capitalism tends to abolish national insularity and to estab-

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lish economic intercourse between nations. As, however, mutual intercourse between and the economic union of nations are established under capitalism not on the basis of collaboration but on the basis of the subjection of some nations to others, on the basis of the oppression and exploitation of some nations by others, this leads to enmity and antagonism between nations. "Colonial plunder and annexations, national oppression and inequality, imperialist violence and arbitrary rule, colonial slavery and national subjection, and, finally, the struggle among the 'civilized' nations for mastery over the 'uncivilized' peoples—such were the forms in which the process of economic amalgamation of peoples took place."* The big capitalist countries subjugate small and underdeveloped countries and become still stronger by plundering them. Is it surprising that the imperialist countries are not interested in the economic development of the peoples of colonial and dependent countries? They artificially retard and distort the development of colonial and dependent countries, subordinate their economy to their own narrow imperialist interests, and transform these countries into markets for their goods and spheres for the investment of their capital. Imperialism is inseparably connected with the exploitation of colonies and

* J. V. Stalin, *Marxism and the National and Colonial Question*, Moscow 1940, pp. 121-22.

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dependent countries. Imperialism is inconceivable without economic and political inequality of nations. Under imperialism, the struggle of the oppressed nations for their liberation, for secession from the imperialist states that oppress them, is inevitable. Under imperialism, "collaboration" of nations actually means the exploitation, robbery and oppression of the peoples of colonial and dependent countries by finance capital. National equality and peace and friendly collaboration between nations are unachievable and inconceivable under the rule of capitalism.

Lenin and Stalin pointed to the two tendencies in the national problem that are inherent in imperialism: the tendency to internationalize modes of production and exchange, to bring nations economically closer to each other and gradually to unite vast territories in one, integral whole; and the tendency to destroy the violent forms of this union, which tendency finds expression in the struggle the oppressed peoples of colonial and dependent countries wage to liberate themselves from imperialist oppression.

Comrade Stalin pointed out that these two tendencies are utterly irreconcilable under imperialism, because imperialism can "bring together" and "unite" nations only by force. "For imperialism," said Comrade Stalin, "these two tendencies represent irreconcilable contradic-

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tions; because imperialism cannot exist without exploiting colonies and forcibly retaining them within the framework of the 'integral whole'; because imperialism can bring nations together only by means of annexations and colonial conquest, without which it is, generally speaking, inconceivable.

"For Communism, on the contrary, these tendencies are but two sides of a single cause—the cause of the emancipation of the oppressed peoples from the yoke of imperialism; because Communism knows that the union of nations into a single world economic system is possible only on the basis of mutual confidence and voluntary agreement, and that the road to the formation of a voluntary union of nations lies through the separation of the colonies from the 'integral' imperialist 'whole,' through the transformation of the colonies into independent states."*

The socialist mode of production constitutes the firm economic foundation for the voluntary union and collaboration of the nations of the U.S.S.R. Under Socialism, the tendency of nations to draw closer together and to unite, combines harmoniously with the strengthening and development of the independence of the national Soviet republics.

* J. V. Stalin, *The Foundations of Leninism*, Moscow 1950, p. 108.

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The national Soviet republics constitute the form, in the framework of which the constructive abilities of the individual nationalities are best developed. At the same time, the socialist mode of production serves as the basis on which the nations draw closer and closer together, and this, in turn, serves to strengthen the entire Soviet multinational state. The economic foundation of Socialism is the socialist, public (state and kolkhoz-cooperative) ownership of the means of production which, far from dividing people into hostile groups, unites them in the process of socialist production. Under capitalism, economically backward nations naturally strive to keep separate, because they are subjected to the exploitation and oppression of the big states; under Socialism, however, they just as naturally strive to unite with other nations, because unity ensures them the economic, political and cultural assistance of the more developed nations.

The state amalgamation of the individual Soviet republics in a Union State resulted in direct economic benefits for them, since it made possible the planned development of those branches of production that were most advantageous from the point of view of internal resources. This, in turn, enabled the whole country to distribute the productive forces among the republics in the most expedient way. The very nature of the Soviet social system disposes the masses of

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the working people naturally to strive for union in one socialist family, because this system rests not on the rule of capital, but on the rule of labour, not on private, but on state and kolkhoz-cooperative property, not on the exploitation of man by man, but on the abolition of exploitation in all its forms.

The working class in power is the enemy of enslavement in every form; it is the true vehicle of the ideas of internationalism and friendship among nations. Thus, only Socialism can develop, and really has developed and consolidated, the firm, friendly collaboration of free and equal nations in economic life, and consequently, in all other spheres of social life.

* * *

During the short period it has carried out its national policy, the Soviet State has achieved results that are unprecedented in history.

The example of the life and development of the numerous Soviet nations vividly shows how important is the solution of the national problem, what mighty productive forces were released by the Great October Socialist Revolution, which put an end forever to national oppression on one-sixth of the globe, what scope for the development of all the nations was provided by the Soviet state system, which is based on the friendship and fraternal collaboration of all nations.

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The Soviet state system was a powerful factor in the national consolidation of those nationalities which at the time of the revolution had not yet managed to take shape as a nation. Thus, one of the specific features of the development and existence of the Soviet republics in the East was that the peoples of these republics developed and became consolidated as nations not under the aegis of the bourgeois system, but under the aegis of the Soviet State. The socialist industry and the kolkhoz system that were created in the non-Russian regions became the economic basis of this consolidation. On this basis, the remnants of tribal isolation, of tribal customs, were abolished; a national culture that is socialistic in content developed, and a national intelligentsia grew up. On the basis of the Soviet system, the nations that had been backward in their development acquired a common territorial, economic, language and cultural interest. This was the path, indicated by Lenin, of the non-capitalist development of nations towards Socialism with the aid of the working class of the advanced countries, in a stubborn struggle against the exploiting classes. Peoples like the Turkmenians, Kirghiz, Uzbeks, Kazakhs, Tajiks, Azerbaijanians, and others, became regenerated and developed into independent nations only under Soviet conditions. Socialism created the most favourable conditions for the establishment and development of all that was

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and based on the traditions of each people.
The Soviet State ensured an unprecedentedly rapid tempo of consolidation of nations such as is inconceivable under the conditions of capitalism.

In the Soviet State, the poverty-stricken and backward outlying regions of tsarist Russia changed beyond recognition in a short space of time. In the process of socialist construction, the backward nationalities, assisted by the advanced nations, developed and caught up with the latter, which, in their turn, were steadily developing. The new relations of friendship between all the Soviet nations were strengthened.

Looking back on the road the Soviet nations have traversed during these three decades, we are proud of the way the national economy of all the Soviet republics has grown and become strong, proud of the strength and might of the whole of our Union of Soviet Socialist Republics.

The friendly collaboration of the masses of the working people of all the nations of Russia at first took shape in the struggle they waged against their "own" and the "alien" bourgeoisie, against imperialist intervention and bourgeois counterrevolution, in the struggle to establish and consolidate the Soviet State. Simultaneously, as military successes at the fronts in the civil war were achieved and the invaders were expelled, the Soviet peoples organized their national Soviet republics in conformity with the strivings and interests of the masses of the people.

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The establishment and organization of the national statehood of the now free and equal peoples of our country was in the main carried out by the Soviet Government in the period of 1917-21. But this was only the beginning of the solution of the national problem. On the termination of the civil war the collaboration of nations that had been established in the first period of the Great October Socialist Revolution and in the period of civil war had to be strengthened and developed. It was necessary to draw all the Soviet peoples into the work of socialist construction; to create the conditions under which the military-economic collaboration of the nations could be transformed into firm and mighty friendship among the nations; to destroy the economic and class roots of nationalism which was sowing enmity and distrust among the nations; to abolish the *actual inequality* of the nationalities which the establishment of the Soviet system could not by itself abolish. These tasks were set in 1921 by the Tenth Congress of the Party.

In its resolution on Comrade Stalin's "Report on the Immediate Tasks of the Party in Connection With the National Problem," the Tenth Congress made a profound analysis of the conditions of the nationalities, of the historical causes that gave rise to actual inequality in the development of the nations, and precisely defined the Party's immediate tasks in connection with the national problem.

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The Congress affirmed that of the 65,000,000 non-Russian inhabitants of Russia, only about 35,000,000 had to some degree passed through the period of industrial development. These were the people of the Ukraine, Byelorussia, part of Azerbaijan and Armenia. About 30,000,000, chiefly the Turkic population (Turkestan, the greater part of Azerbaijan, Daghestan, the Gortsi, Tatars, Bashkirs, Kirghiz, Kazakhs, and others), had not yet managed to pass through the industrial stage of development, did not yet possess or scarcely possessed, an industrial proletariat, and, in the majority of cases, still preserved their pastoral husbandry and patriarchal-tribal customs (Kirghizia, Bashkiria, North Caucasus) or else had not yet managed to abandon their semi-patriarchal, semi-feudal customs (Azerbaijan, the Crimea, and others).*

As a result of the Great October Socialist Revolution, however, these peoples had already been drawn into the general course of Soviet development. Under these conditions, the Soviet Government was faced with the immense task of ensuring for the former colonies of Russia which had lagged behind their development, the transition to Socialism without having to pass through the capitalist stage of development and, in the process of socialist construction, of abolishing actual na-

* Cf. *Resolutions of the C.P.S.U.(B.)*, Part 1, Sixth Russ. ed., 1940, pp. 385-86.

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national inequality in all spheres of social life. "The essence of the national problem in the R.S.F.S.R. lies in abolishing the actual backwardness (economic, political and cultural) of some of the nations, inherited by them from the past, in enabling the backward peoples to catch up with Central Russia in political, in cultural and in economic respects,"* said Comrade Stalin at the Tenth Congress.

Thus, immediately on the termination of the civil war, the Soviet Government set to work to abolish actual inequality and to bring the backward nationalities up to the level of the advanced. Seething activity commenced to promote the political, economic and cultural development of the non-Russian republics. To build up a native state apparatus, to open native schools, to muster and by means of different kinds of educational courses to train a native intelligentsia, to open recreation clubs, cinemas and theatres, to liquidate illiteracy among the adult population, etc.—such were the urgent needs of the backward nationalities, to the satisfaction of which the young Soviet State devoted great attention.

In the economic sphere, the Soviet State strove first of all to raise the productive forces of the non-Russian republics by erecting factories to work up the rich resources of raw materials that

* J. V. Stalin, *Collected Works*, Russ. ed., Vol. 5, p. 39.

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these republics possess. In conformity with its policy of industrializing the outlying regions, the Soviet Government provided facilities for diverse exploration operations with the object of organizing new branches of production there. To accelerate the industrial development of the outlying regions, skilled workers, technical equipment and whole factories were transferred to them. Great attention was devoted to the agrarian problem, as agriculture was the chief occupation of the native populations. In addition to allotting land to the peasants, the Soviet Government supplied the non-Russian republics with agricultural machines and implements. Immense irrigation works were undertaken to increase the cultivatable area and to make agriculture more productive. Considerable funds were allocated for building factories, railways, roads, canals, electric-power stations, towns and numerous cultural and welfare services in the non-Russian republics and regions.

In all this work of economic and cultural development, all the non-Russian Soviet republics received the disinterested and systematic assistance of the R.S.F.S.R. The Russian people gave every assistance to all the formerly oppressed nations of Russia. Exerting incredible efforts to rehabilitate the ruined national economy of the Soviet Republic, the Russian people apportioned the necessary economic resources and finances to assist the fraternal peoples to overcome their economic and cultural backwardness. This assist-

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ance rendered by the Russian people broke down the historically created distrust of the formerly oppressed nations and helped to develop the new relationships of friendship and collaboration.

A powerful factor in the abolition of economic inequality among the nations was the industrialization of the U.S.S.R. During the period of fulfillment of the Stalin five-year plans, when industrial construction on a gigantic scale was going on all over the country and the whole of the national economy was being technically re-equipped, the raising of the economic and cultural level of the non-Russian Soviet republics proceeded in all its magnitude.

The collectivization of agriculture drew into the work of socialist construction the broad masses of the working peasants of all the nations, created the conditions for introducing advanced mechanized production in agriculture, and helped to strengthen the ties between the broadest masses of the working people and the working class, the leading force in socialist construction.

All the nations inhabiting our country joined in the gigantic work of transforming old, agrarian Russia into a new, socialist, industrial power. Industrial and agricultural development unprecedented in history was launched all over the country; the numerous nations of the Soviet Union took part in great construction work such as the building of the Kuznetsk and Magnitogorsk metallurgical plants, the Stalingrad Tractor Works,

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the Dnieper Power Plant, the Farkhad Power Plant, the Stalin White Sea-Baltic Sea Canal, the Great Ferghana Canal, etc. All the nations worked with unprecedented enthusiasm to build Socialism, to strengthen the forces and might of their multinational state. In the course of their common labours and common concern for the welfare of their Soviet Motherland, in the process of building Socialism, the former national isolation and that accursed heritage of tsarism and capitalism—distrust among the nations—disappeared. Work in the socialist industrial enterprises, in the kolkhozes and sovkhoses drew the working people of the different nations together, broke down the barriers that had separated them and brought within the reach of those nations which had been most backward in the past the highest attainments of socialist economy and culture.

In the process of building Socialism, the Soviet Government successfully solved the problem of the economic development of the Soviet republics and of raising the economy of the backward republics to the level of the advanced. The Soviet Government successfully coped with the task of ensuring the non-capitalist path of development for the backward regions of the country.

The victory of Socialism put an end to the multiplicity of economic forms that had formerly existed in the country's economy. In 1937, the socialist sector completely predominated in in-

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dustry (the private sector accounted for only 0.03 per cent of output); in the rural districts 93.5 per cent of the peasant households were united in kolkhozes.* In the same year, the share of socialist economy in the total national economy was as follows: national income 99.1 per cent; gross output of all industry 99.8 per cent; gross output of agricultural produce 98.6 per cent; trade 100 per cent.**

The socialist mode of production became the economic basis for the development of all the national Soviet republics. The former economic and cultural backwardness of the peoples of the non-Russian outlying regions and the marked differences in the level of industrial development of the Union Republics were abolished. The Soviet Government ensured rapid development for the formerly industrially backward non-Russian regions and republics. Thus, from 1913 to 1940, the average increase in the gross output of large-scale industry for the Soviet Union as a whole was 12-fold; but that of the Kazakh S.S.R. for the same period was 19.6-fold, of the Armenian S.S.R. 22.6-fold, of the Georgian S.S.R. 26.9-fold, of the Kirghiz S.S.R. 153-fold, and of the Tajik S.S.R.

* Cf. J. V. Stalin, *Report to the Eighteenth Congress of the C.P.S.U.(B.) on the Work of the Central Committee*, Moscow 1951, pp. 32, 39.

** Cf. *Fulfilment of the Second Five-Year Plan*, Russ. ed., 1939, pp. 8-9.

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277-fold. All the Soviet republics trained their own cadres of industrial workers from among the native population. A native intelligentsia arose in the republics. For example, before the revolution there were only twelve Azerbaijanian engineers in Azerbaijan, but in 1939 there were already over 3,000. In Uzbekistan there were no educated people among the native population before the revolution, but in 1939 the republic had an army of intellectuals numbering 100,000.

In its resolution on Comrade Molotov's report on the Third Five-Year Plan for the Development of the National Economy of the U.S.S.R., the Eighteenth Congress of the Party formulated the task of promoting the further industrial development of the Union Republics as follows: "To ensure a further rise in the economic and cultural level of the *non-Russian republics and regions* in conformity with the fundamental tasks connected with the distribution of the productive forces in the Third Five-Year Plan."*

During the Great Patriotic War of the Soviet Union, the eastern Soviet republics received, provided sites for and started an enormous number of large industrial plants that had been evacuated from the regions occupied by the enemy. The important task of supplying the armed forces with everything they needed rested to a large

* *The Eighteenth Congress of the C.P.S.U.(B.), Verbatim Report*, Russ. ed., 1939, p. 660.

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degree upon these republics. As a consequence, their industrial development was still more accelerated during the war. The Uzbek S.S.R. may be quoted as an example. During the period of fulfilment of the Stalin five-year plans and the period of the Great Patriotic War, gross industrial output in this republic increased more than 10-fold, and the fixed funds (plant and equipment) of industry increased 33-fold.

The Soviet Government ensured such a rapid industrial development for the formerly backward Union Republics that they were able to catch up with the developing advanced republics and reach their level.

The political and economic development of the Soviet republics served as the basis of an immense growth of the culture of the nations of the U.S.S.R. After the victory of the Great October Socialist Revolution, the Bolshevik Party and the Soviet Government exerted immense efforts to raise the cultural level of the masses of the people. Under Soviet rule a cultural revolution has taken place in the U.S.S.R.; a new culture, socialist in content, and developing in the form of national cultures, has arisen.

Already in 1938, the number of children attending school had greatly increased in the respective republics compared with pre-revolution times; and in this respect the formerly backward national republics had caught up with the advanced and most cultured regions of the Soviet Union.

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In 1938-39, the number of pupils attending elementary, secondary and high schools per thousand of the population was as follows in the respective republics: R.S.F.S.R. 187; Ukrainian S.S.R. 176; Byelorussian S.S.R. 192; Azerbaijan S.S.R. 195; Georgian S.S.R. 196; Armenian S.S.R. 237; Turkmenian S.S.R. 163; Uzbek S.S.R. 176; Tajik S.S.R. 170; Kazakh S.S.R. 179 and the Kirghiz S.S.R. 204.*

There has also been an increase in the number of students attending colleges and universities. Before the revolution there were higher educational establishments only in what is now the R.S.F.S.R., in the Ukraine and in Georgia, and not all the republics had even high schools. At the present time, however, every Soviet republic has a wide network of colleges and vocational high schools in which the higher and medium skilled personnel it needs is trained.

In all the Soviet republics a *national literature* is developing. Before the revolution, in republics like Byelorussia, Turkmenia, Tajikistan and Kirghizia, no literature whatever was published in the native languages. In 1913, of the total number of books published in the Ukraine, only 3.2 per cent was published in the Ukrainian language. In 1933, however, 70 per cent of the total was published in that language.

* Cf. *Cultural Development in the U.S.S.R.*, Russ. ed., 1940, p. 29.

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Under Soviet rule, books have been brought within the reach of all the nations of the Soviet Union.

In all the Soviet republics there is a large number of big public libraries. In 1939, there were 48,561 libraries in the R.S.F.S.R., 17,018 in the Ukrainian S.S.R., 3,682 in the Byelorussian S.S.R., 1,284 in the Georgian S.S.R., 1,441 in the Uzbek S.S.R., 2,581 in the Kazakh S.S.R., 1,098 in the Azerbaijan S.S.R., etc.

In tsarist Russia, in 1913, newspapers and magazines were published in 24 languages. In the U.S.S.R., in 1938, newspapers were already published in 69 languages, and magazines in 39 languages. In Tajikistan, Turkmenia, Kazakhstan and Kirghizia, for example, no newspapers at all were published in the native languages before the revolution; in 1938, however, 44 newspapers were published in the Tajik language, 133 in the Kazakh language, 37 in the Kirghiz language and 36 in the Turkmenian language.*

The flourishing condition of the culture of the peoples of the U.S.S.R. is also shown by the fact that in addition to the Academy of Sciences of the U.S.S.R. and the specialized academies, ten Union Republics have their own Academies of Sciences. These are: the Ukraine, Byelorussia, Armenia, Georgia, Azerbaijan, Kazakhstan, Uzbekistan, Lithuania, Latvia and Estonia. In the other re-

* *Ibid.*, pp. 142, 215, 221, 220.

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public scientific research work is conducted and coordinated by branches and bases of the Academy of Sciences of the U.S.S.R. There are such branches and bases in Kirghizia, Turkmenia, Tajikistan, the Karelo-Finnish S.S.R., the Moldavian S.S.R., and also in some of the autonomous republics: the Tatar and Komi Autonomous Republics, and others.

The cultural backwardness of some of the nations of the U.S.S.R. is now a thing of the past. Today, all the Soviet nations are in the vanguard of world culture and progress.

It must be emphasized, however, that the cultural development of the nations of the U.S.S.R. does not signify cultural progress only for individuals, or individual groups of the population; the attainments of culture in all its aspects have been brought within the reach of the broadest masses of the working people of all nationalities.

In developing its own national culture—its own schools, theatres, literature and science—every nation in the Soviet Union at the same time enhances the common cultural treasures of all the nations of the U.S.S.R.

In the Soviet Union a significant process of the drawing together of the cultures of the different nationalities is going on. Ingrained in the memory of the people are the colourful National Art Decades that have been held in Moscow, during which the art of different nationalities was exhibited, testifying to the great cultural achieve-

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ments of the fraternal republics. The countrywide celebration of the anniversaries of the great writers and poets Pushkin, Shevchenko and Shot'ha Rust'hveli, and the celebration of the millennium of the Armenian popular epic *David of Sasun*, were red-letter days in the cultural life of the nations of the U.S.S.R.; they drew these nations closer together and fostered mutual respect and sympathy for the history and cultural treasures of the fraternal nations.

"All the real cultural achievements of the nations, no matter how far back into the past they may go, are highly valued in the Socialist State and now stand forth before their own nations, and before the nations of the whole of the Soviet Union, in their regenerated, in their true ideological brilliance. The Bo'sheviks are not among those who have forgotten their kinship with their people. We Bolsheviks come from the very depths of the people, we value and love the glorious deeds in the history of our nation as well as of all other nations. We know very well that real progress, which is possible only on the basis of Socialism, must rest on the entire history of the nations and on all their attainments in past centuries, it must reveal the true meaning of the history of the life of the nations in order to ensure a glorious future for our own nation, and at the same time a bright future for all nations,"* said

* V. M. Molotov, *XXII Anniversary of the October Revolution*, Russ. ed., 1939, pp. 14-15.

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Comrade Molotov in his address on the twenty-second anniversary of the Great October Socialist Revolution.

Thus, setting itself the extremely difficult task of abolishing the economic and cultural backwardness of the formerly oppressed nations that had lagged behind in their development, the Bolshevik Party and the Soviet Government achieved amazing results in a comparatively short space of time.

We will quote as examples the development of two formerly backward nations in Russia—the Kazakhs and the Kirghiz. We will show what they were like in the past and what they are like now. Before the revolution, Kazakhstan was one of the most backward colonies of tsarist Russia. The chief occupation of the inhabitants was that of nomad herdsmen. Of the total land area of 44,000,000 hectares, 15,600,000 belonged to Russian Cossack settlements; 88 per cent of the good land belonged to the rich native class, the *baï*. Only about 2 per cent of the Kazakh population was literate. The following is the way the Kazakhs themselves described their life in the past in a letter they sent to Comrade Stalin on the twenty-fifth anniversary of their republic: "Before Soviet rule was established, the life of our people was like spring without flowers, daytime without the sun, a river without water. In the earth lay hidden precious metals, but man raised the deposits of the steppes with wooden shovels. The

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wide banks of lakes and rivers were flooded by the life-giving waters of mountain glaciers, but man died of thirst. In the wintertime our pastures were covered with an icy crust and our wandering herds, our only staff of life, perished from hunger. It took months and years to travel from border to border across our unexplored land. A man was born, he lived and died, without knowing anything about the great life of the world. Our entire people bent under the burden of fate, which was as severe as a snowstorm in the steppe.”*

The Great October Socialist Revolution delivered the talented Kazakh people from a long exploitation, saved them from extinction and put them on the road to a new way of life. After becoming a Soviet republic, the equal of all the other republics in the Soviet Union, Kazakhstan made such gigantic progress in economic and cultural development as it was unable to make in all the long centuries of its history. From a poverty-stricken, backward country with a patriarchal-tribal, nomad way of life, Kazakhstan has been transformed into an advanced socialist republic. Already in 1940, industry constituted 60 per cent of its total national economy. By 1939, the output of large-scale industry had already increased 17-fold compared with 1913, and the number of workers employed in industry had increased 8-fold.

* *Pravda*, Nov. 17, 1945.

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Huge industrial enterprises have been built in Kazakhstan which are the pride not only of the Kazakh people, but of the entire Soviet Union: the Karaganda collieries, the third largest in the Soviet Union; the Balkhash Copper Smelting Plant, larger than any non-ferrous metallurgical plant in Europe; the Emba Oil Combine; the Chimkent Lead Works, and many others. Kazakhstan holds first place in the U.S.S.R. for resources of copper, lead, zinc, silver, cadmium and many other minerals. It is famous in the U.S.S.R. as a land of large-scale industry and the storehouse of rare minerals. Fundamental changes have also taken place in the agriculture of Kazakhstan. In 1945 there were 6,390 kolkhozes in the republic, scores of grain and stockbreeding sovkhozes, and 363 machine and tractor stations. Already in 1940, nearly the entire cultivated area of the republic was worked with tractors. In cultivated area and head of cattle Kazakhstan holds third place in the U.S.S.R. (after the R.S.F.S.R. and the Ukraine): In 1945, the area of irrigated land amounted to 1,350,000 hectares. In the postwar Stalin five-year plan period the industrial capacity of Kazakhstan is steadily growing. For rate of industrial development in the postwar five-year plan period, Kazakhstan holds second place among the Union Republics, and third place as regards capital investments in the national economy.

The culture of the Kazakh people has risen immensely. The entire people is now literate, and

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its culture is very high. In 1945 there were in the republic 7,735 elementary and secondary schools, attended by over 750,000 pupils. Special schools had been opened to teach adults to read and write, and by 1940 illiteracy among the adult population was already abolished. Before the revolution there was not a single higher educational establishment in Kazakhstan, and not a single Kazakh attended any such institution in tsarist Russia. In 1946, however, there were in Kazakhstan 23 higher educational establishments, attended by about 12,000 students. During the many centuries preceding the revolution only 120 books had been published in the Kazakh language, and most of these were of a religious character. Now, the Kazakh publishing house publishes over 600 titles every year, in addition to 134 newspapers and four magazines. Science too has widely developed in Kazakhstan. The republic has an Academy of Sciences, which controls 17 scientific research institutes and scores of laboratories. Twelve hundred scientists are engaged in the scientific institutions of Kazakhstan, and among them are five members and corresponding members of the Academy of Sciences of the Soviet Union, 85 Doctors of Science and professors, and 246 Masters of Science and lecturers. There are now in Kazakhstan 41 theatres, including a magnificent Opera House, a wide network of cinemas, art and music schools, ballet schools, a choir and a phil-

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harmonic orchestra. Kazakh national literature has developed too.*

That is how the Kazakh people have developed under the Soviet system thanks to the application of the Lenin and Stalin national policy.

We see the same in the case of the Kirghiz S.S.R. Before the revolution Kirghizia was one of the most backward outlying regions of tsarist Russia. Fertile valleys, excellent mountain pastures, immense deposits of useful minerals: coal, lead, zinc, tin, gold, silver, antimony, quicksilver, etc.—such is the natural wealth of Kirghizia. But oppressed by tsarism, the Kirghiz people lived in poverty before the revolution. Cruel want reigned primarily in the yurtas of the Kirghiz nomads who were subjected to unbearable exploitation by the bai, manaps and the tsarist officials. The Kirghiz people pursued a nomadic way of life, were nearly all illiterate, and were in danger of extinction. Two small tanneries, an oil press, a cheese factory and fifty small handicraft workshops with the most primitive equipment constituted the entire industry of the country.

The Great October Socialist Revolution opened for the Kirghiz people the road to free national development and to the building of a socialist way of life. From a country with patriarchal-tribal

* The above facts about Kazakhstan have been taken from the following sources: *Pravda*, Nov. 6, 1940; *Pravda*, Nov. 17, 1945; *Pravda*, Dec. 20, 1946; *Pravda*, June 6, 1948.

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customs, Kirghizia, under Soviet rule, became an industrial-agrarian country. In 1945, industrial production accounted for about 70 per cent of the total national economy of the republic and showed an increase of nearly 300-fold compared with 1913. There are over 5,000 enterprises in the country. In 1945, industrial production amounted to 35 times as much as in 1926. During the past twenty years coal output increased 12-fold. Since 1926, electric-power capacity has increased over 100-fold. Skilled workers have been trained from among the native population. The factories work up metals and timber, cotton and wool, grain and sugar beets; they manufacture silk, cloth, sugar, tobacco and wine. Coal and oil, quicksilver and lead, vanadium and sulphur and other rare and extremely rare metals are mined. Across the mountains where formerly pack horse tracks had been the only means of communication, railways, roads and automobile roads have now been built. Railway, automobile and air communication, post, telegraph and telephone, are now part and parcel of the everyday life of the Kirghiz people.

Under Soviet rule the backward nomadic husbandry of Kirghizia has been transformed into large-scale socialist agriculture equipped with the most up-to-date machines. There are in the country 1,600 kolkhozes, 42 sovkhoses and scores of machine and tractor stations. The fields of Kirghizia are worked with thousands of tractors and harvester combines. In twenty years the area

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of irrigated land almost doubled. The cultivation of cotton, sugar beets and of other industrial crops is extensively developed.

Formerly almost entirely illiterate, the Kirghiz people, under Soviet rule, obtained wide access to education and culture. In 1946, there were in the country 1,531 schools, 25 secondary vocational schools, six higher educational establishments and 23 scientific research institutes. In 1943, a Kirghiz branch of the Academy of Sciences of the U.S.S.R. was formed and is now the centre of scientific thought in the republic. The republic has developed a national literature and art and has trained a large body of intellectuals from among the native population. It has ten republic, regional and district theatres including the Kirghiz State Opera and Ballet, which has been awarded the Order of Lenin. It also has a philharmonic orchestra, a school of music, a State Dramatic Theatre, 507 recreation clubs, 271 libraries, 109 cinemas and 328 village reading rooms. Before the revolution the Kirghiz people did not even have a written language; but today, 89 newspapers are published in the Kirghiz, Uzbek and Russian languages, and textbooks, the classical works of Marxism-Leninism, technical and other literature are published in the native language. Such is the path of development the people of Kirghizia have traversed under Soviet rule.

"We are proud of our dear, sunny Kirghizia, which in its development has surpassed the coun-

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tries of the East contiguous to ours, the peoples of which are living under conditions of social inequality, lack of rights, poverty and capitalist slavery,"* wrote the working people of Kirghizia to Comrade Stalin when celebrating the twentieth anniversary of their republic.

The same path of rapid industrial and cultural development has been traversed by the peoples of the Azerbaijan, Armenian, Uzbek, Tajik, Turkmen and other fraternal republics.

In the great commonwealth of nations of the U.S.S.R., under the leadership of the Bolshevik Party, with state power wielded by the working people, the former backward nations and peoples have created their own national Soviet republics and have converted them into advanced industrial-agrarian countries which occupy a worthy place among the fraternal republics of the Soviet Union. Such are the fruits of the Lenin and Stalin national policy pursued by the Party and the Soviet State.

In the dependent and colonial countries of the East we see the very opposite of this. Let us take, for example, the largest of them—India, now divided into Hindustan and Pakistan, which have been granted dominion status, but which actually

* The above facts about the Kirghiz S.S.R. have been taken from the following sources: *Pravda*, March 1, 1946; *Pravda*, March 3, 1946; *Izvestia*, March 1, 1946; *Moskovsky Bolshevik*, March 1, 1946.

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continue to be semi-colonies. India is an agrarian country with a population (in 1931) of about 350,000,000. Sixty-seven per cent of its self-supporting inhabitants are engaged in agriculture and only 10 per cent in industry. India supplies 60 per cent of the world's rice crop, about 40 per cent of the tea crop, about 15 per cent of the cotton crop, 99 per cent of the jute crop and 8 per cent of the wheat crop. But these figures must not be taken as evidence of a high level of agriculture. Burdened by the oppression of imperialism and of the survivals of feudalism, agriculture in India still drags out a miserable existence, for it lacks the support of developing industry. The British imperialists, interested in the production of the raw materials they need (cotton, jute, oil seed, rubber, rice and tea), retarded the industrial development of India in order to keep it as a raw materials base for their colonial empire. All the key positions in industry are held by British capital. Over 80 per cent of the peasant farms are in perpetual debt to usurers. The growth of indebtedness leads to the systematic ruin of the peasant farmers, most of whose land falls into the hands of the usurers. Every year millions of people die of hunger.

Before the second world war about 18,000,000 workers were employed in industry in India. Of these, only 2,000,000 were employed in factories; the rest were artisans or journeymen in handicraft workshops. The light industries and mining are

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chiefly developed, but these are owned by foreign capital, mostly British. The overwhelming majority of the inhabitants of India remain illiterate. According to the 1931 census, less than 10 per cent of the population over five years of age was able to read and write. Such are the fruits of more than a century of "civilizing" activity on the part of the British imperialists in India.*

Were it not for the Great October Socialist Revolution, the peoples of our eastern republics would have been in no better plight than those of India and other colonies.

The English writer A. Campbell, in his book *It's Your Empire*, published in 1945, after painting a depressing picture of the conditions prevailing in the British colonies, advises Great Britain to learn from the Soviet Union and in doing so tries to make it appear that there is no fundamental difference between the British "commonwealth of nations" and the Soviet Union. He writes: "But the British and Soviet Commonwealths can nevertheless learn from each other. Stalin appears to have solved the quadruple problems of improving economic and social conditions, preserving distinctive cultures while fitting them into the new all-embracing Soviet culture, and achieving a wide measure of political

* Cf. *The British Empire*, State Scientific Institute "Soviet Encyclopedia," 1943, pp. 193, 194, 196, 199, 203, 232.

autonomy by creating what are virtually Soviet Dominions."

If there is indeed no difference in the status of the nationalities in the Soviet Union and of those in the British "commonwealth of nations," why is there such a difference in their development? Why have the Soviet republics, during the three decades of Soviet rule, become regenerated? Why have they flourished and taken such a gigantic leap forward in their economic and cultural development, whereas the colonial peoples in the British Empire lack freedom and independence, have no rights, are subjected to racial discrimination, ruthless oppression and exploitation, drag out a miserable existence, die from hunger and disease? The answer to this is perfectly clear.

The nations of the U.S.S.R. became regenerated and were able to take such a gigantic leap forward in their economic, political and cultural development because they became really free and equal; because Soviet rule granted the nations the right to full and free self-determination and put an end forever to national oppression. On this basis, the basis of victorious Socialism, the friendship of the nations of the U.S.S.R., friendly collaboration between them in all spheres of economic, political and cultural construction, developed and gained strength.

The Soviet solution of the national problem is no secret. But it cannot be mechanically transplanted from socialist to capitalist soil. To achieve

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successes like those achieved by the Soviet republics, the nations must be given the same conditions of development as those provided for them in the Soviet Union. This is what is to be learned from the Soviet Union on this question. But for this it is necessary to abolish imperialism, to abolish national-colonial oppression and exploitation.

The Great October Socialist Revolution, the establishment of Soviet rule and the organization of the national economy on socialist lines—these are the chief causes of the rapid economic and cultural development and prosperity of the Soviet Socialist Republics.

The formerly backward and oppressed nations of Russia could not have achieved such rapid industrial and cultural development as enabled them to catch up with the advanced nations had they not united their efforts in socialist construction and had they not received the friendly assistance of the more developed Soviet nations, and of the Russian nation in particular.

Firm and unshakeable friendship among the nations was the motive force of the rapid development and flourishing condition of all the Soviet nations. Friendship among the nations is the inestimable gain of the revolution, because thanks to it the nations of our country are free and invincible. The Soviet State could not have become so mighty and strong and could not have passed through all trials had it been torn by national

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strife and enmity. It was possible to build up such an economically, militarily and culturally powerful state like the U.S.S.R. in such a short period because all the nations inhabiting it generously poured their unstinting efforts into the common cause of building up and strengthening our Motherland.

Friendship among the nations of the U.S.S.R. found most vivid manifestation during the Great Patriotic War of 1941-45. One of the gravest blunders the Hitlerites committed was their banking on the breakdown of the commonwealth of Soviet nations, their hope that the war and its trials would cause enmity and strife among the nations in a multinational state like the U.S.S.R. The war, however, fully confirmed and proved that the friendship among the nations of the U.S.S.R. is indestructible because it rests on the granite foundation of the Soviet Socialist State. The gravest dangers and trials of the war against the German invaders could neither break nor even shake this friendship. On the contrary, the mortal danger that hovered over our Socialist Motherland united the Soviet peoples more than ever. As soon as he invaded the Ukraine and Byelorussia the enemy came face to face with all the peoples of the U.S.S.R. The finest representatives of all the nations of the U.S.S.R., fought shoulder to shoulder in the ranks of the Soviet Army. They defended the soil of each separate Soviet republic as part of their own united Motherland—the

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U.S.S.R. More than ever the Soviet people felt that they were members of one friendly family and united their efforts to repel the enemy. During the war, the fraternal mutual assistance of all the Soviet republics was strikingly manifested. The enemy occupied the Ukraine, Byelorussia, Latvia, Estonia, Lithuania, Moldavia and part of the R.S.F.S.R.; all the nations of the U.S.S.R. rose to liberate these republics. The Soviet republics and regions far in the interior received and helped to start the principal industrial enterprises that were evacuated from the republics occupied by the enemy. They increased and developed the productivity of industry and agriculture to the utmost in order to supply the country and the armed forces with everything they needed, and in order, as far as possible, to make up for the part played in the national economy before the war by those districts which had been occupied by the enemy.

Friendship among the nations of the U.S.S.R. was still more tempered and hardened during the war. The Soviet Union Republics developed still more, became still stronger, and coped brilliantly with the numerous new and complicated tasks with which the war confronted them. The further strengthening of the Union Republics and of friendship among the nations in the course of the war found expression in the expansion of the rights of these republics. As is known, the Tenth Session of the Supreme Soviet of the U.S.S.R.,

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held in the beginning of 1944, invested the Union Republics with powers in the sphere of foreign relations and sanctioned a law granting these republics the right to have their own national military formations. The granting and implementation of such rights to the Union Republics during the war is striking evidence that the firmness of our multinational state had successfully passed the stern test of war. "*The friendship among the peoples of our country* has stood the test of all the hardships and trials of the war and has been still further cemented in the common struggle all the Soviet people are waging against the fascist invaders,"* said Comrade Stalin.

Friendship among the nations of the U.S.S.R. is one of the deepest sources of ardent and life-giving Soviet patriotism. "The strength of Soviet patriotism lies in the fact that it is based not on racial or nationalistic prejudices, but upon the profound devotion and loyalty of the people to their Soviet Motherland, on the fraternal cooperation of the working people of all the nations inhabiting our country. Soviet patriotism is a harmonious blend of the national traditions of the peoples and the common vital interests of all the working people of the Soviet Union. Soviet patriotism does not disunite but unites all the nations and nationalities inhabiting our country

* J. V. Stalin, *On the Great Patriotic War of the Soviet Union*, Moscow 1946, p. 122.

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in a single fraternal family. This should be regarded as the basis of the indestructible and ever-growing friendship that exists among the peoples of the Soviet Union,"* said Comrade Stalin.

The Soviet people speak different languages and belong to different nationalities; but all Soviet people have one thing in common that cements them in one friendly family, namely, the fact that they are all citizens of the great Soviet Union. Soviet people are proud of the fact that they are living in a free socialist country and belong to the great Soviet nation. The pride of Soviet citizens has nothing in common with contempt for other nations. It fully harmonizes with respect for the rights and independence of other nations and with the striving to live in peace and friendship with all peace-loving nations. The pride of the Soviet people rests on their great achievements in building a new and higher social system, a new, higher and genuinely human culture, which is national in form and socialist in content.

The Soviet people, guided by the Bolshevik Party and its leaders, Lenin and Stalin, for the first time in the history of human society, carried out, in 1917, a victorious socialist revolution, abolished the rule of the landlords and capitalists, and built socialist society. Surmounting

* *Ibid.*, p. 165.

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enormous difficulties and the resistance of their enemies, the Soviet workers and peasants, by their own efforts, built in place of old, semi-colonial Russia, a mighty multinational Socialist State based on complete equality and friendship between nations. The Soviet people have realized the dream of the best representatives of mankind; in their state they abolished exploiting classes and the exploitation of man by man. They have established the socialist mode of production which ensures rapid economic development and a steady improvement in the material and cultural conditions of the masses of the working people. For the first time in the history of the world they have built up a most advanced and stable multinational state in which the indestructible friendship and the complete moral and political unity of the entire people, of the whole of Soviet society, has been achieved.

Now that the economic and cultural backwardness of the formerly oppressed nations has been abolished in the U.S.S.R., the chief content of the national policy of the Soviet State at the present time is *to draw the nations still closer together, to promote the further development of their collaboration and friendship in every way, completely to overcome all the survivals of nationalism in the minds of men, and further to raise the economy and culture of all the nations; to educate the working people of all nationalities in the spirit of Soviet patriotism and Soviet nation-*

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al pride—pride in our common Socialist Motherland, in her great world-historic achievements in all spheres of culture and progress.

At the Eighteenth Congress of the Party, Comrade Stalin said that the task was "...to strengthen the moral and political unity of Soviet society and friendly collaboration among our workers, peasants and intellectuals; to promote the friendship of the peoples of the U.S.S.R. to the utmost, and to develop and cultivate Soviet patriotism."

In the Soviet Union, society is completely united morally and politically, which is unprecedented in the history of mankind.

It would be a mistake, however, to believe that because of this our progress will not encounter contradictions and conflicts between the new system and the survivals of the old in everyday life and in the minds of men. The consummation of the building of Socialism and the gradual transition from Socialism to Communism calls for the complete elimination of all the survivals of capitalism from the national economy, everyday life and the minds of men, including the most dangerous and tenacious survivals, namely, the survivals of nationalism. The victory of Socialism in our country removed the political and economic basis of all national enmity and distrust, of the manifestation of nationalism and chauvinism. But we must not shut our eyes to the fact that the level of political-mindedness and culture is not

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equal among the members of Soviet society, that a certain part of our population is still influenced by the old and obsolete concepts, superstitions and prejudices. "... the survivals of capitalism in people's minds are much more tenacious in the sphere of the national problem than in any other sphere. They are more tenacious because they are able to disguise themselves well in national costume."*

The survivals of bourgeois nationalist ideology found expression and manifestation in a number of works on history that were published in the Kazakh, Ukrainian, and Uzbek Soviet Socialist Republics, in the Tatar Autonomous Soviet Socialist Republic and in some other national republics. If the survivals of nationalism in the science of history and in literature are not combated, they may revive and cause considerable harm to the work of communist education. It must not be forgotten that the reactionary forces of the capitalist world that surrounds us are trying by various ways and means to smuggle the corrupt bourgeois ideology into our country, to revive and cultivate the survivals of capitalism in the minds of Soviet people. Soviet people must be uncompromising in their hostility to all manifestations and survivals of nationalism; they must ruthlessly expose all attempts to resuscitate

* J. V. Stalin, *Report to the Seventeenth Congress of the C.P.S.U.(B.) on the Work of the Central Committee*, Moscow 1951, p. 106.

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these survivals. It must be remembered that the nationalists in our country always have been and are agents of foreign capital, vehicles of bourgeois ideology. Educating Soviet people in the spirit of Soviet patriotism means educating them also in the spirit of friendship among the nations, in the spirit of uncompromising struggle against all national and racial enmity, against all forms of reactionary bourgeois ideology.

Soviet people must develop and strengthen to the utmost the great friendship among the nations, which is one of the sources of the strength and might of the Soviet State; they must remember what J. V. Stalin said about friendship among the nations of the U.S.S.R. being a great and important gain, remember that he said that "... as long as this friendship exists, the peoples of our country will be free and invincible. We need fear nobody, neither enemies at home nor enemies abroad, as long as this friendship lives and flourishes."

Friendship among the nations is a mighty driving force of the development of socialist society, a driving force of our development in our gradual transition from Socialism to Communism.

All the nations of the U.S.S.R. must incessantly develop the economy and culture of their respective republics and thereby increase the might of the whole of our multinational Soviet State.

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In his address on the twenty-eighth anniversary of the Great October Socialist Revolution, Comrade Molotov emphasized the fact that all the nations in our Soviet State have the recognized right to independence and free national development, that all the nations are educated in the spirit of friendship and mutual respect and in the spirit of recognizing the merits of every nation in developing its own national culture and in promoting the progress of the Soviet State as a whole.

* * *

The Great October Socialist Revolution provided the only correct solution of the national problem. It provided practical proof that national strife and enmity are not inherent in every society, but only in society based on exploitation, on the private ownership of the means of production, on the oppression and exploitation of man by man. There can be no ground for national strife and enmity in socialist society, where exploiting classes and the causes which engender the exploitation of man by man and antagonism and conflict between classes and nations have been abolished.

The historical experience of the U.S.S.R. shows that only under Socialism does genuine national freedom, the development and prosperity of formerly oppressed nationalities, equality, peace and friendship among all nations and peoples, become possible for the first time. The na-

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tional culture of formerly oppressed nations can develop and flourish only under the socialist mode of production.

After the second world war, the national-colonial problem became exceptionally important and acute owing to the claim of American imperialism to world domination, and to the attempts of the United States to carry the methods of colonial rule to the sphere of relations with the big capitalist states which were weakened by the war. Taking advantage of the utter defeat of Germany and Italy, and also of the unprecedented weakening of Great Britain and France, the United States is striving to convert Western Europe into an Americanized continent. A striking expression of this imperialist striving is the "Marshall Plan," which is a direct menace to the sovereignty and independence of the West-European countries. In the guise of rendering "economic assistance" to the countries that have suffered as a result of the war, the "Marshall Plan" aims at the economic and political subjection of the West-European countries to the interests of the American industrial monopolies.

The execution of the American plan for the enslavement of Western Europe is accompanied by ideological preparation—an attack upon the principle of national sovereignty, appeals to abandon the sovereign rights of nations and propaganda of the idea of a "world government." Today, the bourgeois ideologists are trying to con-

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vince the peoples that the strengthening of international collaboration is incompatible with the struggle for national sovereignty and the strengthening of national statehood. "The purpose of this campaign is to mask the unbridled expansion of American imperialism, which is ruthlessly violating the sovereign rights of nations, to represent the United States as a champion of universal laws, and those who resist American penetration as believers in an obsolete and 'selfish' nationalism."*

Thus the bourgeoisie has today abandoned and is trampling upon the banner of defence of national sovereignty under which it has always fought hitherto. Amidst the general crisis of capitalism, when the foundations of the capitalist system are shaking and the masses of the people are more and more resolutely rising for the struggle for their social emancipation, for the victory of Socialism, the bourgeoisie is sacrificing the national sovereignty and independence of their countries in order to crush the growing working people's movement.

This shows that the reactionary bourgeoisie of the big capitalist states no longer rely on their internal forces to retain their class rule and to recover their prewar position. As a result of the lessons taught by the war, the political maturity

* A. Zhdanov, *The International Situation*, Moscow 1947, p. 31.

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of the masses has grown immensely. The forces of democracy and Socialism are steadily growing. Under these circumstances, in their endeavour to retain their class rule, the reactionary bourgeoisie in a number of countries are placing their hopes chiefly on assistance from American imperialism. The more unstable its position becomes and the higher the popular anti-imperialist movement rises, the more quickly and willingly the bourgeoisie hastens to sell the national independence of their country to American imperialism and receive from it in exchange assistance in the struggle against the masses of the people. Having taken the path of betraying the national interests in their country, the bourgeoisie is trying to preserve the most reactionary institutions and organizations, is furiously resisting all democratic measures and is vigorously defending the position of monopoly capital in economics and politics. In this it is receiving the direct support of the Right-wing Socialists, the betrayers of the interests of their peoples and faithful servants of American imperialism.

The foremost fighter for national independence and sovereignty is the working class, headed by the Communist parties. Mobilizing the masses for the struggle against foreign imperialism, the working class is at the same time also fighting the servants of foreign imperialism in the ranks of the home bourgeoisie and is thereby creating the conditions for the abolition of the economic

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and political rule of capital in the respective countries. At the present time, the struggle for the preservation of national independence is closely interwoven with the struggle for lasting peace, for a people's democracy, for Socialism; for the working class upholds the national independence of its respective countries not for the purpose of ensuring a return to the old, prewar conditions and of preserving the class rule of monopoly capital, but to ensure their democratic and socialist transformation.

While upholding their rights and fighting to preserve their national independence, the peoples of the world turn their gaze towards the Soviet Union, which incessantly and consistently upholds the principle of genuine national equality and of safeguarding the sovereign rights of all nations, big and small.

There are people in the capitalist world who do not believe that relationships of equality can exist between big and small nations. "But we, the Soviet people," said Comrade Stalin, "are of the opinion that such relationships are possible and should be established. The Soviet people are of the opinion that every nation, big or small, has qualities of its own, specific qualities peculiar to itself and which no other nations possess. These specific qualities are the contribution every nation makes to the treasury of world culture and thereby augments, enriches it. In this sense, all nations, big and small, are in the same posi-

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tion, and every nation is equal to any other nation."*

The Soviet Union has set the world an example of how to solve the national problem. In the Soviet Union all nations and peoples live in friendship and are freely developing. Having consistently solved the national problem within the country on the basis of the Lenin and Stalin policy of a commonwealth of nations, the Soviet Union is today heading the struggle of all the forces of progress for peace and the democratic collaboration of nations.

The Soviet Union is a mighty, multinational, Socialist State that is winning the sympathy of all progressive mankind by its consistent Lenin and Stalin national policy, by the struggle it is waging for progress, for lasting democratic peace, for friendship and collaboration among nations.

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* From speech delivered by J. V. Stalin at a banquet in honour of the Finnish Governmental Delegation, April 7, 1948, published in the magazine *Bolshevik*, No. 7, 1948, p. 2.

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**NORMALIZATION
OF WORLD TRADE
and the
MONETARY PROBLEM**

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ACADEMY OF SCIENCES OF U.S.S.R.
INSTITUTE OF ECONOMICS

A. SMIRNOV

**NORMALIZATION
OF WORLD TRADE
AND THE
MONETARY PROBLEM**



FOREIGN LANGUAGES PUBLISHING HOUSE
Moscow 1952

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One of the obstacles to normal economic relations between countries is the instability of currencies and other manifestations of the currency chaos in capitalist countries, which became more pronounced after the Second World War.

There is a quite definite relationship and interdependence between the dislocation of international trade and the dislocation of international currency relations. On the one hand, the disruption of normal economic relations between countries upsets the balance of payments of many countries, and, as a result of this, causes the fall of exchange rates and other manifestations of currency instability. On the other hand, the drastic fluctuations of exchange rates, the frequent devaluations and the currency exchange restrictions in the Western states in their turn have an adverse effect on international trade and other forms of economic relations.

The adjustment of currency relations between countries, and first and foremost stabilization of exchange rates, is therefore a substantial factor that can contribute to normalizing and extending international trade. At the same time the normalization of inter-

national economic relations and, thanks to this, the strengthening of peaceful ties between countries would be a powerful factor in stabilizing currencies and alleviating the currency chaos in the capitalist countries.

The currency problem is in its nature and implications a problem of international significance. The movements in exchange rates and various currency restrictions in the Western states to a greater or lesser degree affect the interests of all the states participating in world trade. The Soviet Union and the People's Democracies are likewise interested in adjusting international currency relations, for it is their wish to strengthen and develop peaceful economic relations between all countries, irrespective of their state or social system. True, the various manifestations of currency dislocation in the countries of the West cannot affect the economic development of the U.S.S.R. or the People's Democracies primarily because of the state foreign trade monopoly existing in these countries. However, the depreciation and frequent devaluation of currencies in the Western world, as well as the financial discrimination it practises, can in certain cases hinder the development of the foreign trade of the U.S.S.R. and the People's Democracies.

Needless to say, the capitalist countries themselves are far more interested in stabilizing their currencies and doing away with discriminatory currency policies. Unlike the U.S.S.R., where price-building does not depend on the violent ups and downs of prices on

external markets or on the movements of foreign exchange rates, in the capitalist countries the alterations of the exchange rates exert, through foreign trade, an ungovernable influence on the prices of commodities on home markets and, consequently, on the entire economic life of those countries. In the conditions of a capitalist economy the rate of exchange is the link between the prices of commodities in different countries. Other conditions being constant, movements in the rate of exchange alter the cost relationship of the commodities exchanged in international trade.

In estimating how profitable it would be to export or import a certain type of goods, the most important factor to be taken into consideration, along with the price, is the rate of exchange. For the importer the cost (in local currency) of a certain type of goods, provided other conditions are constant, depends on the rate of exchange of the currency in which the goods must be paid for. A rise in the rate of exchange of that currency, and, hence, the depreciation of the currency of the importing country, increases this cost, while, conversely, a fall in the rate of exchange, that is, a rise in the rate of the local currency, reduces the cost of the goods for the importer. At the same time, a fall in the rate of exchange has an effect on the relationship between the prices of the export and import goods of a country. As a rule, the prices of import goods reckoned in depreciated currency increase more rapidly and to a greater extent than the prices

of export goods. Thus, as a result of the devaluation of the pound in Britain in 1949, the index of export prices (1937=100) rose from 249 in 1948 to 269 at the end of June 1950, i.e., by 8 per cent, while the index of import prices during the same period rose from 270 to 317, i.e., by 17.4 per cent.

Every more or less considerable decline in the rate of exchange, such as devaluation, for example, influences not only the exports and imports of the country which has depreciated its currency—and, hence, its economy—but also directly or indirectly and to a greater or smaller extent affects the interests of all the other countries participating in international trade. A change in the rate of exchange benefits some countries and is detrimental to others. Thus, the devaluation of the pound and of the currencies of many other states in September-October 1949 was detrimental to the countries that depreciated their currencies and advantageous to the United States of America. Devaluation altered the relationship between the prices of the imported and exported goods of those countries in a direction unfavourable to them. Britain, for example, after devaluation had to exchange a greater amount of her export goods for the same amount of goods imported from the United States, because the prices of the imported goods in sterling increased more than the prices of her exported goods. At the same time, the United States took advantage of devaluation to buy up at low prices in dollars scarce raw materials and strategic supplies both in the coun-

tries which had depreciated their currencies, and in their colonies.

In this way the instability of exchange rates, their fall makes for a nonequivalent exchange of goods between countries, and this cannot but dislocate international trade. What is more, sharp movements in exchange rates and frequent devaluation also have an adverse effect on international trade and bring about its curtailment because they cause both importers and exporters to be uncertain of whether their foreign trade transactions are profitable. When currencies are unstable, the conclusion of export and import contracts, and especially of contracts based on credit, inevitably involves the risk of losses due to a possible fluctuation in the rate of exchange.

The instability of exchange rates is, in the final analysis, due to processes taking place in the sphere of production, which have a subsequent effect on circulation. The most immediate and direct causes of the instability of the exchange rates of the capitalist countries in the postwar period are chronic deficits in the balance of payments of these countries and continuous internal inflationary processes in their economies.

Marx pointed out that the rate of exchange can fluctuate:

“1) In consequence of a momentary balance of payment, no matter to what cause this may be due, whether it be a purely mercantile one, or the investment of capital abroad, or government expenditures, wars,

etc., so far as cash payments are made to foreign countries.

"2) In consequence of a depreciation of money in a certain country, whether it be metal or paper money. This is purely nominal. If one pound sterling should represent only half as much money as formerly, it would naturally be counted as 12.5 francs instead of 25 francs."*

These postulations formulated by Marx remain in force under present-day conditions, despite a number of factors that complicate the formation of the exchange rate, owing to the policy of monopoly capital and various government measures.

Foreign trade is the most important factor influencing the balance of payments, since the money income accruing from exports and the payments for imports are, in the balance of payments of most countries, the major items of revenue and expenditure.

Since the Second World War most capitalist countries have had a chronically adverse balance of trade. One of the reasons for the sharp increase of late in the unfavourable balance of trade of Britain and a number of other West-European countries is the militarization of economic life.

To carry out their colossal armament programs Britain and the other West-European countries are

* Karl Marx, *Capital*, Vol. III, Kerr edition, pp: 694-95.

compelled to restrict the use of certain types of raw materials and means of production in the civilian industries, including enterprises working for the export trade, and this causes a drop in the exports of certain goods and makes for an unfavourable balance of trade. The balance becomes still more unfavourable owing to increased imports of strategic materials and armaments.

In Britain, France and Holland the adverse balance of payments is due not only to the unfavourable balance of trade, but also to large-scale state expenditures on the prosecution of colonial wars and the maintenance of big armed forces abroad.

Another reason for currency instability, which finds expression in frequent devaluation, is the depreciation of the paper money of the Western countries with regard to gold and, through gold, with regard to goods as a result of inflation. Owing to the inflationary rise of prices, the purchasing power of paper money falls lower and lower. As a consequence of this, the value of the paper money in gold dwindles to a fraction of its official gold and monetary parity. The main factor accelerating internal inflationary processes in most capitalist countries is the enormous government expenditure on arms. The exceedingly marked rise of these expenditures can be seen from the following table, which shows the growth only of the direct military expenditures of the U.S.A., Britain, France and Italy. These are but part of the total expenditures on armaments, since a large share of other items of expendi-

tures in the budgets of these countries is likewise earmarked for military purposes.

Countries	1937/1938	1947/1948	1951/1952
U.S.A. (in thous. mill. doll.) . .	1.0	10.3	81.8
BRITAIN (in mill. pounds sterl.) .	197.0	854.0	1,443.0
FRANCE (in thous. mill. francs) .	21.2	245.0	743.0
ITALY (in thous. mill. lire) . .	9.2	267.0	523.0

Military expenditures are increasing in other capitalist countries, as well. The consequent deficits in the budgets of the U.S.A., Britain, France, Italy and many other countries are covered by increased taxes, the entire burden of which falls upon the public at large, as well as by state loans and borrowing in the central and commercial banks.

The net deficit of the U.S.A. budget for 1945-50 amounted to approximately 46,000 million dollars. The internal national debt of the U.S.A. at the end of 1950 reached 222,600 million dollars. Out of this sum 83,900 million dollars in state bonds were held

by the banks. According to President Truman's report to Congress, the deficit in the U.S.A. budget for 1952/1953 will run into 14,400 million dollars, instead of the anticipated 8,200 million. The net deficit of Britain's budget for 1945-50 amounted to 3,280 million pounds. Loans and advances obtained during the same period reached 2,401 million pounds. The deficit in the French budget for 1945-50 amounted to 3,125,000 million francs. The internal national debt of France increased from 1,823,000 million francs at the end of 1945 to 2,824,000 million at the end of 1950. The deficit in Italy's budget for 1946-50 totalled 2,405,000 million lire. Considerable sums of the loans floated settle in the banks and, together with direct loans to the treasury, cause an increase in note issue and a growth of permanent bank deposits.

The increase in the amount of money in circulation has been particularly marked in France and Italy. In France the mass of money, including demand deposit, increased from 1,013,000 million francs in 1945 to 3,315,000 million francs in 1951, which is an increase of 3.3 times; in Italy, it increased during the same period from 657,500 million lire to 2,521,000 million lire, which is roughly a fourfold increase.

The effects of inflation in the Western countries are a growth of prices and the attendant fall in the purchasing power of money. One indication of the rise in prices, though it does not by any means provide a com-

plete picture, is afforded by the rise in the wholesale price index.

Rise in Wholesale Price Index
(1937=100)

	1945	Middle of 1951	Price Increase in %
U.S.A. . . .	123	208	70
Britain . . .	155	294	90
France . . .	421	2,910	600
Italy	2,203	6,097	177
Holland . . .	167	377	126
Sweden . . .	170	268	58

There is a definite relationship between the depreciation of money inside a country in terms of goods, that is, the fall in its purchasing power, and the rate of exchange. In the days of the gold standard and the free convertibility of money into gold and foreign currency in the capitalist countries, there could not be any very considerable gap between the purchasing power of money inside the country and the rate of exchange. This, however, should not in the least be taken to mean that the rate of exchange and the purchasing power of money tended to correspond. In present-day conditions, when in nearly all of these countries currency restrictions have been imposed on foreign trade, a considerable discrepancy is possible between the rate of exchange and the purchasing power

of money inside a country. The absence of free convertibility of money into gold and foreign currency has the result that inflation can push the purchasing power of money inside a country down very considerably, although the official rate of exchange remains fixed. The depreciation of money in individual countries, entailing a fall in its purchasing power, therefore has the same adverse effect on international trade that the instability of exchange rates has.

However, the lengthy existence of an excessively wide gap between the high official rate of exchange and the purchasing power of money, falling owing to inflation, renders exports unprofitable for such countries and thereby increases the deficits of their balance of trade and balance of payments. For this reason countries with currency restrictions are from time to time compelled to lower their official rates of exchange in order to bring them as much as possible into greater conformity with the diminished purchasing power of their money in terms of goods. Thus, the devaluation of 1949 was effected in those very countries in which exchange restrictions were in operation. It should be pointed out, moreover, that the mass devaluation of currencies in 1949 failed to bring exchange rates into conformity with the purchasing power of money, depreciated in terms of goods. On the contrary, it gave rise to another wave of inflation and another aggravation of the financial crisis in Britain and most of the other countries that depreciated their currencies.

As a result of inflation and a chronic deficit in the balance of payments, there was a considerable decline in the official exchange rates of the West-European and nearly all the other capitalist countries. This can be seen from the following table, in which the postwar exchange rates of the West-European countries are shown in percentage against their official rates in terms of the U.S. dollar of 1938, chosen as 100:

	1946	1952
Britain . . .	82.5	57.2
France . . .	29.2	9.7
Italy . . .	8.4	3.0
Holland . . .	68.7	47.8
Belgium . .	68.6	59.1
Sweden . . .	108.5	75.8

This drop in the official exchange rates of West-European countries does not, however, give a full picture of the actual depreciation of their currencies.

The decline in exchange rates and the fall in the purchasing power of money as a result of intensified inflationary processes in the economy of the Western countries cause the dislocation of international trade not only because they increase hazards and hamper the conclusion of foreign trade contracts, but also because these factors hit at the living standards of the

broad masses in these countries. Notwithstanding the enormous growth of prices, especially the prices of foodstuffs and other consumer goods, as a result of inflation, wages are either frozen or are increased in the depreciated currency very insignificantly. Owing to this, there is a drastic fall in the real incomes of the working people. The inevitable result of this is a decline in demand, including the demand for goods imported from other countries. This causes a curtailment of the foreign trade turnover which cannot be made good by increasing the share of armaments and strategic materials in international trade.

In addition to the instability and fluctuations of exchange rates, other factors that adversely affect international trade are the various exchange restrictions practised on a large scale in the countries of the West.

These restrictions, under which private exchange transactions are abolished and available foreign exchange is allocated by the government at the fixed official rate not determined by supply and demand, were first introduced in a number of countries during the world economic crisis of 1929-33, not to mention their short-lived operation during the First World War. The Second World War led to the introduction of exchange restrictions on a wider scale, and the restrictions became harsher. At the present time exchange restrictions have been imposed to a larger or smaller extent on the foreign trade of nearly all the countries of the West. With the exception of the U.S.A. and Switzerland, there are only a few small

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countries that have not subjected their foreign trade to exchange restrictions.

With the aid of exchange control the governments seek to limit the impact of market ups and downs on their economic relations with other countries. The purpose of these restrictions is to maintain the balance of payments and to preserve the rate of exchange. But the mass devaluation of 1949 demonstrated that these purposes had not been achieved in the countries that had resorted to exchange restrictions.

Exchange restrictions can have an appreciable effect on the scope and trend of a country's foreign trade. In some countries with exchange restrictions the exchange bodies have been authorized to issue or not to issue import and export licenses. In other countries with such restrictions, obtaining an import license does not yet mean that the importer will receive from those bodies the foreign currency necessary to pay for the imports. The exporters' proceeds in local currency in countries with exchange restrictions are usually blocked on their current account and may be used exclusively for payments within that country. All this, in conjunction with the complicated currency regulations and frequent amendments, creates a number of obstacles for exporters and importers in their foreign trade transactions.

Some countries, more specifically the countries of Western Europe, regard exchange restrictions as a definite means of protecting their economy, as a buffer to soften the impact of American inflationary trends on

their economy. This accounts for the fact that American ruling circles and the International Monetary Fund at their disposal are doing their utmost to force Britain and the other West-European countries into lifting their exchange restrictions.

In practice, however, exchange restrictions are used not only as a trade barrier, not only as a means of protection, but also as a weapon of economic expansion. With the aid of exchange restrictions many countries practise discrimination in their trade relations with other countries. Such discrimination is practised by certain West-European countries in the matter of licenses for transactions with the Soviet Union and the People's Democracies.

Another form of discrimination is the establishment of different treatment for different countries in currency regulations. Thus, on the basis of the currency regulations operating in Britain, the United States of America and certain other countries of the dollar zone enjoy more favourable treatment than other countries. On the basis of the Anglo-American financial agreement of 1945, the pounds sterling on the accounts of American banks and nationals, as well as on the accounts of dollar-zone countries in British banks, accruing from trade transactions, can be freely converted into American dollars, whereas the banks and nationals of other countries do not enjoy this privilege.

The organization of the so-called European Payments Union in 1950, directly sponsored and supervised by the U.S.A., was also a measure of discrim-

ination in the sphere of currency and trade policy. Leaving aside organizational questions and the procedure adopted for payments between the sixteen Marshall-Plan countries which make up the E.P.U., it must be stated that for the duration of the Union's existence its members are to enjoy reciprocal free convertibility according to a parity attached to the American dollar, in other words, the foreign trade and other current transactions of the members of this union are not to be cramped by currency restrictions. At the same time the member-countries have undertaken to effect on a mutual basis a gradual abolition of all quantitative restrictions on imports. This "liberalization" of trade does not extend to other countries which do not belong to the Union, despite the fact that the member-countries earlier concluded trade agreements with most of them on the basis of most-favoured nation treatment.

One of the aims of the E.P.U. was to foster trade between its members through a system of multilateral clearing and the granting of credits to member-countries with an adverse balance of trade. This was the purpose of the so-called "liberalization" of trade. The clearing-house system and the credits were to have reduced to a minimum the need for the member-countries to draw upon their gold and dollar reserves. In practice, however, these aims were not achieved. In its very first year the E.P.U. had to take the path of abandoning its earlier-proclaimed principles of the liberalization of foreign trade, multilateral

trade turnover and mutual convertibility of currencies. First and foremost, the Union was compelled to take steps sharply to reduce the imports of Western Germany, which was using its E.P.U. credits to purchase strategic raw materials in various countries. Simultaneously Western Germany was granted a special credit of 120 million dollars to enable her to repay her debt to the Union without resorting to progressively increasing payments in dollars. The quantitative imports restrictions established by Western Germany affected the interests of a number of exporting countries, especially Holland. Britain, which at the time of the founding of the Union had been regarded as a creditor-country, already by mid-1951 became a major debtor of the Union. The Central Bank in Belgium had to discontinue the purchase of British pounds and French francs in order to stop the influx of British and French capital "fleeing" from the pound and the franc in connection with the rumours about their impending devaluation.

According to the A.F.I. News Agency, the French Government decided to suspend, from February 1952, the so-called liberalization of trade with E.P.U. countries and, with a few exceptions, to re-impose quotas on imports from those countries. On February 19 the French Government extended these import restrictions to the other goods which had figured in the "liberalization" lists. These measures were evidently caused by the fact that France's debt to the E.P.U. in January 1952 reached 102,900,000 dollars, and

in repayment of this debt France had to pay the Union 36,400,000 dollars. The French Minister of Economic Affairs in his statement to the O.E.E.C. on February 9, 1952, pointed out that the measures to "liberalize" trade had not assumed in practice a general or permanent character, and this had resulted in a different status for different countries. Seeking to justify the import restrictions imposed, the minister declared that this had been inevitable, since otherwise by April 15 France would not have had a firm currency to pay for her purchases in the dollar zone or the E.P.U. countries.

These facts eloquently show that the European Payments Union does not have a firm economic base to rest on.

The setting up, in the form of a multilateral exchange clearing house, of such a segregated trade and political alliance as the E.P.U., cannot be conducive to the development of international trade, and can only lead to its decline, since it hampers normal trade relations between the countries of Western and Eastern Europe. The crisis now gripping the E.P.U. is proof of the economic impasse its member-countries have reached as a result of the fact that under pressure from across the ocean they have taken the path of undermining their natural economic relations with Eastern Europe.

The exchange policy of the United States is another factor adding to currency dislocation and therefore hindering the normal development of international

economic relations. This policy has resulted in the concentration of the overwhelming part of the world's gold reserves in the United States; it has resulted in the exhaustion of the gold and currency reserves of the West-European countries and developed an artificial dollar famine in those countries. This has accentuated the unevenness of the distribution of gold between countries that existed prior to the Second World War. In 1929 the share of the U.S.A. in the world's visible gold reserves (excluding the U.S.S.R.) amounted to 37 per cent. The subsequent increase in the share of the U.S.A. in the world's gold reserves can be seen from the following table (the figures are given for the end of each year):

	1938	1945	1949	1950
Gold reserves of all countries (excluding U.S.S.R.) (in thous. mill. dollars) . . .	26.9	32.0	33.9	34.2
Gold reserves of U.S.A. (in thous. mill. dollars) . . .	14.6	20.0	24.6	22.8*
Share of U.S.A. in total gold reserves (in %)	54	63	72	67

* The decrease in the gold reserves of the U.S.A. in 1950, which continued in the first half of 1951, was caused by a temporarily adverse balance of payments due to increased expenditures abroad and increased prices of the growing quantities of strategic materials imported in connection with the war in Korea.

Thus we see that more than two-thirds of the world's gold reserves (excluding the U.S.S.R.) is at present concentrated in the United States, this being sharply at variance with the share of the United States in the world trade turnover.

In spite of the absence of a gold standard in the capitalist countries at the present time, gold continues to operate as the world's money and plays an important role in international payments as a universal tender for payments and purchases. Therefore, the question of the relationship of individual currencies to gold and the question of the "world price" of gold are of substantial importance to normal economic relations between countries.

The financial policy of the United States in this matter clashes with the interests of normalizing international trade relations. American ruling circles seek to turn the dollar into a world-wide currency and to substitute it for gold as an instrument of international payments, so that the currencies of other countries should be tied to the dollar and so that those countries should keep their currency reserves not in gold, but in dollars, on their accounts in American banks. However, the American dollar is certainly not a currency that could serve as a firm monetary basis for the normal development of international economic relations.

Under the Act of 1934 concerning gold reserves and the executive order issued by the President of the United States on the basis of this law, the dollar

was depreciated to 59.06 per cent of its former parity, and its gold backing was fixed at $15\frac{5}{21}$ grains of gold (hallmark 900), or 0.888671 grams of pure gold. This parity is, however, purely nominal, since the free convertibility of paper dollars into gold was not resumed in the United States either for individuals or for other countries. The United States Treasury is merely obliged to purchase gold at the official "price" of 35 dollars for an ounce of pure gold, which corresponds to the new gold parity of the dollar minus a commission of 0.25 per cent. Thus, the relationship of the dollar to gold is a very one-sided affair.

As a result of inflation in the United States during and after the Second World War, the value of the dollar in terms of commodities was greatly depreciated. Even on the basis of the official index of American wholesale prices, which more than doubled from 1938 to October 1951, the purchasing power of the dollar at present amounts to only half of its purchasing power in 1938. In spite of this, the United States Government does not wish to increase the official "price" of gold and lower the gold backing of the dollar fixed in 1934.

The artificial character of the gold parity of the dollar and the disproportion between the official "price" of gold in the United States and the real value of the paper dollar is graphically illustrated by the fact that on the private gold markets in Europe and in the East the "price" of an ounce of gold has reached 50-55 dollars, while the official "price" in the United States is 35 dollars.

In the U.S.A., too, many admit that this official price of gold does not correspond to the diminished value of the dollar. It is noteworthy that all the way back in 1945 a bill was introduced in Congress to increase the official price of gold to 56 dollars for an ounce. However, this bill came up against opposition from the Treasury and the Federal Reserve Board and was therefore dropped. Since then the purchasing power of the dollar has fallen by nearly 40 per cent. This obvious discrepancy between the official price of gold and its real value has the result that a considerable part of the gold produced is not sold to the central banks or treasuries, but finds its way to the private market, where it is bought by individual capitalists at a higher price for purposes of thesaurizing.

Making use of its advantageous position on many foreign markets and its favourable balance of payments, which creates a dollar famine in other countries, the United States keeps the purchasing "price" of gold low, thus compelling other countries to sell gold to the United States at this low "price." The net increase in the gold reserves of the U.S.A. from the end of 1938 to the end of 1950 exceeded 8,000 million dollars. For this use of gold the U.S.A. paid other countries in depreciated dollars, whose purchasing power in terms of goods kept falling throughout the war years and especially after.

It is perfectly obvious that such a policy is one of the most substantial obstacles to the development of

international trade. The fact that the official "price" of gold in the U.S.A. is kept at a level which does not correspond to its real value in terms of goods creates abnormal conditions for the flow of gold between countries and hampers them in using gold to adjust their international payments, which is an inevitable impediment to the extension of world trade. At the same time the artificially lowered "price" of gold adds to the chaos in the matter of exchange rates, which cease to reflect the real value of the currencies in question.

The International Monetary Fund, whose main task, according to its statute, is to promote the stabilization of currencies and thereby contribute to the normalization of international economic relations, is not fulfilling the functions with which it was officially entrusted. Its activities are aimed, for one thing, at effecting in other countries currency measures desirable to the United States. The Monetary Fund is infringing upon the sovereign rights of other states in the sphere of their internal financial policy, compelling individual countries to fix the exchange rates of their currencies at levels suiting the interests of the U.S.A. When, after the mass devaluation in 1949, the Union of South Africa appealed to the International Monetary Fund to raise the "world price" of gold because of the considerable gap between its official "price" in the U.S.A. and its actual "price," a fact which was causing great discontent among the gold-mining countries, this proposal was rejected by the Monetary

Fund because it ran counter to the interests of the U.S.A. The obvious discrimination practised by the International Monetary Fund and the International Bank for Reconstruction and Development towards a number of countries compelled Poland to resign from both of these financial institutions in March 1950.

As has already been said above, the adjustment of currency relations between countries and the relative stabilization of exchange rates cannot be achieved unless normal international economic relations are restored. Furthermore, it must be borne in mind that the states restricting and undermining their trade relations with the Soviet Union, the Chinese People's Republic and the European People's Democracies are conducting a policy which under present-day conditions is suicidal. Such a policy clearly conflicts with the national interests of the Western states, since it leads to a further curtailment of their foreign trade and a further deterioration of their financial position.

In this connection it is appropriate to recall V.I. Lenin's words: "As to the blockade, experience has shown that we do not know who suffer heavier consequences from it: the blockaded or the blockaders."* At the present time no blockade or trade discrimination can retard the rapid economic devel-

* V. I. Lenin, *Collected Works*, 4th Russ. ed., Vol. 33, p. 126.

opment of the Soviet state, but it is obviously injurious to the countries resorting to these measures.

The Soviet Union, the Chinese People's Republic and the European People's Democracies are a vast potential market for the goods of all the other countries and a possible source of foodstuffs, various industrial commodities, including equipment and raw materials. The restoration of normal economic relations with this vast market would enable the West-European countries and many other countries of the West considerably to extend their foreign trade turnover. This would improve the supply of the goods they require, stimulate production, make for fuller employment and improve the living standards of broad sections of the population.

At the same time the normalization of international economic relations would also be an important factor in improving the balance of payments of the West-European countries and other countries of the West; it would put an end to the dwindling of their gold and currency reserves and help to stabilize their exchange rates.

At the present time the financial position of many countries of Western Europe has drastically deteriorated. One of the reasons for this is the increase in the deficit of their balance of trade. In Britain, for instance, the deficit in the balance of trade in 1951 amounted to 1,209 million pounds, which is three and a half times the figure for 1950. According to the report of Butler, Chancellor of the Exchequer,

Britain's gold and dollar reserves at the end of 1951 amounted to only 2,335 million dollars, whereas at the beginning of the year they amounted to 3,300 million dollars. While in the first half of 1951 Britain's gold and dollar reserves somewhat increased, in the third quarter they fell by 598 million dollars, and in the fourth quarter they fell by 934 million dollars. Reports in the British press about the results of the conference of the Empire finance ministers held in London in the latter half of January 1952 indicate that unless the governments of these countries take urgent steps, the sterling area will be gripped by a profound crisis fraught with dire consequences. In France the foreign trade deficit in 1951 amounted to 339,000 million francs, triple the figure for 1950. The deficit in the balance of trade with the U.S.A. and the dollar-zone countries reached 125,300 million francs, while the deficit in the balance of trade with the sterling area amounted to 139,700 million francs.

Owing to an adverse balance of payments with the United States and other countries of the dollar zone, a number of countries of Western Europe were compelled drastically to reduce their import program for the concluding months of 1951 and for 1952. Threatened by the complete exhaustion of its gold and currency reserves, the British Government decided to reduce its dollar imports in 1952 by 500 million pounds; its food imports are to be cut by 170 million pounds. In France, which during the first nine months of 1951 was importing from dollar-zone countries at an annual

rate of 635 million dollars, it is intended to cut down imports from July 1, 1951, to the end of June 1952 to an annual figure of 500 million dollars. According to the A.F.I. News Agency, Belgium decided to reduce her imports from the U.S.A. in the first quarter of 1952 by a third compared with the same period of last year, and by half in the second quarter.

The facts quoted above show that the dollar famine artificially created in the countries of Western Europe is forcing these countries to reduce their imports, including the imports of food and other vitally important commodities, which is having a most injurious effect on their economy and on the living standards of their people.

Thus, by restricting and disrupting their trade relations with the U.S.S.R., China and the European People's Democracies, the states of Western Europe are doing great damage to their economy. The resumption of the former, natural trade relations with the countries of Eastern Europe would enable them to obtain the goods they require without spending gold or dollars.

The fact of the matter is that trade relations between the countries of Western and Eastern Europe could be based on barter and clearing arrangements, which would obviate the necessity for foreign exchange (either dollars or other currencies). The development of such mutually-advantageous trade would undoubtedly help to normalize the balance of payments of the West-European countries and

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would create the necessary prerequisites for the relative stabilization of their exchange rates. Normal international trade would also alleviate the acute shortage of foreign exchange from which many of the West-European countries are now suffering, and would progressively place international settlements, now severely dislocated, on a sounder basis.

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A. OSIPOV

RESTRICTED

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AND DEVELOPMENT
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FOREIGN LANGUAGES PUBLISHING HOUSE

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ACADEMY OF SCIENCES OF U.S.S.R.
INSTITUTE OF ECONOMICS

A. OSIPOV

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AND DEVELOPMENT
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Moscow 1952

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THE INTERNATIONAL ECONOMIC CONFERENCE AND ITS AIMS

On April 3, 1952, the International Economic Conference opens in Moscow. The capital of the Soviet Union will be the destination of industrialists, businessmen, farmers, economists, engineers, trade union and cooperative leaders from dozens of countries—people of the most diverse political opinions but united by a single desire: to further international economic cooperation and the development of commercial and other economic relations between states.

Active preparations for the Conference have been going on for five months. In France, Britain, Italy, Austria, the Scandinavian countries, Czechoslovakia, Bulgaria, Japan, China, India, Pakistan, Iran, Argentina, Colombia and many other countries national Arrangements Committees have been formed to prepare for the Conference. The aims and prospects of this Conference continue to be a subject of many-sided discussion in the world economic and general press. The idea of calling an International Economic Conference, which came from a group of prominent people

from various countries meeting in Copenhagen in the autumn of 1951, aroused great interest and active support among trade and industrial circles, trade union, scientific and social workers and organizations throughout the world. The universal attention that surrounds the forthcoming International Economic Conference proves decisively the vital importance of the problems it is faced with. It also proves that many millions of people all over the world expect the Conference to solve these problems.

The coming Conference is an economic conference. The people taking part are assembling not for political and ideological dispute, not for discussion of the corresponding merits of various social-economic systems and not to impose their social-economic views on each other. Political and ideological problems will be left aside. The Conference is to be run entirely on a business basis for a practical exchange of experience and for working out concrete proposals concerning what can and should be done to further cooperation between countries irrespective of the differences in their social and economic systems by bringing to light the possibilities of expanding commercial and other economic relations, and on this basis improving the living standards of the people.

The International Initiating Committee has announced that the aim of the Conference is to discover means of promoting peaceful cooperation between various countries and various economic and social systems. In accordance with this aim an agenda for the Conference has been formulated which contains one question: "Finding possibilities of improving living

conditions of the people of the world through the peaceful cooperation of different countries and different systems and through the development of economic relations between all countries."

Participants in the International Economic Conference will devote their attention to a free and many-sided examination of the present situation in world trade, to furthering the removal of difficulties in this sphere and to exploring ways and means of expanding international trade relations and lessening the economic difficulties many countries are at present experiencing. The Conference will examine how developing normal trade relations between countries and increasing the volume of foreign trade can help to expand national production, increase employment and reduce the cost of living. Special examination will be made of the possibilities of expanding trade between East and West, between economically developed countries and underdeveloped countries, as well as any other proposals that may be put forward by participants in the Conference in accordance with the agenda.

The International Economic Conference is not being called together by any government body. The sole body responsible for preparing and conducting it, is the International Initiating Committee, which was formed in Copenhagen on October 27 and 28, 1951, by representatives of various circles and various countries. At the Conference full opportunities will be made available for a free, wide and frank exchange of opinion. Moreover, it has been decided that the Conference will not pass any resolutions binding the participants, but

will confine itself to adopting recommendations. The Conference will also assist in setting up business relations between the representatives of trade and industrial circles of various countries.

At its session held in Copenhagen between February 10 and 12, 1952, the Arrangements Commission of the International Initiating Committee took into account the suggestions received from the representatives of various national Arrangements Committees to the effect that it would be inexpedient to have special reports made at the Conference by groups of countries, as had been intended earlier. Instead, it decided that it would be more expedient to debate the question on the agenda of the Conference not on the basis of one or several reports coming from groups of countries, but on the basis of speeches made by all those who may wish to address the Conference. Apart from plenary sessions the Conference will organize sections to deal with individual problems, such as the development of international trade, assistance in developing trade with economically underdeveloped countries, international economic cooperation for the solution of social problems, and so on. This form of conducting the Conference will undoubtedly embrace a wider circle of speakers and enable them to discuss more concretely the problems they are interested in.

The Soviet Arrangements Committee for the Conference was formed on the initiative of the U.S.S.R. Chamber of Commerce, a number of Soviet trade and industrial organizations, the Central Council of Cooperative Societies of the U.S.S.R., the Central Council

of Trade Unions of the U.S.S.R., the Institute of Economics of the Academy of Sciences of the U.S.S.R. and Soviet economics circles. In its announcement this committee stated that during their stay on the territory of the U.S.S.R. the participants of the Conference will receive all due help and hospitality, and that, if they wish, they will have the opportunity of contacting representatives of Soviet trade, industrial and cooperative organizations.

The International Economic Conference faces great and responsible tasks; its aim is a noble one. Millions of people in all corners of the world expect it to settle vitally important problems, the solving of which is long overdue. They hope that those taking part in the Conference will in an atmosphere of mutual understanding and businesslike cooperation be able to draw up a concrete program for the all-round expansion of commercial and other economic ties between countries and thus help to lessen the tension in international relations; to improve conditions for fair and mutually advantageous exchange of goods between nations; to remedy as far as possible economic ills in many states; to increase their production of consumer goods; to raise the level of employment. All this will destroy one of the main causes of low living standards. It stands to reason that one of the most important results of removing the barriers artificially erected in the path of all-round international trade development will be to improve the conditions of life of millions and millions of people in Europe, Asia, America, Africa and Australia.

**THE PRESENT STATE
OF INTERNATIONAL TRADE**

Like other economic relations between peoples and states, world trade is at present in a condition of serious disorder. Studying the objective facts of contemporary life, more and more leading people in trade and industry, economists, leaders of trade union and cooperative organizations in all countries are coming to the conclusion that the present condition of international trade can in no way be considered normal. They are deeply convinced of the need to make a decisive change in the situation and develop international economic relations on the principles of equal rights and mutual advantage for the good of all the peoples. Acknowledging the indisputable fact that the steady worsening of international economic relations represents a threat to the conditions of life of the peoples of many countries, and expressing their grave concern at this state of affairs, the International Initiating Committee took the decision to call an International Economic Conference.

The Second World War was a terrible catastrophe. Not only did it destroy millions of human lives, cause incredible privation and suffering for the broad masses of the people, lead to enormous destruction of the material and spiritual wealth created by the labour of many generations, to the annihilation of thousands of towns and villages, factories, mills and cultural establishments. Besides all this, the war tore apart world economic ties which had taken decades to build up, undermined international trade, severely curtailed

the production of goods for civil consumption and aggravated the disproportion in the economics of many belligerent countries, adding to the confusion in their currency and credit and financial systems and intensifying internal inflationary processes. The end of the war saw a vigorous and general rise in the prices of consumer goods, a sharp increase in taxes and a prodigious growth of internal and foreign national debts in all countries of the West without exception, and brought with it a further impoverishment of the overwhelming majority of the population—workers, peasants, office employees and other self-supporting working people. Masses of petty and middle merchants and industrialists were ruined; the well-being of many sections of the intelligentsia was undermined.

Over six and a half years have passed since the end of that war, the most destructive and murderous war in the history of mankind. Has the grievous legacy left by the war been overcome, have the wounds inflicted on the economy and population in most of the countries of the world been healed? With a deep feeling of regret one can give only a negative answer to this question. One has to affirm that the fundamental economic consequences of the Second World War have *not* been overcome and are having an extremely unhealthy effect on the standard of life of many peoples. One of the most vivid instances of this is the present state of international trade, which represents the basic form of economic relations among countries.

It is generally acknowledged that under modern conditions no nation can develop without foreign trade. As far back as the end of the last century V. I. Lenin

pointed out that "it is impossible to imagine a capitalist nation without foreign trade, and there is no such nation."* Capitalist economy's need of a foreign market is determined by its development on the basis of expanded reproduction. "... The capitalist enterprise inevitably reaches beyond the borders of the village community, of the local market, of the particular region, and even of the country. And as the isolation and insularity of the various countries have already been broken down by commodity circulation, the natural trend of every capitalist sphere of industry compels it to seek a foreign market."** International trade is a result of the development of the capitalist mode of production. The spontaneously formed international division of labour was determined by the production relations of capitalism, which deepened and widened their characteristic division of labour, making it universal.

The development of human society and its productive forces in the nineteenth and at the beginning of the twentieth centuries provides ample proof that foreign trade played a big part in the industrial progress of many states, large and small, in the development of their industry, agriculture and transport. Britain, for example, which V. I. Lenin called the most "trading" country in the world, achieved towards the end of the last century outstanding successes in the development of her national economy by maintaining extensive trade relations with all parts

* V. I. Lenin, *Collected Works*, 4th Russ. ed., Vol. 3, p. 43.

** *Ibid.*, p. 44.

of the world. This is also true to a large extent of Belgium, whose economic prosperity at the beginning of the twentieth century was largely due to the scope—considerable for this small country—of her trade relations with the rest of the world. The rapid industrial development of the United States of America in the second half of the last century also went hand in hand with an increase in foreign trade turnover, which grew from 80-90 million dollars at the beginning of the nineteenth century to almost 2,300 million dollars in 1900. Taken as a whole the world's trade turnover increased between 1860 and 1913 over five-and-a-half fold, and on the eve of the First World War amounted to 64,600 million dollars at the current rate of exchange.

Before the world economic crisis of 1929-33, and particularly before the First World War, the physical volume of international trade tended to increase more rapidly than production. Thus, according to the League of Nations calculations quoted by the American economist Ethel B. Dietrich in her book *World Trade*, the physical volume of world trade between 1881-85 and between 1909-13 increased every year by 3.2%, while world production increased approximately by 2.7%. After the First World War the development of this tendency slowed down and in certain years even gave way to its opposite. In the competitive struggle for markets between certain countries increasing importance was attached to prohibitive tariffs, currency blocs, dumping, etc. However, during the period between 1913 and 1929 the physical volume of world trade was increasing yearly by 1.5% and world production—by 1.7%. Even in the period from

1925 to 1929 trade in raw materials increased yearly by 3.6%, and trade in finished goods—by 7.2%, while the production of these goods increased correspondingly by 2.7% and 6.7%.*

The world economic crisis of 1929-33 and the Second World War reduced international trade to stagnation and decline. The progressive development of trade relations between nations, which had been characteristic of the nineteenth and the beginning of the twentieth centuries, was replaced by a regressive movement. J. V. Stalin emphasizes this: "The intensified struggle for foreign markets, the abolition of the last vestiges of free trade, prohibitive tariffs, trade war, currency war, dumping, and many other analogous measures which demonstrate extreme *nationalism* in economic policy have made the relations among the various countries extremely strained."** The break-up of international economic cooperation was intensified not only by the introduction of systems of trade contingents, licensing systems and other import and currency restrictions; it was also due to the formation on the world arena of regional economic blocs—the Balkans bloc, the Little Entente, the Ottawa and Pan-American blocs (the activities of the latter, formed before this period, increased during it), the so-called Oslo and Ouchy blocs. The most patent attempts to create closed-in autarchical national economies were undertaken by the fascist states.

* Ethel B. Dietrich, *World Trade*, New York, 1939.

** J. V. Stalin, *Report to the Seventeenth Congress of the C.P.S.U.(B.) on the Work of the Central Committee*, Moscow 1951, p. 18.

As a result of all this the disastrous effect of the world economic crisis on international trade was not overcome right up to the outbreak of the Second World War. In 1938 the physical volume of world trade increased in comparison with 1913 by only 11-12%, while the population of the globe increased during these years by over 22 per cent. These figures show that on the eve of the Second World War the share of international trade turnover per capita was lower than a quarter of a century earlier, on the eve of the First World War.

In the postwar period, when the most vital interests of the peoples demanded that the destruction caused by the war be made good at all speed, the development of international trade became particularly important. And indeed, during the first postwar years the world trade turnover was restored and developed, and between 1945 and 1947 its value increased more than twofold. In 1947 the physical volume of the trade turnover was already approaching the prewar level. There was ground for hope that world trade might rise out of the depression into which it had fallen before the war. However, this hope was not to be realized. No solution was found to the tasks put before the United Nations Organization in Article 55 of its Charter:

*With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote:

"a. higher standards of living, full employment, and conditions of economic and social progress and development;

"b. solutions of international economic, social, health, and related problems; and international cultural and educational cooperation; and

"c. universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion."

During recent years the disruption of trade relations between countries has deepened even further. The following trouble symptoms can be observed in international trade: diminution of the volume of foreign trade (in comparable prices) per head of the population in comparison with the *prewar level* and a progressively increasing lag of the index for the physical volume of export behind the index for industrial production; the elimination of the last traces of free trade, made evident by an intensification of restrictions, prohibitions and discriminations in foreign trade policies, in the ever-increasing spread of superprotectionism and a tendency towards autarchy; the breaking-up of the main streams of world trade, which is completely without economic justification, and is in crying contradiction to the existing long-established international division of labour; the rift of traditional trade and other economic ties between East and West; the change in the geographical distribution and commercial structure of the western countries' foreign trade and the supplanting of their trade in goods for civil consumption (food and industrial goods for the population, raw materials and machinery to produce peaceful commodities) by armaments, strategic raw materials, machinery and equipment for producing means of destruction.

All these and many other factors demonstrating the further decline of world economic relations arouse a feeling of great alarm among the broadest sections of the population in all countries, including to a large degree trade and industrial circles, economists, trade union and cooperative leaders, who are striving to discover ways of improving the conditions of life through the restoration and broad development of international economic relations.

Let us examine more closely some of the trouble symptoms in the international trade of the present postwar period and their basic causes. Let us first consider the factual side of the question.

Few people in the world today would deny the fact that international trade relations are in a state of serious disorder. Indeed, the present physical volume of world trade per head of the population rests at a lower level than that which was attained over twenty years ago, in 1929, and only exceeds the 1913 level by approximately 10%, although a number of large countries have not achieved even that level. The annual average increase in world trade (in comparable prices) fell from 20% in 1947 to an average 5% for 1948-49, and has recently shrunk even more sharply. Moreover, one must take into account the fact that, according to United Nations statistics, world population in a mere ten years between 1938 and 1948 increased by almost 10%. Total export from the countries of the capitalist world (not counting the U.S.A.) remained below the 1937 level.

An even more striking picture is obtained from a comparison of the indexes of industrial production

with that of export. If formerly, as we have seen, the physical volume of international trade developed faster than industrial production, during the whole post-war period a diametrically opposite tendency became increasingly evident. Thus, during the fourteen years from 1937 to 1950 the export of goods from the countries of the capitalist world lagged behind their industrial production by more than 20 per cent, although production in these countries has for long been in a state of depression. Since industries in these countries operate considerably below their capacities, the actual gap between the physical volume of exports and production capacities is still greater.

Mankind has exerted no little effort towards internationalization of the means of production and exchange, towards breaking down national isolation, towards economic rapprochement among nations. As a result, the most diverse nations have become bound, as J. V. Stalin says, "by the ties of international division of labour and universal interdependence."*

Foreign trade is one of the forms of economic rapprochement among nations and a means of satisfying their vital needs. In our days the chains fettering international trade deprive it to a large extent of this role. The international division of labour, formed in the course of many years, and the traditional commercial and other economic ties between different nations have been grossly violated and disrupted. This is confirmed by numerous facts.

Mention should be made in the first place of the fact

* J. V. Stalin, *Works*, Russ. ed., Vol. 5, p. 181.

that the main world streams of goods move within two parallel world markets which are actually almost isolated one from the other. One of them consists of the countries of North, Central and South America, Western Europe, the Near and Middle East and certain countries of the Far East (except China), as well as the economically underdeveloped colonies and dependencies. The other market, formed as a result of and after the Second World War, includes the U.S.S.R., the Chinese People's Republic, the People's Democracies of Central and Southeast Europe (Poland, Czechoslovakia, Bulgaria, Hungary, Rumania and Albania), the German Democratic Republic, the Mongolian People's Republic and the Korean People's Democratic Republic.

While trade within the first of these groups of countries is developing as outlined above, trade within the second group is growing from year to year. Already in 1949 the physical volume of the foreign trade of the Soviet Union was more than twice the prewar level and it continues to grow at a rapid pace. Trade and other economic relations between the U.S.S.R. and the People's Democracies, which in 1949 accounted for about two thirds of the total Soviet trade turnover, are rapidly expanding. Between 1947 and 1950 the Soviet Union's trade turnover has increased: with Czechoslovakia—over fivefold, with Hungary—almost fivefold, with Rumania—fourfold, with Poland and Bulgaria—more than twofold. At present trade with the Soviet Union accounts for an average of over 50% of the trade turnover of all the People's Democracies in Europe.

Economic cooperation between the U.S.S.R. and the People's Democracies is based on friendly mutual aid and the brotherly help that the Soviet Union, as the most developed state, is able to offer. It goes beyond conventional trade relations, including the granting of credits and loans; joint working and exploitation of extensive natural resources; the organization and functioning on equal terms of mixed joint-stock companies; scientific and technical aid; exchange of production experience; training of personnel. The varied economic cooperation between the U.S.S.R. and the People's Democracies is a new higher type of relationship between free, independent peoples enjoying equal rights.

The statistical publications of international economic organizations and the foreign trade statistics of various countries show convincingly that world trade now proceeds along two distinct channels. Trade relations between the above-mentioned two groups have, contrary to elementary economic expediency, been radically undermined and virtually ruptured. During the last five years, beginning with 1946, Soviet-American trade turnover has shrunk to less than one sixth. The share of the U.S.S.R., the European People's Democracies and the Chinese People's Republic in United States exports dropped from 11.6% in 1946 practically to zero in 1951.* The share of these countries in British exports dwindled from 6.0% in 1929 to 0.7% in 1951; in French exports for

* "Statistical Abstract of the United States, 1940;" *Foreign Commerce Weekly*, December 10, 1951.

the same years, from 6.2% to 0.8%, and in Italian exports from 10.5% to 4.0%, etc.

What is most severely affecting the living standards of the peoples is disruption of the natural and traditional relations between the countries of Eastern and Western Europe. Europe has always been the main export-import market for countries of the European continent. Although the countries of the British Empire play a special part in the British trade turnover, the European market is also of immense importance to Britain. Formerly intra-European commerce accounted for about two thirds of the entire foreign trade of Europe. In the postwar period and, especially in 1948-51, trade between the Western and Eastern parts of Europe contracted sharply and in 1950 was more than 60% below the 1938 level.* The index of the physical volume of imports of West-European countries from East-European countries (1938=100) dropped to 28 in 1950, while the index of the physical volume of their exports to the East-European countries (1938=100) dropped to 63 in 1950.

The situation, however, is not confined to the virtual cessation of trade between West and East. International division of labour and world economic relations have been dislocated to an even greater extent. This is manifested in the substantial change in the volume, structure and geographic distribution of foreign trade within the Western market itself, in the fact that the circulation of goods within this market is

* *Economic Bulletin for Europe*, United Nations, Second Quarter, 1951, Geneva, October 1951.

proceeding inside relatively isolated blocs and combinations of countries. Evidence of this are the dollar and sterling zones, the European Payments Union, the Latin-American bloc, the various customs unions of the Benelux type, the Schuman Plan group of countries, etc. All these groupings and blocs are separated from one another by formidable barriers. These groups, as well as their member countries, seek isolation behind customs and foreign exchange obstacles, the system of export licenses and contingents, discriminatory export and import duties. All this means that many countries have in fact wholly abandoned free trade and the old and tested principle of the most-favoured nation.

The militarization of the economy of the Western world is having an extremely adverse effect on international trade. More and more productive power and raw materials are being consumed by war consignments, and civil, particularly export, branches of industry are bound to suffer. The subordination of foreign trade for war purposes is leading to the reduction of world commercial exchange and to the disruption of normal economic relations between countries, aggravating still further their economic difficulties.

Militarization of economy is causing serious change in the commercial structure of the Western countries' foreign trade, which has begun to make itself strongly felt since the conclusion of the Atlantic Pact and particularly since the outbreak of hostilities in Korea in June 1950. Armaments, strategic raw materials, and equipment for war plants and indus-

tries closely allied with them, are ousting from foreign trade goods designed for peaceful purposes, especially foodstuffs (meat, butter, coffee, tea, etc.), consumer goods (cotton and woollen fabrics, footwear, etc.) and means of production for civilian industries. Thus, the export of rubber from the main rubber-producing countries increased from 1,440,000 tons in 1949 to 1,785,000 tons in 1950, while the export of crude oil during the first six months of 1951 reached nearly 24,000,000 tons as against 16,400,000 tons in the first six months of 1950. On the other hand, the export of meat from the main meat-producing states of North and South America and Australia diminished from 1,500,000 tons in 1949 to 1,300,000 tons in 1950. World export of coffee also decreased from 2,100,000 tons in 1949 to 1,800,000 tons in 1950; world trade in tea, butter, tobacco, etc., also shrank.

Intensification of the one-sided nature of foreign trade in the Western countries, that is, the sharp increase in the share of war matériel, resulted in a certain rise of their foreign trade turnover, which reached its maximum level in 1950. Many of these countries were unable to regain this level throughout 1951.

This shows that the stepping up of the output of armaments and their export cannot compensate for the falling off of foreign trade caused by economic militarization, and cannot make up for the reduction of foreign trade turnover.

The United States, seeking to buy up huge strategic reserves, has substantially expanded its imports of rubber, ores and concentrates of ferrous metals,

chemicals and other strategic materials, while cutting down on its imports of lumber, hides and leather, furs, coffee, tobacco and certain other goods. In the total import of the U.S.A. the proportion of raw foodstuffs and food products for consumption inside the country has decreased from 31.5% in 1949 to 28.3%. On the other hand, in 1951 the United States shipped to other countries tanks, aircraft, guns and other arms to the value of \$1,500,000,000, or about 11% of its total exports; in the 1951-52 fiscal year it intends to bring up its armament exports to \$6,300,000,000. Simultaneously the share of civilian goods in United States exports has noticeably dropped.

A similar situation prevails in the foreign trade of Britain, France, Italy, Western Germany, Belgium and many other countries. For example, the value of Britain's export of armaments and shells, which is certainly not fully accounted for in the customs statistics, increased in 1951 by 43% in comparison with 1949, and by almost three and a half times compared with the prewar year 1938, while the export of airplanes during eleven months of 1951 amounted to £38,000,000 as against £31,000,000 in 1949 and £2,300,000 in 1938. At the same time Britain's export of cotton fabrics fell by 45% and that of finished fabrics by 38% as against the 1938 level. The proportion of food, drink and tobacco in Britain's import decreased from 43% in 1949 to 33% in 1951. With the aim of building up strategic stockpiles, a number of the biggest countries have introduced strict licensing and other rigid restrictions

on the exports of certain vital raw materials and metals.

In consequence of the race for raw materials there was an increase in the flow of these commodities from the overseas countries of the sterling zone to Western Europe and the U.S.A., from one West-European country to another, from Western Europe to the sterling-zone countries and the U.S.A., from Latin America to the U.S.A. and so on. Certain other even more fundamental, irrational changes took place in the geographical distribution of international trade, which we shall examine in basic outline further on.

The artificially created raw material famine has stimulated, since the middle of 1950, a rapid rise in the prices of goods circulating in world trade. According to official statistics the world trade price index (1937=100) rose to 211 in 1949 and 225 in 1951,* with prices of a number of shortage raw materials and supplies now being seven and more times above prewar.

These are some of the facts and figures illustrating the dire straits of international trade. Hence it is not surprising that this deep-going and highly abnormal disorder in world economic relations should prompt the broadest sections of the population, members of commercial and industrial circles, economists, and trade union and cooperative leaders to discover its causes and find ways and means of overcoming it. All-round development of international economic

* See *Monthly Bulletin of Statistics*, United Nations, issues of August 1950 and November 1951.

cooperation, founded on the principle of equality and mutual benefit, is one of the essential and prime requisites of economic progress, rapprochement among the peoples and an improvement in their living standard.

WHAT IS PREVENTING INTERNATIONAL ECONOMIC COOPERATION

What lies at the bottom of the crisis in present-day economic relations among nations and states? Why is it that international trade is not a source of economic progress and national prosperity in the postwar world? These are questions that agitate the minds of millions of men and women in all countries, irrespective of their social status or political views.

Even the ill-wishers and enemies of the Soviet Union cannot deny its invariable readiness, ever since the first day of its existence, to expand and strengthen business and trade relations with all countries, provided national sovereignty and the legitimate interests of the parties are respected, and the principles of noninterference in internal affairs and honest fulfilment of commitments, assumed on the basis of equality and mutual benefit, are observed. It is impossible to cite a single measure of the Soviet Government that prohibits or in the least degree restricts trade between the U.S.S.R. and other countries, irrespective of their social and economic system.

In a conversation with the Republican leader S. A. Harold Stassen in April 1947 J. V. Stalin emphasized that Lenin was the first to express the idea of cooperation between the two systems. "Lenin is our teacher, and we Soviet people are the pupils of Lenin. We have never deviated from Lenin's instructions and never shall."*

J. V. Stalin has more than once stated with utmost clarity that the Soviet Union proceeds from the fact of the inevitable long-term coexistence of the two systems—Socialism and capitalism—and steadfastly adheres to the policy of honourable and peaceful relations with all states that manifest a desire for friendly cooperation, provided the principles of mutual benefit and fulfilment of commitments are observed.

Outlining the foreign policy of the Soviet Union J. V. Stalin says: "It is a policy of preserving peace and of strengthening commercial relations with all countries. . . . Those who want peace and seek business relations with us will always have our support."** This statement defines the nature and trend of the Soviet Union's foreign policy, which aims at strengthening peace and the security of nations and at all-round development of international cooperation. Soviet people fully accept peaceful competition with capitalism and they strive for the establishment and development of friendly relations among the peoples

* *Pravda*, May 8, 1947.

** J. Stalin, *Report to the Seventeenth Congress of the C.P.S.U.(B.) on the Work of the Central Committee*, Moscow 1951, pp. 36-37.

of all countries. "There is a great desire among our people to participate in a peaceful competition among states and social systems, in which individual peoples may not only display their inherent possibilities, but establish closer and more all-embracing mutual cooperation."*

Defining almost a quarter of a century ago the real basis of agreements between the U.S.S.R. and the capitalist countries, J. V. Stalin said that "exports and imports are the most suitable ground for such agreements."** This precept retains its full force and significance today. In the postwar years the Soviet Union, firmly adhering to its policy of strengthening international cooperation, has made many new steps to develop trade and financial relations with all countries ready to reciprocate and to carry out their commitments in good faith. It has concluded trade treaties and agreements with Poland, Czechoslovakia, Bulgaria, Rumania, Hungary, Albania, the Chinese People's Republic, the German Democratic Republic, Britain, France, Italy, Belgium, Holland, Switzerland, Norway, Denmark, Finland, Sweden and a number of other countries.

On the initiative of the Soviet Union the Trade Development Committee was set up at the United Nations Economic Commission for Europe; the Soviet Government has invariably supported all measures proposed in this commission to reestablish and de-

* V. M. Molotov, *Problems of Foreign Policy*, Moscow 1949, p. 263.

** J. V. Stalin, *Works*, Russ. ed., Vol. 10, p. 123.

velop mutually advantageous trade between Eastern and Western Europe. In August 1951 at a conference of government experts on the development of intra-European trade the Soviet expert emphasized that the U.S.S.R. is ready to keep up the volume and assortment of trade turnover with the West-European countries, taking the 1949-50 level as a minimum, on the condition that these countries offer in exchange, in the main, the same goods as in 1949-50. If the West-European countries can expand the assortment of goods or will offer a larger quantity of commodities required by the Soviet Union, the Soviet Union is prepared accordingly to increase deliveries of its own goods.

At the sessions of the Economic Commission for Asia and the Far East held in Singapore last October and in Rangoon this February, the Soviet representative spoke of the possibilities for the delivery by the U.S.S.R. of a wide range of industrial and consumer goods and raw materials to countries of Asia and the Far East. The Soviet Union, he stated, was ready to consider proposals for the conclusion of trade agreements and compensation contracts on the basis of mutual benefit. The U.S.S.R. could supply these countries on mutually advantageous terms: lathes; power and electrical technical equipment, including electric stations; transport equipment, locomotives, rolling stock; mining machinery; equipment for textile and footwear factories and other branches of light industry; agricultural machines and instruments and other machines needed by the countries of Asia and the Far East for their industrialization and the

development of their agriculture, as well as cement, timber, fertilizers, grain and consumer goods in exchange for such raw materials and consumer goods as rubber, jute, shellac, tin, spices, tea, quinine bark, etc. The high quality of Soviet industrial and other goods has been demonstrated in the postwar years at international exhibitions and fairs in Paris, Leipzig, Milan, Prague, Helsinki, Bombay and elsewhere, and has won recognition all over the world.

Similar steps for expanding business, trade and financial relations with Western countries were taken by the governments of the European People's Democracies, the German Democratic Republic and the Chinese People's Republic. The main condition for the successful expansion of the trade of any state with the Chinese People's Republic, with the European countries of People's Democracy and the German Democratic Republic, as well as with the Soviet Union, is absolute adherence to the democratic principles of equal rights and mutual advantage, respect for national sovereignty, territorial integrity, the natural interests of the negotiating parties, and the fulfilment of commitments.

The Soviet Union and the People's Democracies in Europe and Asia, developing to the utmost many-sided economic and cultural relations among themselves—relations founded on the Lenin-Stalin principle of equality of big and small peoples, friendly cooperation, fraternal mutual assistance, and economic and political independence of free and sovereign nations—have attained notable economic progress, a rise in living standards and the consolidation and

expansion of mutual trade. However, they do not strive to limit their trade and other economic relations to the group they make up. The U.S.S.R. and the states friendly to it are in principle confirmed opponents of restricted trade, conducted along two isolated channels, and of all autarchical tendencies. They have always considered and still consider that autarchy, the creation of an enclosed national economy, can lead to no good, that it is senseless from the economic point of view. It is essential, they hold, to develop free, multilateral trade on the basis of equal rights and mutual advantage and to remove all barriers artificially erected in the path of such trade.

The U.S.S.R., the Chinese People's Republic and the European People's Democracies have always manifested, and manifest today, their readiness to develop trade relations with Britain, France, the United States and other Western countries. They are interested in the sale of their surplus commodities—grain and fodder crops, foodstuffs, timber, coal, oil products, certain metal ores, fertilizers, furs, industrial equipment and other highly important goods greatly needed by the population, industry and agriculture of the Western countries. In exchange for these commodities they are interested in the import of overseas textile and leather raw materials, rubber, certain nonferrous metals, spices and other groceries, and equipment from the industrial countries of the West which are greatly pressed for markets to sell these goods.

There is talk of the so-called insignificance of the share of the Soviet Union and the states friendly

with it. However, official statistics show how completely unfounded these ideas are. Thus, according to these statistics, the share of the U.S.S.R., China and the countries of Central and Southeast Europe during the most favourable year between the First and Second World War was as follows: in the export of the U.S.A.—10.7%, Britain—11%, France—9.4%, Italy—21.5%, Japan—26.4%, Western Germany—28.3%. These figures, in fact, bear witness to the significant share of the Soviet Union, the Chinese People's Republic and the European countries of People's Democracy in the foreign trade of the major Western countries.

The foreign economic policy of the Soviet state for more than 34 years, as well as the practical measures taken by the People's Democracies to develop trade with other countries, convincingly show that broad development of international trade relations is fully possible notwithstanding the difference in social and economic systems. This point has been proved both theoretically and practically. The curtailment of foreign trade between the Soviet Union and the People's Democracies, on the one hand, and the United States of America and the capitalist countries of Europe, on the other, is by no means due to the difference in their social and state systems.

Speaking of the fact that the U.S.S.R. has now incomparably greater opportunities for business relations with the capitalist countries than in the past, L. P. Beria stated in his speech on the 34th anniversary of the Great October Socialist Revolution: "We have no objection to considerably expanding business cooperation on a basis of mutual advantage with

the United States, Britain, France and other bourgeois countries both in the West and the East. It is not the fault of the Soviet Union that the rulers of these states have, to the detriment of their own countries, taken the course of undermining and disrupting economic relations with the U.S.S.R.*

Why then have international economic relations been so greatly deranged? Every intelligent person who wishes to examine this question seriously and find the answer must look to the country across the ocean; it is from there, to his regret, that he hears more and more frequently talk of "economic warfare," "economic blockade" and "discriminatory measures" in the interest of what is called there "national defence." The well-informed *New York Times* said on July 22, 1951, that the United States has reached the point of considering trade between East and West as an element of economic warfare. The economic blockade to which the United States and, following it, the West-European countries have subjected the Soviet Union, China and the European People's Democracies; the international tension caused by the fact that a number of Western countries have violated their international commitments, especially and first and foremost the commitments assumed at the Potsdam Conference; the militarization of the economy of these countries, and the steady decline in the purchasing power of their population—these are the factors which every unbiased person regards as the main reasons for

* L. P. Beria, *The 34th Anniversary of the Great October Socialist Revolution*, Moscow 1951, p. 29.

the deterioration of economic relations among the nations.

It goes without saying that economic war and the blockade of one part of the world by the other part during peacetime cannot be considered normal. It can be said with absolute certainty that no one in the world would undertake to prove the economic expediency of this absurd and extremely harmful phenomenon. It seems as though the economic interests of the countries and the peoples have been sacrificed to military-political considerations. It is impossible to appraise in any other way the fact that certain powers have gone over in peacetime to the reckless policy of economic warfare and blockade. In any case, it is quite obvious that these powers, having rejected the goodwill and desire for economic cooperation shown by the Soviet Union and the countries friendly to it, have reduced international trade to extreme disintegration.

To substantiate this point we refer to the main stages in the Western policy of economic warfare and trade boycott of the East, limiting ourselves to 1951. The United States unilaterally abrogated trade treaties and agreements with the U.S.S.R., Poland, Hungary, Rumania, and Bulgaria. The participants in the Geneva customs duty pact "consented" to relieve the United States of commitments as regards Czechoslovakia, which means, as the Associated Press pointed out, virtual rupture of American-Czechoslovak trade. The United States imposed higher tariffs on goods imported from the U.S.S.R. and the People's Democracies. The United States prohib-

ited, by way of self-defence, no doubt, imports of certain types of furs from the Soviet Union, China and Poland. The United States Congress approved the Kem Amendment in June 1951 and replaced it in October by the broader Battle Act, designed to put a complete stop to trade between the West and the East and threatening to deprive United States allies of American "aid" if they do not comply with its provisions. The United States, Britain, France, Belgium, Holland and a number of other countries put an embargo on exports to the Chinese People's Republic and the Korean People's Democratic Republic. Britain prohibited the export to the Soviet Union and the People's Democracies of more than 250 types of goods, most of which have no military significance whatever. The British Government prohibited unlicensed shipments of rubber from Britain and Malaya to all countries except the United States and countries of the British Empire. Western Germany prohibited exports to the U.S.S.R. and the People's Democracies without licenses. Even Switzerland, long known for its traditional policy of neutrality, introduced licenses on exports to East-European countries of goods produced by the machine-building and metallurgical industries. The so-called Mutual Security Agency published a new big list of goods, the export of which from the Atlantic Pact countries to the U.S.S.R. and the countries friendly with it is forbidden on military strategical grounds.

Such is the list—and it is far from complete—of discriminatory measures taken by the Western powers in line with their policy of completely severing

economic contacts with the East. In all fairness one must emphasize the one-sided character of this economic war, since the Soviet Union and the People's Democracies cannot and do not share this policy, considering it harmful to the cause of peace, economic progress and the prosperity of the peoples.

The question arises—whose interests suffer most from economic warfare: those of the blockaded or those of the blockading countries? There can be no doubt that the above discriminatory measures were meant to retard the rapid economic development of the U.S.S.R., China and the countries of Central and Southeast Europe, to undermine and weaken their economies. However, their unceasing economic progress and rising living standards clearly show that to all practical intents and purposes these measures have yielded no perceptible effect whatever. Nor could they have produced any perceptible effect, because, in the first place, no blockade can shake the gigantic economic might of the Soviet Union, which for quite some time now has been capable of meeting almost all its economic needs with its own resources, and secondly, because its fraternal disinterested aid to the People's Democratic countries enables them, too, to satisfy their basic economic needs. Evidence of the economic might of the Soviet Union is provided by facts such as these: that the U.S.S.R. now produces approximately as much steel as Britain, France, Belgium and Sweden put together; produces more electric power than Britain and France put together; now gathers more cotton than the total harvest of the famous cotton countries India, Pakistan and

Egypt. The growth of goods traffic on the railways of the U.S.S.R. in 1951 alone was nearly equal to the whole annual goods traffic on the railways of Britain and France taken together.

The Soviet Union, the Chinese People's Republic and the European People's Democracies are invulnerable to economic blockade; they are a combination of countries that possess a first-class, modern industry outfitted with the latest equipment, a highly developed agriculture, inexhaustible natural wealth and vast markets. The aggregate resources of this group of friendly states are so great and diversified that they fully satisfy their internal requirements and ensure the constant advance of their industry and agriculture. The planned economy of these countries, which know neither crises nor unemployment, is not dependent on periodic fluctuations and upheavals of the capitalist market and is immune to the disastrous influence of economic blockade. The facts prove that these countries depend on economic relations with the West to an incomparably smaller extent than the West depends on trade with them.

Thus, the countries that initiated the blockade have landed, of their own volition, in a self-blockade, in a state of economic self-isolation which augurs them no good. For the Western countries this policy further aggravates their extremely complicated problem of markets. It leads to an increase in idle production capacities in industry and, consequently, to a further growth in the army of unemployed, to greater impoverishment of the masses and a reduction of their purchasing power. This policy of disrupting normal

international cooperation inevitably leads also to a reduction in the commodity resources of the Western countries. It inflicts incomparably greater damage on them than on the East, since above all the restoration and development of world trade is essential to the most vital interests of these Western states, including Britain and the U.S.A. The columnist of the *New York Herald Tribune* Walter Lippmann acknowledges that the attempts of the United States to get the Western powers to impose an embargo on trade with the Soviet Union and the countries friendly to it will do more harm to the "weak and stricken allies" of the U.S.A. than to these countries. Lippmann refutes the assertions of American congressmen that "embargo hurts the Communists more than it hurts our weak and stricken allies." "That is not true," says Lippmann, "and we shall be learning more and more, but in the hard way, how untrue it is."

Many sober-minded representatives of business circles, economists and cooperators of the Western world rightly consider the policy of shutting oneself off economically from a quarter of the territory of the globe absurd, suicidal and fraught with most serious consequences for the economy and conditions of life of the population of their own countries, especially when this territory has a population of 800,000,000, huge natural resources, unbounded markets and a developed industry. And indeed, no mere legal act can exclude from the sphere of international trade such markets as the U.S.S.R., which has the second biggest industrial production in the world, China, Central and Southeast Europe, just as no one can

in practice impose an economic blockade on half of Europe and nearly all the continent of Asia.

The rupture of natural, traditional trade relations with the East strikes the West-European countries first and foremost and hardest of all. The *New Statesman and Nation* states that "The Eastern countries could easily find other uses for what they send to the West.... The Eastern countries can adapt themselves to a permanent pattern of nearautarky much more easily than the West." This British weekly draws the conclusion that if trade with the East is finally broken off, a sharp drop in living standards and unemployment in industry await Western Europe. "Boycotting trade with the East," writes the Austrian newspaper *Mödlinger Nachrichten*, "would mean economic destruction for Austria."

An analysis of the losses sustained by the Western countries as a result of disruption of the international division of labour that developed through the centuries should include first of all the loss of highly important, and the most profitable, sources of raw materials and foodstuffs as well as markets for the sale of means of production and manufactured articles; aggravation of the dollar deficit, of the shortage of gold reserves, and greater chaos in foreign exchange; keener competition for markets, which adds to their already considerable economic difficulties. According to the American *Daily Compass* the executive secretary of the UNO Economic Commission for Europe Muirdale has announced that Western Europe would soon have to choose between economic bankruptcy in 1952 or a resumption of trade with Eastern Europe.

Prior to the Second World War the West-European countries covered by shipments from Eastern Europe 35-60% of their timber import requirements, 20% of wheat and eggs, 18% of fodder grain, 10% of sugar and 7% of tobacco. In the postwar years imports of these goods by West-European countries from Eastern Europe have contracted sharply. Compared with the prewar level, imports of timber in 1950 dropped more than 78%; wheat and sugar, 75%; eggs, 66%; meat, more than 50% and tobacco, 92%. *

This unreasonable curtailment by West-European countries of import from countries that are their natural trade partners has resulted in a swift reduction of their commodity resources—foodstuffs for the population and raw materials for industry.

Emphasizing the importance of supplies from Eastern Europe for the West-European countries and particularly Britain, Sir Hartley Shawcross, former President of the Board of Trade, stated not so long ago that Eastern Europe is Britain's sole source of supply for many commodities. In his turn, the ex-Chancellor of the Exchequer Gaitskell remarked that a breakdown of trade relations with Russia would put an end to imports of timber and grain from that country. He went on to say that the imports in question were doing Britain more good than they were doing the Russians. One must remember in this connection that as recently as 1950, according to British customs statistics, Britain imported from the U.S.S.R. nearly a fifth of her softwood imports,

* *Economic Bulletin for Europe*, United Nations, Second Quarter, 1951, Geneva, October 1951.

over two fifths of her barley and over a quarter of her imported maize.*

In order to compensate these losses at least partly the West-European countries are forced to buy the respective goods from the United States and other dollar-zone countries. This means not only a misshapen and irrational change in the geographic distribution of commodity circulation but also entails new economic losses for the importing countries.

Let us take only one example of this, although such examples are without number. It is well known that before the Second World War the countries of Western Europe kept themselves supplied with coal mainly from British and German sources, as well as by importing Polish coal. What is more, they themselves exported coal. At present, as a result of their reconversion to a war economy they are experiencing an artificially created and steadily increasing fuel shortage. For reasons that are well known the import of coal from Poland is closed for them. Thus from being exporters of coal they have become importers of it from the U.S.A.

The West-European countries suffer a triple loss from the import of low-quality coal from the U.S.A., paying inflated prices for the coal, paying excessively for freight because of exorbitant freight charges and the increased number of ships required for carrying coal, and diverting big merchant tonnage for these irrational shipments. In 1951, 25,000,000 tons of American coal were imported into Western Europe

* *Financial Times*, August 9, 1951.

as against 800,000 tons in 1950. The shipping cost was \$300,000,000. According to Holland's foreign minister Dirk Stikker, coal shipments from the U.S.A. in 1951/52 will cost the West-European countries \$700,000,000. To this should be added the fact that in 1951 Western Europe's expenses for shipping grain bought overseas exceeded \$125,000,000.

Trade with the U.S.S.R. and the People's Democracies does not involve, nor could it involve, for Western Europe the dollar problem, one of the most acute economic issues confronting it. The structure of the foreign trade of these two parts of one continent strongly differ and they do not compete for markets. Looking at the matter from the economic point of view, one arrives at the conclusion that the West-European countries stand to benefit doubly from extension of trade with the East-European countries: it could help them to reduce the dollar shortage, if not to eliminate it fully, and, moreover, provide them with needed goods on the basis of clearing and goods exchange operations. By renouncing such trade the countries of Western Europe act only to their own detriment, showing that they do not wish to reckon with facts and scientific economic considerations.

As distinct from such trade, the trade carried on by West-European countries with the United States and other dollar-zone countries aggravates the crisis of their trade and payment balances, and intensifies inflation and the derangement of the monetary, credit and financial systems. The United States and the industrially developed countries of Western Europe are engaged in ruthless competition for foreign markets.

Their foreign trade coincides in the case of many items. The United States is not interested in many export commodities of the West-European countries, and the latter have less and less opportunity for covering their growing imports from the United States by exports to that country. This explains why in three and a half years alone—from 1948 to July 1951—the total unfavourable trade balance of the West-European countries comprised the huge sum of \$ 22,000,000,000—a fact without precedent! In 1951 the unfavourable balance of trade of these countries with the United States and Canada alone amounted to \$ 2,200,000,000; Britain had in the same year a foreign trade deficit of £1,200,000,000, or 3.5 times above the 1950 deficit. Needless to say, in covering their unfavourable trade balance the West-European countries are completely exhausting their gold and dollar reserves.

By rupturing trade relations with the U.S.S.R. and the People's Democracies, that is, by following the course imposed on them, the West-European countries are depriving themselves of a stable and vast market which is not subjected to adverse market influences. "... Our country represents a vast market for imports of equipment, while the capitalist countries need markets for precisely this kind of goods." * This statement was made by J. V. Stalin in 1927. Since then the Soviet Union has become a major

* J. Stalin, *Political Report of the Central Committee to the Fifteenth Congress of the C.P.S.U.(B.)*, Moscow 1951, p. 31.

industrial power which produces all types of machine tools, machines and equipment and exports them in sizable quantities to foreign markets. However, even now many types of West-European and American machines and equipment, diverse technical novelties produced in Western countries with a highly developed industry, are of undoubted interest for the rapidly advancing economy of the Soviet Union. Speaking of the importance of foreign trade for the U.S.S.R. national economy, A. I. Mikoyan stressed that it "provides additional material resources for accelerating the development of Soviet economy."* Especially great interest in imported machines and industrial equipment is displayed by the countries of Central and Southeast Europe, which have launched upon accelerated industrialization and mechanization of agriculture, and by the Chinese People's Republic, which is already beginning the great battle for the industrialization of the country and the reconstruction of the whole national economy on the basis of new technique. The rapid economic progress of these states is still further increasing their importance on the international arena as boundless markets.

Official statistics show that industrial production has always predominated in the export trade of the West-European countries. The share of manufactured goods in the exports of Britain has been 88%; France, 55%; Belgium, nearly 70%; Western Germany, 72%; etc. Formerly Eastern Europe was one of the main

* A. I. Mikoyan, *The Great Architect of Communist Society*, Moscow 1950, p. 12.

consumers of these goods. The exclusion of this area deals irreparable damage to West-European economy and sharply intensifies competition among the Western countries for foreign markets, thereby creating the ground for a greater clash of their antagonistic interests.

As a result, various Western countries are confronted by such discomfoting facts as the extremely uneven development of exports and of their foreign trade as a whole. While in 1950 the United States and Canada, for example, increased their foreign trade to almost double the prewar level, the foreign trade of the West-European countries rose only 13%; in that year many countries did not even regain their prewar level of exports. Among these are Belgium, Sweden, Western Germany, Ireland, India, Brazil, Japan, etc.

Britain is feeling the increasing pressure of competition in the foreign markets of Western Germany and Japan, which have been revived with the help of foreign capital. According to the *United States News and World Report*, British exports in the first half of 1951 increased only 14% compared with 1950, while the exports of Western Germany rose 56% and of Japan 61%. The magazine points out that Germany and Japan, cut off by the cold war from their prewar markets in Eastern Europe and China, are now dumping their goods on markets which Britain once considered her own. And indeed, British businessmen can scarcely be overjoyed at the fact that Germany has already left Britain behind in export of metals to Europe, as well as chemical products and many types of finished goods, while Japan has already taken the lead in textile commodities. Japan has invaded the

sterling zone. She is exporting more cotton fabrics and goods than Britain to Pakistan, Thailand and British East Africa. This is the natural result of forcing Japan to sever her traditional trade relations with nearby China.

The sharp crisis experienced by the International Materials Conference, the collapse of the program of the so-called liberalization of intra-European trade between members of the Organization of European Economic Cooperation, the deadlock reached by the European Payments Union and other similar phenomena all speak of the intensification of competition on the markets.

Public attention has been also aroused by the virtual disruption of trade relations between the U.S.A. and the U.S.S.R. This breakdown cannot be explained by any factors of an economic nature. There is no doubt that economic considerations are least of all to blame for it, since Soviet-American trade has always been directly in the economic interests of both powers. Moreover, everyone knows that trade with the Soviet Union was always advantageous to America from the point of view of her trade balance. Thus in the five years 1926-31 alone America's assets in trade with the U.S.S.R. amounted to nearly \$400,000,000. As long ago as March 3, 1931, U.S. Senator Borah said: "In my opinion the greatest potential, the greatest developing market in the world for American goods is in Russia." Formerly the United States exported to the Soviet Union mainly industrial equipment and imported from the Soviet Union furs, ores, flax, caviare, and other commodities that did

not compete with local production on the American home market. In certain years the U.S.A. satisfied all her main import requirements for manganese ore with raw material imported from the U.S.S.R.

In a conversation with Campbell, an American visitor to the U.S.S.R. at the beginning of 1929, Joseph Stalin emphasized that the U.S.A. has more reasons to do extensive business with the U.S.S.R. than any other country. Construction in the U.S.S.R., said Joseph Stalin, was in full swing, and the enthusiasm that accompanied it were the Soviet Union's chief feature at the time. This feature, Joseph Stalin said, supplied the basis for technical, industrial and trade cooperation with the U.S.A.* Looking at it objectively, there are great prospects for Soviet-American trade because the U.S.S.R., absorbed as it is in gigantic works of peaceful construction, has great demands and is able to pay for what it wants, while American industry has enormous capacity to supply it. The disruption of this trade is having an unhealthy effect on world economy. There is no doubt that the restoration and development of normal Soviet-American trade on the basis of equal rights and mutual advantage would benefit the economic interests of both states, just as it would benefit the world economy as a whole and aid in overcoming the tension in international affairs.

Many representatives of American trade and industrial circles are suffering losses from the disruption of trade between the U.S.A. and the U.S.S.R. Thus,

* See J. V. Stalin, *Works*, Russ. ed., Vol. 13, pp. 154, 149.

as far back as May 1948, Mr. Tell Berna, the General Manager of the National Machine-Tool Builders Association, announced in connection with the prohibition of export of American machine tools to the Soviet Union and countries of Central and Southeast Europe, that the Government of the U.S.A. was not ensuring the machine-tool industry a market for its products. Berna warned that foreign trade was not something you could play with.*

The dislocation of international trade is having an extremely unhealthy effect on the economic position of the underdeveloped countries. Their trade turnover remains roughly at the prewar level and they are unable to reap the benefit of the extensive natural resources they possess. Economically underdeveloped countries are showing a great interest in expanding economic relations with the Soviet Union, the Chinese People's Republic and the European countries of People's Democracy.

The population of the colonial and dependent countries have in the Soviet Union a true defender of their right to self-determination and independence, as well as a champion of the rapid and independent development of their economy. The Government of the Soviet Union holds firmly and resolutely to the principle of equal rights for big and small peoples and the observance of their lawful interests. The U.S.S.R. regards small nations as entitled to equal rights with big nations. "Many people do not believe," said J. V. Stalin, "that there can be relations of equality between a big

* See *The New York Times*, May 2, 1948.

and a small nation. But we Soviet people hold that there can and must be such relations." *

Trade with the U.S.S.R., the Chinese People's Republic and the European People's Democracies would bring the underdeveloped countries the vitally needed supplies of industrial equipment, lathes and machinery which they are virtually unable to obtain from the industrial countries of the West. In exchange for these supplies they could export to the U.S.S.R. and the countries friendly to it a wide assortment of their own products. This would further the development of national industry in the underdeveloped countries, increase employment and raise the standard of life, which at present does not even provide the bare necessities.

Such are some of the causes and consequences of the disruption of normal conditions of international economic cooperation. It is fully evident that such an absurd situation cannot prevail for long. It is necessary to find ways to restore and develop a ramified world trade on the basis of equality and mutual benefit. This is the conclusion arrived at by many members of commercial and industrial circles of the West who understand that international commercial intercourse must develop along the lines of equal and mutually advantageous cooperation between continents and countries, and not along the lines of economic blockade and isolation, boycott and discrimination. This is demanded by the vital interests of the peoples. That is why business circles of many countries place great

* *Pravda*, April 13, 1948.

hopes on the International Economic Conference, which will search for ways and means of leading world trade out of the impasse into which it has been driven by factors known to all.

A progressive tendency always makes its way. The all-round development of international economic cooperation is not only possible, it is essential. As long ago as 1922, on the eve of the International Economic Conference in Genoa, V. I. Lenin said:

"The fact of the matter is that the most urgent, pressing and practical interests that have been sharply revealed in all the capitalist countries during the past few years call for the development, regulation and expansion of trade with Russia. Since such interests exist, we may argue, we may quarrel, we may disagree on specific combinations—it is highly probable that we shall have to disagree—nevertheless, after all is said and done, this fundamental economic necessity will hew a road for itself. I think we can rest assured of that. I cannot vouch for the date; I cannot vouch for success; but at this gathering we can say with a fair amount of certainty that the development of regular trade relations between the Soviet Republic and all the capitalist countries in the world is bound to continue."*

In the same speech Lenin again returned to this question and pointed out:

"I repeat: we are going to Genoa as merchants for the purpose of securing the most favourable terms for

* V. I. Lenin, *Selected Works*, Two-Vol. ed., Vol. II, Part 2, p. 629.

developing the trade which has started, which is being carried on, and which, even if someone succeeded in forcibly interrupting it for a time, will inevitably continue to develop after the interruption."*

These words might have been spoken today: they are charged with such force and vitality. And just as history has once already proved their truth—Lenin's scientific prophesy was completely fulfilled—so history will confirm the truth of these words a second time.

**INTERNATIONAL TRADE
AND THE IMPROVEMENT
OF THE STANDARD OF LIVING**

The problem of improving the standard of living in the countries of the Western world is one of the most vitally important questions of modern times. The direct connection between all-round development of international economic cooperation and the raising of living standards is quite obvious. There can be no doubt that the disruption of normal trade relations affects the vital interests of all countries, and, as shown above, hits especially hard the Western countries, engendering a number of distressing phenomena in their economy and worsening the working and living conditions of the population. One cannot deny the truth of the statement of the Canadian section of the United Electrical, Radio and Machine Workers, which at a conference in Hamilton on February

* *Ibid.*, p. 630.

16-17, 1952, emphasizing that "Peace means trade, and trade means work," founded their program of action on the principle: "Employment, security and the standard of living depend on trade with all countries."

The militarization of the Western countries' economy diverts a large part of the social product from productive use, causes a rise in the cost of living and a shortage of consumer goods. It deforms foreign trade, disrupts economic relations among nations, their exchange of raw materials and industrial production, and hampers technical progress and international business cooperation. Militarism and its inseparable companions, greater inflation, higher prices and taxes and a rise in unemployment in the countries of Western Europe, America and Asia, bring distress not only to the workers, peasants and office employees. The enormous difficulties arising from the mobilization of industry and the destruction of free trade relations between countries have also had their effect on many thousands of small and middle industrialists and traders, and even big businessmen in the sphere of civil production. It is common knowledge that owing to militarization of the economy and disruption of international trade, enterprises putting out civilian goods are deprived of orders, scarce raw materials and other supplies, labour, credits, etc., necessary for their operation, and that the proprietors of these enterprises are going bankrupt and being ruined. Curtailment of civilian production inevitably reduces the utilization of industrial capacities, results in the closing down of many

enterprises and throws millions of able-bodied men and women out of work.

To sum up, the militarization of economy and the increase of war budgets is imposing a heavy burden on the population of many countries. Speaking at the plenary session of the General Assembly of the United Nations as far back as December 13, 1946, V. M. Molotov said:

"It is no secret that the military budgets of certain states today are greatly inflated. The populations will warmly approve the decision on the general reduction of armaments and the reduction of military budgets, among other reasons, because this will make it possible really to ease their tax burden, and will counteract the forcing up of commodity prices. All this seriously affects the most vital material interests of every one of the ordinary people, every one of the working people. We must therefore hope that one of the earliest practical conclusions to be drawn from the decision we adopt today will be a reduction of inflated military budgets to more normal size, and an easing of the burden imposed on the populations by military budgets. This will meet with great approval in all countries."*

The countries of Western Europe find themselves in a vicious circle owing to the policy imposed on them, the policy of militarization and virtual rupture of trade relations with the U.S.S.R., China and the European People's Democracies. Deprived of the

* V. M. Molotov, *Problems of Foreign Policy*, Moscow 1949, pp. 337-38.

foodstuffs formerly supplied by Eastern Europe, they began to buy them in the dollar zone, which sharply increased their unfavourable trade balances. Then, with the object of economizing foreign exchange, they introduced various import restrictions, a blow hardest of all for the working population of these countries, since these restrictions apply first and foremost to badly needed foodstuffs. France, according to ex-premier Faure, who resigned in the end of February 1952, intends to cut imports by \$170,000,000 in the first half of the current year; Britain contemplates an annual reduction of £500,000,000, with a curtailment of £170,000,000 in the import of foodstuffs.

This policy means a decline in the imports per capita (in Britain they dropped 13% from 1913 to 1950) and a reduction in consumption. For example, in Britain the per capita consumption of meat and butter in 1951 was 40% below the annual average for 1934-38; the consumption of rice was reduced 38%; bacon and ham, 29%; dried fruit, 28%; tea, 23%; sugar, 16%, etc. The saving on imports of food, which leads to the continual reduction of already meagre rations, results in lower living standards for the population of Britain. In 1951 alone, according to *Daily Worker* figures, the standard of life of the British workers was lowered by a quarter. It has been calculated that import from China alone in quantities approaching the peak year between 1925-29 would bring Britain's population more than one and a half times the eggs, particularly preserved eggs, it badly needs, and 40% more tea, which would make a big difference to the English people's wretched tea

ration.* The situation is the same in the other countries of the West, where the consumption of basic foods has not reached the prewar level either, which in its turn could by no means be called sufficient. The expansion of international trade would be an important means of improving the consuming power of millions of people in various countries, would allow them to abolish the rationing and meagre distribution of essential food and industrial goods, a system which still exists in many countries in spite of the fact that six and a half years have passed since the termination of the war.

Admitting in a review published in August 1948 that "the revival of trade between Eastern and Western Europe is of decisive importance to Europe," the U.N. Economic Commission for Europe affirmed that if the West were materially to support industrial construction of the East-European states by supplying them with machines and industrial manufactures, the East would be able to supply the West with more than a quarter of the latter's total imports of foodstuffs and raw materials and exceed total prewar imports of wheat to the countries of Western Europe; on the other hand, if the countries of Western Europe do not revise their foreign trade to their own advantage, the living standard of their population would become even lower than the present unsatisfactory level.

It is quite obvious that the reduction of the purchasing power of the population in these countries is one of the most serious brakes on the restoration and

* *Problems of Economics*, No. 3, 1952, Eng. ed., p. 79.

development of international trade. Export is falling certainly not because the capacity of home markets has increased, because a larger quantity of goods is being consumed in these countries. On the contrary, internal markets are shrinking at an increasing tempo, due to the further impoverishment of the broad masses of the working people, who in the final account are the basic customers. As has often been emphasized at trade union conferences in Britain, the restoration on a broad scale of trade with the U.S.S.R., China and the countries of People's Democracy, whose goods would bring stability and firmness to the markets, would help to reduce prices and strengthen currency in Britain and other West-European countries, and thus increase the buying power of the population, which would in turn create conditions for the further expansion of international trade.

Trade with the U.S.S.R. and the countries friendly to it would not only assure the population of the capitalist countries the foodstuffs they need and many types of raw materials for industry, but would also provide their industries with mutually advantageous orders. It is generally known that the Soviet Union always honestly and undeviatingly fulfils its commitments, including payments for goods ordered and received. Correct and conscientious fulfilment of international obligations is one of the basic principles of the foreign policy of the U.S.S.R., including its foreign trade policy; this is also true of the People's Democracies. In the autumn of 1951 Maurice Webb, then British Food Minister, commented: "I want to make it clear that the Russians do carry out their contracts—

and that cannot be said about everybody with whom we are trading." All this is of great importance for increasing employment in the Western countries, in most of which unemployment has acquired menacing proportions, exceeding 45,000,000 people (fully and partly unemployed) for the whole capitalist world.

Facts utterly refute the ideas of those economists who assert that unemployment can be eliminated or diminished by stepping up the output of armaments. However paradoxical it may seem, the situation in the world today shows clearly that in spite of the conversion of industry to war production the number of unemployed in the Western countries is actually increasing. One has not far to seek for an explanation. In the first place it is due to the whole or partial closing down of a large number of civil industrial enterprises, and, secondly, to the fact that the increase in production for war purposes is achieved not by means of introducing new contingents of workers into industry but mainly by intensifying the labour of the workers already employed, speeding up conveyer belts, accelerating metal working, etc. According to the American newspaper *Union*, organ of the International Union of Mine, Mill and Smelter Workers, for every worker taken on in war industry, one or even two remain unemployed in the civilian branches of industry. That is why employment in the capitalist countries, in spite of mobilization of industry, is not increasing but decreasing even further.

The attraction of huge masses of people into industry to eliminate unemployment can be achieved not by economic militarization but by the restoration

and development of international economic relations, and above all by trade between West and East. To prove this it is enough to recall only a few facts from the past.

Between 1929-33, when the world economic crisis gripped not only the industry and agriculture of the capitalist states, but also extended to the sphere of trade, credit and money circulation, upsetting accepted credit and currency relations between countries, only the U.S.S.R. stood apart, like a rock, continuing its work of peaceful construction and the struggle for maintaining peace. At that time, in 1931, the Soviet Union bought nearly a third, and in 1932 nearly half, of the whole world export of machines.

It is a well-known fact that during those years of crisis the machine-tool enterprises of the West-European countries were only able to continue functioning thanks to orders received from the U.S.S.R. Britain's export to the U.S.S.R. increased from £4,800,000 in 1928 to £10,600,000 in 1932, that is, more than double, and let it be remembered that the bulk of this export was produced by the machine-tool industry. The Soviet Union's share in British machine-tool export for 1932, according to British customs statistics, exceeded 25%, in the export of lathes was 80%, in the export of coal cutters and mining equipment reached 70%, and so on. In Germany 35% of the production of lathes and over 20% of electrical goods was exported to the U.S.S.R. in 1931.

The Soviet Union was likewise the only country which during that period not only did not reduce

but even increased its volume of trade with the United States of America. In 1930 the Soviet Union held second place in American exports of industrial equipment, and in 1931 advanced to first place. In that year the United States, according to official U.S. statistics, shipped to the Soviet Union 74% of its total foundry equipment exports, 70% of crushing mills, 68% of forging and stamping equipment, 67% of agricultural machinery, 65% of its machine-tool exports, etc. In those years of economic crisis millions of workers in the U.S.A., Britain, Germany and many other countries were provided with work thanks to the Soviet orders. In Germany alone over 300,000 workers were saved from unemployment and its resultant hardships, because they were occupied in producing supplies for the U.S.S.R.

Not only during 1929-33, the period of world economic crisis, but also during its aftermath, as well as in the postwar period until international trade was paralyzed by restrictions, fulfilment of orders for the Soviet Union gave work to a large number of workers in the countries of the West. Trade with the U.S.S.R. becomes particularly important for improving living conditions in these countries at the present time, when the civilian industries of the Western world are shrinking for lack of consignments, factory owners in the peaceful branches of industry going bankrupt and masses of workers being thrown out onto the streets without means of subsistence. The development of normal trade relations with the U.S.S.R., the Chinese People's Republic and the European countries of People's Democracy would give work to civilian

branches of industry in Britain, France, Belgium, Western Germany, the U.S.A., Japan and many other countries, thus reducing the army of unemployed. The American weekly *National Guardian* wrote that the American embargo on trade with Russia, Eastern Europe and new China means the loss of jobs for 3,000,000 American workers who would have employment if trade between the West and the East were resumed.

One could quote a host of statements to this effect made by representatives of trade and industrial circles, trade union and cooperative organizations, and also the economic and general press in the countries of the West. Let us confine ourselves only to a few. When in December 1947 the Anglo-Soviet trade agreement was concluded, the *Daily Herald* wrote that the carrying out of this agreement could ensure "steady employment for at least three or four years for large numbers of British engineering workers." In its turn the newspaper of the Belgian Catholic trade unions *Cité* announced that, just as a few years ago, when Belgian artificial fibre factories in Zwijnaerde were saved by Soviet orders, so now, when the sale of artificial fibre is encountering considerable obstacles, Soviet orders are providing work for several shops of the big Belgian firm Fabelta.

It should also be emphasized that purchases of raw materials made by the U.S.S.R. and the countries friendly to it supply their vigorously developing industry, increase employment in the underdeveloped countries, particularly in agriculture and the mining industry, and thus help to raise the exceptionally

low standard of living of the population in these less advanced regions.

The disruption of international trade is having a disastrous effect on the economy of many countries. Some countries are suffering from shortages of essential goods and consequent rise of prices; others are having extreme difficulty in selling their products, having to close down factories and whole branches of civilian industry and suffering from an increase of unemployment, as well as stagnation and paralysis of trade. It goes without saying that the primary result of both processes is to lower the living standards of the broad masses of the population, whereas even restoration of international trade in civilian commodities to the maximum level attained in the period between the First and the Second World War would bring a considerable employment increase in the Western countries, improve food and general consumption of the masses, increase their ability to buy essential goods.

What can be of greater importance than this task, when in many states the working people whose labour creates immense material wealth endure a beggarly half-starved existence and have not the wherewithal to clothe themselves, when on the boundless territories of India and other economically underdeveloped countries millions of people are dying a slow, agonizing death from hunger?

* * *

There is yet another aspect, and an extremely important one, to the development of economic cooperation among all countries on the basis of equality

and mutual benefit. We have in mind the role and significance of this cooperation in normalizing the international situation, for relieving the present international tension. It is generally recognized that the discord and differences which have divided the world are one of the major factors impeding normal economic cooperation among the nations. But economic cooperation and consolidation of peaceful relations among countries are interdependent. In their turn, international economic relations have a big influence on the international atmosphere. The expansion of trade, economic rapprochement of the nations, without distinction as to their social system, would undoubtedly contribute much to strengthening the postwar peace. On this point the views of representatives of the most diverse circles of society are coming more and more to coincide.

The development of international economic cooperation could, of course, be furthered to a considerable extent by the United Nations Organization and its various specialized institutions. As a matter of fact, that is what such U.N. organs as the Social and Economic Council, the Economic Commission for Europe, the Economic Commission for Asia and Far East, as well as economic institutions attached to UNO—the Food and Agricultural Organization, the International Organization of Labour, the International Bank of Reconstruction and Development, the International Monetary Fund, etc.—were created for. Not justifying the hopes that attended their foundation, these organs and institutions have turned out to be ineffective in strengthening international

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economic cooperation and raising the standard of living of the population.

It is this that lends special significance to the International Economic Conference in Moscow. Even those opposed to calling such a conference at present, as for example, the British *Economist*, cannot help acknowledging that it will serve a noble and extremely important and useful aim. Thus, on February 29, 1952, *The Economist* wrote that the Conference could perform a miracle. It could unite the businessmen, trade union leaders and economists of all countries freely elected by various organizations, and who have obtained visas to the Soviet Union irrespective of their political views. They could discuss the question of developing international trade in order to utilize all available resources and raise the standard of living everywhere.

It may be said without fear of exaggeration that the attention of hundreds of millions of men and women in all countries is focussed on this Conference. From it the peoples eagerly await solution of urgent problems of our times, and, above all, improvement in their conditions of life by developing international economic cooperation. People all over the world wish the International Economic Conference success in achieving its noble aims.

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**THE SOVIET UNION
AND INTERNATIONAL
ECONOMIC COOPERATION**



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The peoples of the entire globe are extremely interested in restoring and strengthening international economic cooperation, in the normal development of trade relations between all countries, irrespective of their social-economic systems. Millions of men and women of different nationality, political opinions, convictions, creed, social standing, representatives of industrial and commercial circles, trade union and cooperative organizations in all the countries of the world are expressing their readiness to help overcome the difficulties in the way of normal international economic relations, to work for the all-round development of friendly economic, and particularly trade, relations between states.

The Soviet Union seeks to extend and strengthen business and commercial relations with all countries on the principles of equal rights, mutual advantage and respect for national sovereignty and independence. Comrade Stalin, the great leader of the Soviet people, has said: "Our foreign policy is

clear. It is a policy of preserving peace and of strengthening commercial relations with all countries. . . . Those who want peace and seek business relations with us will always have our support."*

J. V. Stalin has on more than one occasion quite definitely stated that the Soviet Union proceeds from the possibility of the lengthy co-existence of the two systems—Socialism and capitalism—and firmly adheres to a policy of loyal, peaceable relations with all states that display the wish for friendly cooperation, observing the principles of reciprocity and of carrying out the obligations assumed. The Soviet Union considers the road of peaceful competition with capitalism fully acceptable; the Soviet people are anxious to establish friendly relations with the peoples of all countries.

From the first day of the Soviet Land's existence, its foreign policy has been aimed at strengthening friendly cooperation between the peace-loving nations in every way. Replying to a question from a correspondent of the *New York Evening Journal* concerning the principles of peace with America, V. I. Lenin, the founder of the Soviet state, said: "Let the American capitalists not touch us. We will not touch them. We are even prepared to pay them in gold for machines, implements, etc., needed

* J. V. Stalin, *Report to the Seventeenth Congress of the C.P.S.U.(B.) on the Work of the Central Committee*, Moscow 1951, pp. 36, 36-37.

for transport and production. And not only in gold, but also in raw materials.”*

In talks with representatives of the business world abroad and in replies to questions from representatives of the foreign press, Comrade Stalin has repeatedly explained that Soviet foreign policy proceeds from the possibility and inevitability of the lengthy co-existence and peaceful competition of the two systems.

In his talk in April 1947 with S. A. Harold Stassen, a prominent figure in the Republican Party of the U.S.A., J. V. Stalin pointed out that the idea of cooperation between the two systems had first been expressed by Lenin. “Lenin is our teacher,” J. V. Stalin said, “and we Soviet people are the pupils of Lenin. We have never deviated from Lenin’s instructions and never shall.”**

In the same talk Comrade Stalin said that “we should not be carried away by criticizing each other’s system. Every nation adheres to the system it wants and can adhere to. Which system is better—history shall show. . . . For cooperation it is not necessary for nations to have the same system. It is necessary to respect systems approved by the people. Only on this condition is cooperation possible.”***

* V. I. Lenin, *Collected Works*, 4th Russ. ed., Vol. 30, p. 340.

** *Pravda*, May 8, 1947

*** *Ibid.*

In September 1946, in reply to a question from the Moscow correspondent of the British *Sunday Times*, Mr. Alexander Werth, who had asked Comrade Stalin whether he believed that with the further advance of the Soviet Union towards Communism the possibilities of peaceful cooperation with the outside world would not diminish, inasmuch as this concerned the Soviet Union, Comrade Stalin said: "I do not doubt that the possibilities of peaceful cooperation, far from diminishing, may even increase." Replying to another question from Werth as to what would contribute to the establishment of friendly relations between the Soviet Union and Great Britain, J. V. Stalin said: "The establishment of such relations would be considerably furthered by the development of political, commercial and cultural ties between these countries."*

In December 1946 the same question arose in J. V. Stalin's conversation with Elliot Roosevelt. E. Roosevelt asked J. V. Stalin whether he considered it possible for a democracy such as the United States to live peacefully side by side in this world with such a communist form of government as exists in the Soviet Union, and that neither side would attempt to interfere in the internal political affairs of the other. Comrade Stalin's reply to this was: "Yes, of course. This is not only possible. It is reasonable and quite feasible. In the most tense periods in

* *Bolshevik*, Nos. 17-18, 1946, p. 3.

wartime the differences in form of government did not prevent our two countries from uniting and defeating our enemies. The preservation of these relations in peacetime is possible even to a greater extent."*

Speaking at an election meeting on March 10, 1950, Comrade Molotov said: "We stand wholly for the Lenin-Stalin principle of peaceful co-existence of the two systems and for peaceable economic competition between them."**

* * *

The U.S.S.R.'s policy in foreign trade and in world economic affairs generally is a component part of its foreign policy, whose peaceful nature stems from the peaceful foundations of the Soviet state and social system. The Soviet Union proceeds on the assumption that trade between different countries must correspond to their national interests and be economically advantageous to them. The Soviet Union's policy in foreign trade and its economic relations with other countries are based on the democratic principle of the equal rights of the trading parties and on the observance of the principle of mutual advantage. The U.S.S.R. supports the full-

* *Ibid.*, No. 1, 1947, pp. 1-2.

** V. M. Molotov, *Speech at an Election Meeting in the Molotov Electoral District of the City of Moscow, March 10, 1950*, Moscow 1950, p. 24.

est possible development of international trade on a basis of normal conditions of economic cooperation, on the basis of the proper respect for the state sovereignty and national independence of big and small countries. The desire to impose unequal terms on other countries is alien to the Soviet Union.

From its very inception the Soviet state renounced the unequal treaties which tsarist Russia had imposed on Iran, Afghanistan, Turkey, China and other Eastern countries; the Soviet state handed over to them gratis the property of the former Russian establishments on their territory. The Soviet state has always sought to facilitate trade turnover with the countries of the East by granting them favourable terms in matters of transit, customs tariffs and credit, rendering them technical assistance, etc. The significance of the Soviet market for the countries of the East was borne out most strikingly during the economic crisis of 1929-33. Thanks to normal trade-political relations with a number of Eastern countries, such as Iran, Turkey, Afghanistan and others, the U.S.S.R.'s economic relations with them grew stronger from year to year. While their trade with a number of countries which had formerly been the principal consumers of Eastern goods and suppliers of their foreign goods (Britain, France, Italy) declined, the U.S.S.R.'s share both in their exports and imports invariably increased. This helped appreciably to soften the impact of the crisis on the economy of the Eastern countries.

Throughout its history the Soviet Union has been proving in practice that it regards small nations as equals to big nations and is prepared to conclude mutually advantageous treaties and agreements with them. "Few great-power politicians will be found," J. V. Stalin has said, "who regard small nations as equals to big nations. Most of them look down upon the small nations. They are not averse to granting the small nations one-sided guarantees. But, generally speaking, these politicians are not prone to conclude equal treaties with the small nations, because they do not regard them as partners."*

Treating small nations as equals is the fundamental principle of Soviet foreign policy. The Soviet Union invariably follows this principle, which determines the entire direction and every step of the Soviet state in world affairs.

A distinguishing feature of the U.S.S.R.'s foreign policy, including its policy in foreign trade, has always been and is the consistent and unswerving observance of international commitments. "Everyone knows," A. A. Zhdanov said, "that the U.S.S.R. has always honoured the obligations it assumed."** Other statesmen of the Soviet Union have likewise repeatedly stressed this circumstance,

* *Pravda*, April 13, 1948.

** A. A. Zhdanov, *The International Situation*, a speech delivered at the Informatory Conference of representatives of a number of Communist Parties held in Poland in the latter part of September 1947, Moscow 1947, p. 22.

which has evoked the admiration not only of representatives of the business world abroad, but also of statesmen of a number of countries.

Being a supporter of peaceful cooperation with other countries, even if they belong to a different social-economic and political system, the Soviet Union has been able to improve its relations with many countries and has concluded agreements with them on trade, credits, technical assistance, etc., notwithstanding the fact that certain countries, such as the United States of America, for sixteen years withheld recognition of the Soviet Union.

J. V. Stalin stressed, however, that the U.S.A. "... has more grounds for extensive business relations with the U.S.S.R. than any other country."*

In his talk with Colonel R. Robins in 1933 J. V. Stalin expressed his approval of the plan for a rapprochement and for cooperation between the U.S.S.R. and the U.S.A. of which Robins had spoken; Robins had correctly emphasized that without the participation of the U.S.S.R. it would be impossible to establish and develop normal world economic relations.

It was then, in 1931, at a meeting of the European Commission of the League of Nations, and later in 1933 at the London Economic Conference,

* J. V. Stalin, *Works*, Russ. ed., Vol. 13, p. 154.

that the Soviet Union, despite the boycott to which it had been subjected by certain capitalist countries, including so big a power as the United States of America, put forward the proposal to conclude an economic nonaggression pact that would be based on the principle of the peaceful co-existence of all countries and the renunciation of all forms of economic discrimination, a principle which the U.S.S.R. had advanced all the way back at the World Economic Conference of 1927.

The Soviet Union's firm and consistent foreign trade policy, based on the aforementioned principles, provided the conditions for the development of the U.S.S.R.'s trade relations with a large number of foreign states long before the Second World War. The Soviet Union concluded trade treaties and agreements with France, Great Britain, the U.S.A., Belgium, Czechoslovakia, Poland, Turkey, China and other countries. In the complicated pre-war situation and particularly in the years of the preceding economic crisis of 1929-33 the Soviet Union was a factor that appreciably facilitated international economic relations. It was in those years that the significance of the Soviet market for such a major capitalist country as the United States of America became fully apparent. In 1930 the U.S.S.R. ranked second in America's exports of industrial equipment, while in 1931 it even ranked first. In 1931 the Soviet Union accounted for 74% of the U.S.A.'s entire exports of foundry equip-

ment, for 70% of its exports of crushing mills, 68% of its forging and stamping equipment, 67% of its agricultural machinery, 65% of its machine tools, etc.

History shows that despite the difference between the socialist and the capitalist systems, cooperation between them in the maintenance of peaceful commercial, financial and diplomatic relations is fully possible and is in the interests of all the nations of the world. Throughout its existence the Soviet state has always made a point of calling for the establishment of international regulations which, once accepted by mutual agreement, would govern the relations between states with different social-economic systems. The Soviet Union has in this respect not only expressed a readiness to cooperate, but has bent every effort to the achievement of such cooperation with all countries in practice. "There is a great desire among our people to participate in a peaceful competition among states and social systems, in which individual peoples may not only display their inherent possibilities, but establish closer and all-embracing mutual cooperation."*

* * *

In the postwar period, as throughout its existence, the Soviet Union has been striving to strengthen

* V. M. Molotov, *Problems of Foreign Policy*, Moscow 1949, p. 263.

business, commercial and financial relations with all countries and peoples.

The whole world knows of the numerous practical steps taken by the Soviet Government to consolidate friendly cooperation with all states that are prepared to do the same and conscientiously to honour their international commitments. After the Second World War the Soviet Union concluded trade treaties and agreements with Poland, Czechoslovakia, Bulgaria, Rumania, Hungary, Albania, China, the German Democratic Republic, Britain, France, Sweden, Denmark, Norway, Finland, Switzerland, Italy, Belgium and a number of other countries. All these treaties and agreements serve the cause of restoring and developing international economic connections disrupted by the Second World War and subsequent events; they are laying the foundation for extensive trade turnover between states and contributing to the development of the national economy in various countries, as well as to reducing unemployment in capitalist countries.

The aforesaid treaties and agreements establish a legal basis conducive to mutually advantageous trade between the contracting parties. Most of these treaties and agreements are based on mutual application of most-favoured-nation treatment with respect to customs duties, taxes and levies, navigation, transit, the activities of juridical and physical persons, the granting of preferences and priorities as well as other matters pertaining

to trade and navigation between the contracting parties.

The U.S.S.R.'s postwar trade treaties and agreements with foreign states were welcomed by business circles in the countries concerned with great satisfaction as an important step in developing economic relations between the U.S.S.R. and those countries.

The conservative *Svenska Dagbladet* wrote that "every Swedish industrialist has become fully alive to the advantage for our country and for Swedish industry of extending trade relations with the East, since experience shows that the Soviet Union has won complete trust as a commercial partner." In connection with the agreement reached by the U.S.S.R. and Norway on trade turnover in 1948, the Norwegian *Dagbladet* wrote: "From the purely political point of view the development of Russian foreign trade is one of the most encouraging phenomena of today. This development indicates that the U.S.S.R. intends to base its future on peaceful cooperation with neighbouring countries and the other countries of the world."

The U.S.S.R. is firmly and consistently conducting a policy of extending and strengthening friendly economic and cultural relations with all peoples and states. Throughout the postwar period the Soviet Union has repeatedly rendered and is rendering magnanimous friendly economic assistance to other nations. Thus, Bulgaria in 1944-45 received from

the Soviet Union 11,000 tons of cotton, 73,000 tons of metalwares and of metal for the production of agricultural machinery, and 120,000 tons of petroleum products. Soviet deliveries enabled Bulgaria quickly to restore the work of its textile industry, to supply agriculture with the necessary machinery and adjust the work of transport. The trade agreement concluded between the U.S.S.R. and Hungary in 1945, under which Hungary was able to satisfy 40% of its requirements in iron ore, 50% in coke, 100% in nickel and petrol, etc., made it possible, as the Hungarian Minister of Trade pointed out, to operate the heavy industry of the country and stabilize the economy. When, in the spring of 1946, a grave food situation developed in France, the Soviet Government sold it 400,000 tons of wheat and 100,000 tons of barley from its resources. When Czechoslovakia suffered a crop failure in 1947, it obtained 600,000 tons of grain from the Soviet Union. The President of the Czechoslovak Republic Clement Gottwald said in this connection that "the Soviet Union saved us from famine." When in 1951 there was an exceedingly grave food shortage in India as a result of several years of drought, the Soviet Union supplied the starving Indian population with a considerable amount of grain. The Soviet Union is rendering truly fraternal economic assistance to the Chinese People's Republic.

All these and numerous other similar facts furnish irrefutable proof that the Soviet Union is

working unflinchingly to strengthen and extend international economic cooperation.

The system of economic mutual relations created on Comrade Stalin's initiative between the U.S.S.R. and Poland, Czechoslovakia, Bulgaria, Rumania, Hungary, Albania, the Chinese People's Republic and the German Democratic Republic is a model of international economic relations based on equal rights and mutual advantage, a model of relations of genuine friendship and fruitful cooperation. Based as they are on the Lenin-Stalin principle of the equality of big and small nations, the Soviet Union's economic relations with these countries rest on the foundation of economic and political independence and provide for the development of the national economies of the contracting parties, the improvement of living standards and the cultural advancement of the peoples. The economic relations between these states are not confined to conventional commercial and monetary-credit operations; they embrace friendly cooperation on the basis of the formation and successful operation of parity intergovernment joint-stock companies in industry and transport, the joint prospecting for natural resources and their joint utilization, the exchange of technical experience, innovations and patents, the arrangement of exhibitions, excursions, visits of scientists, intellectuals, innovators in production, etc.

An outstanding role in economic cooperation

belongs to the Council of Mutual Economic Assistance set up in January 1949, which consists of the U.S.S.R., all the People's Democracies and the German Democratic Republic on a basis of equal representation. The principle of equal rights in this council is reflected, for one thing, in the fact that decisions are taken only with the consent of the party concerned. The Council arranges the exchange of economic experience, mutual technical assistance, aid in raw materials, food, machinery, equipment, etc. Other European countries wishing to cooperate with the U.S.S.R. and the People's Democracies may join the council.

These economic relations are governed by agreements on trade and navigation, commercial and credit agreements, agreements on technical assistance, scientific and technical cooperation, on general terms of delivery and in other types of agreements.

The Soviet Union concluded treaties on trade and navigation with Poland on July 7, 1945; with Rumania on February 20, 1947; with Hungary on July 15, 1947; with Czechoslovakia on December 11, 1947, and with Bulgaria on April 1, 1948. These treaties form the foundation for mutual advantageous trade between the contracting parties.

The trade agreements (on trade turnover and payments, on mutual deliveries of goods) govern the trade turnover and the terms of payments

between the contracting parties. These agreements are an important factor in the success of the economic plans of the countries of Central and Southeast Europe. The Soviet Union has trade agreements with all these countries.

In 1951 the Soviet Union concluded a number of new trade agreements with the European People's Democracies, the Chinese People's Republic and the German Democratic Republic; these agreements provide for the further development of the trade turnover among the countries of the democratic camp. On January 23 this year a long-term agreement on mutual deliveries of goods was signed between the U.S.S.R. and Hungary, as well as an agreement on the supply of equipment and technical aid to Hungary during 1952-55. On February 9 this year a protocol on mutual deliveries of goods between the U.S.S.R. and Bulgaria in 1952 was signed, providing for a further increase in the trade turnover in 1952 as against 1951. The long-term agreement with Rumania on deliveries of industrial equipment, technical assistance and the development of the trade turnover will bring about a further increase in trade during 1952-55. The average annual trade turnover during this period will surpass by more than 50% the average annual figure for 1948-51. A protocol signed with Czechoslovakia provided for additional mutual deliveries of goods in 1951 in excess of the amounts fixed for that year in the five-year agreement now in force. The total trade turn-

over between the U.S.S.R. and Czechoslovakia in 1951 was considerably greater than in 1950.

With the German Democratic Republic the U.S.S.R., in addition to the agreement on trade turnover and payments for 1951, also concluded a long-term agreement on mutual deliveries of goods during 1952-55. Simultaneously an agreement was concluded on scientific and technical collaboration.

The protocol concluded with the Chinese People's Republic on trade turnover in 1951 provided for a considerable increase in deliveries over the 1950 figure. Simultaneously a protocol was signed on Soviet deliveries of equipment and materials to the Chinese People's Republic that year on the basis of the credit granted under the agreement of February 14, 1950.

Of tremendous importance for the industrialization of the countries of Central and Southeast Europe are Soviet deliveries of the most up-to-date technical equipment, including complete installations for new big industrial enterprises under construction. Here is what the Polish *Trybuna Ludu* wrote about the agreement on mutual deliveries of goods for 1953-58 and the agreement concerning the delivery of industrial equipment to Poland on a credit basis in 1954-58:

"The Soviet Union will supply equipment for the power, metallurgical, metal-working, engine building, chemical and mining industries. On the basis

of the U.S.S.R.'s deliveries of equipment a powerful new plant is being built near Cracow. Soviet equipment is boosting and mechanizing coal production."

A distinctive feature of the U.S.S.R.'s trade relations with the People's Democracies is the fact that both sides assume fixed obligations with regard to supplies of goods over a specified period of time in accordance with the lists of commodities appended to these agreements or to special annual protocols on mutual deliveries of goods. These fixed obligations guarantee the supply of the necessary industrial equipment and raw materials at specified dates, strengthen economic planning in the People's Democracies and contribute to the development and technical re-equipment of their national industries.

An important role in the U.S.S.R.'s economic relations with the countries of Central and Southeast Europe, as well as with the Chinese People's Republic, belongs to credit agreements.

In 1945-51 the Soviet Union concluded agreements on short-term and long-term loans and credits with Czechoslovakia, Poland, Rumania, Bulgaria, the Chinese People's Republic and Albania. The most common of these agreements are those which provide for the delivery of industrial equipment from the U.S.S.R. on credit and agreements on goods credits. These loans and credits are granted on highly advantageous terms with regard to duration and interest, as well as repayment. "... The Soviet

Union has always taken the stand that the terms of credit must not be extortionate, and must not result in the economic and political subjugation of the debtor country to the creditor country.* The states repay their credit and the accrued interest chiefly by deliveries of goods. A country repays these credits in goods which it usually exports and at prices at which similar goods are supplied under trade agreements. For instance, under the credit agreement of February 14, 1950, the Government of the U.S.S.R. granted the Central People's Government of the Chinese People's Republic a credit which in terms of dollars amounted to 300,000,000 American dollars, to be drawn within five years starting from January 1, 1950, in equal annual shares to pay for Soviet deliveries of equipment and materials, including the equipment for power stations, metallurgical and engineering works, coal and ore mining equipment, railway and other transport equipment, rails and other goods needed for the restoration and development of China's national economy.

The Soviet Government took into consideration China's economic difficulties caused by protracted military operations on its territory and granted it this credit on the favourable terms of 1% per annum. The Chinese People's Republic is

* A. A. Zhdanov, *The International Situation*, Moscow 1947, p. 40.

to repay the credit over a period of ten years in equal annual shares.

The delivery of goods under the trade and credit agreements concluded by the Government of the U.S.S.R. with the Governments of the People's Democracies, as well as the rendering of Soviet technical aid, is governed by contracts (transactions) concluded by the appropriate foreign trade organizations of the contracting parties. The contracts cover everything connected with the delivery of goods and rendering of technical assistance (specifications, volume, assortment, prices, delivery dates, terms of payment, etc.). Highly important in facilitating the conclusion of contracts are agreements (protocols) on "General terms of delivery." These include provisions concerning place of delivery (franco-wagon, F.O.B., C.I.F.), terms and dates of delivery, quantity and quality of goods, notice of delivery, packing and marking, transfer of documents, testing and guarantees, complaints, terms of payment, sanctions, arbitration, etc.

The remarkable achievements of the peoples of these countries in industrialization are now evident to the whole world. During last year alone industrial output in Poland increased by 24.4%, in Czechoslovakia (which had a relatively well-developed industry) by 14.9%, in Hungary by 30.1%, in Rumania by 28.7%, in Bulgaria by 19%, and in Albania (which had no industry at all in the past) by 47.1%.

This system of economic relations, based on the principle of equal rights and mutual advantage, as well as on a stable economic foundation, serves as an important means of extending and strengthening economic relations between all states.

The development of trade between the capitalist countries and the Soviet Union does not depend on ups and downs on the market since the Soviet Union is not influenced by economic crises; therefore it creates a firm foundation for economic cooperation. The Soviet state runs its economy on a scientific basis, ensuring not only the planned development of its productive forces, but also their most rational distribution and utilization.

Its successes in restoring and developing its economy since the war have enabled the Soviet Union to tackle a tremendous task—that of the combined utilization of the waters of the Volga, the Don, the Dnieper and the Amu Darya to meet the power, agricultural, transport and other requirements of the national economy. The great construction works launched in the Soviet Union—the Kuibyshev, the Stalingrad and other hydroelectric stations, the Main Turkmen, the South-Ukrainian and other canals—are widely known. The new power stations will annually generate 22,500,000,000 kilowatt hours of cheap electricity, which is equal to the entire annual output of electric power in Italy. The length of the canals under construction will run

into 2,300 kilometres. This is six times more than the length of the Suez, the Panama and the Kiel canals, put together. The new irrigation networks will provide water for over 70,000,000 acres of land. These great construction projects have the aim of advancing the peaceful economy of the Soviet Union and improving the well-being of the people. The successes of economic development ensure a systematic improvement in the economic and cultural standards of the Soviet people, a steady rise in their requirements and purchasing power, which is a constantly growing source of production and a safeguard against economic crises, unemployment and poverty. In the U.S.S.R. there is a steady rise in the national income, the prices of consumer goods are going down, the real wages of factory and office workers and the incomes of the farmers are increasing, and housing construction has been launched on a large scale.

The Soviet system is inconceivable without the day-to-day solicitude of the state for the well-being of the people. This solicitude has been borne out in a most striking manner in the postwar period. Suffice it to mention the repeated price reductions that have been effected in the U.S.S.R. in the postwar period, or the various state payments and bonuses to the people, which run into colossal figures.

As far back as 1929 J.V. Stalin, in his talk with Mr. Campbell, pointed to two aspects of the possi-

bilities which create "...a serious basis for trade and industrial contact both with the U.S.A. and other highly developed countries,"* notably: the wealth and variety of natural resources in our country, on the one hand, and the extraordinary growth of the purchasing power in the country, on the other. These words of J. V. Stalin's retain their full significance to this day. Now the Soviet Union has immeasurably greater possibilities for business relations with the capitalist countries. That is why the French newspaper *Aurore*, when calling for the restoration of normal international economic relations not long ago, stressed the particular significance of the "Soviet trade area," pointing out that "the U.S.S.R. possesses not only primary products of which the industry of Western Europe is short, but also has the greatest markets in the world as to the volume of consumption."

The Soviet Union constantly displays a readiness to maintain and extend trade relations with foreign states, regardless of their social-economic systems. In its political relations with other countries the U.S.S.R. supports friendly cooperation, is opposed to any discrimination and to any artificial barriers obstructing free contact between the Soviet people and other peoples, supports friendship between the peoples.

Throughout the postwar period the Soviet

* J. V. Stalin, *Works*, Russ. ed., Vol. 13, p. 153.

Government has repeatedly submitted to the General Assembly, the Economic and Social Council, the Economic Commission for Europe and other United Nations bodies practical proposals for the adjustment of international trade and for the maximum possible development of international economic cooperation.

Sincerely wishing to assist the economic activities of the European countries and to develop economic relations both among the European countries and between these countries and the rest of the world, the Soviet Union has made numerous concrete proposals aimed at developing and extending trade among the European countries, and especially between the countries of Western and Eastern Europe, with an eye to doing away with the foreign trade discrimination practised by the U.S.A. and certain European states. These proposals concerned conditions necessary for peaceful and friendly relations between nations, for improving living standards, ensuring full employment, increasing the output of the civilian industries, lowering the prices of consumer goods, reducing taxes for the population, increasing allocations to housing construction, the health service, education and so on and so forth.

History provides numerous illustrations of how Soviet proposals have yielded practical results, given as much as the minimum support of the other contracting party, of other states, given the least

desire on the part of the representatives of those states to achieve real agreement with the Soviet Union, with the Soviet Government. It is common knowledge with what interest the Soviet Government examined the proposal of the Executive Secretary of the Economic Commission for Europe concerning the conclusion of a European grain agreement. The Western powers under United States pressure at the time sabotaged this measure to the detriment of their direct national interests. According to official figures, from June 1949 to the end of July 1950 Western Europe was to have spent \$1,400,000,000 just on import of grain from the U.S.A. and Canada, and this despite the dollar shortage which Western Europe is experiencing. The BBC in this connection had to admit that the dollar problem in Western Europe, and particularly in Britain, would become less acute, if it were possible to obtain more grain from Eastern Europe and the Soviet Union.

In the present conditions of a broad movement for the improvement and extension of economic relations between countries and the improvement of living standards, great importance attaches to the question of technical aid to the underdeveloped countries, as well as of financing the economic development of those countries. This question has repeatedly been discussed in United Nations agencies. Proceeding from the Lenin-Stalin principle of the self-determination of nations, the Soviet

Union urges that these countries be helped to develop towards national self-determination and independence, which in practice means promoting the development of the internal resources of these countries, the development of their national industry and agriculture, the consolidation of their economic independence. The Soviet Union has repeatedly called the attention of the United Nations member-countries to the fact that this assistance should not be conditioned by any political, economic or military privileges for the countries rendering it. The Soviet Union considers that the tremendous internal resources of the underdeveloped countries could be a factor of paramount importance in financing programs of their economic development, provided these resources were worked in their own interests.

The Soviet Union supports economic cooperation between nations on a basis of genuine equality, which would ensure that the efforts of the cooperating states would be aimed at the progressive development of all the productive forces of a given country, taking into account its actual economic potential and interests. A striking illustration of this is afforded by the Soviet Union's activities in the United Nations Economic Commission for Asia and the Far East (ECAFE).

For instance, at the Singapore Conference on Asian and Far-Eastern trade, called by the aforementioned Commission last October, the represent-

ative of the Soviet Union put forward clear and constructive proposals aimed at helping the countries of this area to take the necessary steps to extend their trade in order to restore and develop their economies and in the interests of consolidating their national independence and sovereignty. It is common knowledge what tremendous importance the trade of the countries of Asia and the Far East can have in increasing deliveries of equipment and technical materials for the purpose of advancing the industry and agriculture of these countries and improving the living standards of the masses.

The *Economic Survey of Asia and the Far East, 1950* notes that the production of hydroelectric power in all these countries in 1949 amounted to only 7,900,000 kilowatts, which is but 4% of potential possibilities. The average production per head is less than 7 watts. India, one of the principal countries of the area (which is in the sphere of activity of the Economic Commission for Asia and the Far East), has a population of more than 300,000,000; in 1950 it produced 1,461,000 tons of steel, which is only 4 kilograms per capita.

In Pakistan, which accounts for 80% of the world's jute crop, there is not a single industrial jute processing enterprise.

Soviet foreign trade organizations could on mutually advantageous terms supply the countries of Asia and the Far East with machine tools, power, electri-

cal and transport equipment, installations for the mining industries, for the textile and other light industries, for agriculture, as well as with the other machines the countries of this area require for their industrialization and for the development of their agriculture, as well as cement, timber, fertilizers, grain and consumer goods. In exchange for these deliveries, the U.S.S.R. would be interested to obtain such goods as jute, rubber, shellac, rice, copra, spices, tea, tin, cinchona bark, etc. The significance of the Soviet proposals is revealed by local press comment. Thus, the *Straits Times* in an editorial on the Russian trade proposal wrote that while the American delegation had warned that it was useless to expect certain goods from the U.S.A. because of the requirements of the war industry, the Russians had unambiguously announced their readiness to trade on a basis of equality and mutual advantage. Other local papers wrote in a similar vein, printing the Soviet Union's proposals under big headlines such as "Russia Offers to Trade With All," "Soviet Delegate Offers Aid to All Countries," etc.

Sincerely desiring the restoration and development of the economy of these areas, the Soviet Union has repeatedly called attention to the enormous importance of the Asian countries' trade with the Chinese People's Republic, which is the biggest country in Asia and the Far East, as well as with Czechoslovakia, Poland and the other People's

Democracies, trade with which has always been known to be highly important to the countries of this area. It was not by chance that the influential *Hindustan Times*, paying editorial tribute to the friendly intentions of the Soviet Union, wrote that India accepted offers of assistance from all countries, including China and the Soviet Union.

* * *

International economic relations are at present in a state of severe dislocation. The transfer of the Western countries' economy to a war economy footing and the trade and political expansion of the United States of America are in an ever-greater measure upsetting economic relations and the exchange of both raw materials and industrial products between states. This clogs up the main channels of world trade and has a disastrous effect on the living standards of many peoples and hampers economic progress and international business cooperation.

The militarization of the economy of a number of countries is causing damage not only to their domestic economic life, but also to the external economic relations of these countries; for one thing, it is affecting the volume, structure and direction of their foreign trade. The decline in the export potential of the civilian industries has caused the following reduction in the physical volume of exports for the period of January-May 1951, as

compared with the fourth quarter of 1950: Britain 3%, France 7%, Sweden (January-March) 9%, Italy (January-March) 5%, etc. At the same time a number of countries have increased imports of strategic raw materials and armaments: aircraft, tanks, guns, etc. The growing gap between the exports and imports of these states had increased the deficit in their balance of trade and the balance of payments.

Substantial changes have also taken place in the geographical distribution of foreign trade. Exports from Western Europe are falling lower and lower, owing to the fact that American exporters are ousting West-European goods from the world markets. At the same time the American monopolies are increasing their imports of strategic raw materials from Latin America and Southeast Asia, and, to a lesser extent, from Western Europe. This direction of trade turnover is one of the most important factors dislocating international trade and undermining the economy of many countries.

The grave economic difficulties at present besetting the U.S.A., Britain, France, Italy and a number of other countries are aggravated by the dislocation of international economic relations.

A particularly pronounced decline has taken place in the trade between the U.S.A. and the West-European countries, on the one hand, and the U.S.S.R., China and the European People's Democracies, on the other. By the beginning of 1951 France

had already banned the exports of 300 types of goods to the countries of Eastern Europe and China. Restrictions on exports to these countries were also introduced in Belgium, Italy, Sweden, Switzerland, etc. In Britain and Malaya unlicensed exports of rubber have been banned, since April 1951, to all countries with the exception of the U.S.A. and the countries of the British Empire; early in May 1951 the authorities in Britain and its colonies enforced a total ban on rubber exports to China. That same month many states imposed an embargo on the export of goods to the Chinese People's Republic and the Korean People's Democratic Republic. In June 1951 the United States Congress amended the law on trade agreements, increasing trade discrimination against a number of countries. Thus, the United States President was empowered to cancel any previously granted privileges in trade with other countries, including tariff reductions.

The American Government renounced the trade agreement which the U.S.S.R. and the U.S.A. had concluded in 1937. Following this, United States ruling circles actually forbid the countries of Western Europe to trade with Eastern Europe by passing the Battle Act on discontinuing American "aid" to Marshallized countries that would export "strategic" goods to Eastern Europe. It should be pointed out that the list of prohibited "strategic" goods includes several thousand items. Early in

July 1951 the British Government requisitioned two Polish vessels—*Tatry* and *Beskidy*—the orders for whose construction had been placed with British shipyards as far back as 1948 in accordance with the “plan for the extension of Anglo-Polish trade relations,” concluded on June 9, 1947. When in August 1951 the Egyptian Government concluded its fourth postwar barter agreement with the Soviet Government providing for the supply of wheat to Egypt, the United States began to threaten Egypt that it would cut off its “aid.” Press reports furnish numerous instances of American efforts to coerce the Indian Government into breaking off trade relations with the U.S.S.R., China, and a number of countries of Central and Southeast Europe. The Americans make special representations, demanding that the West-European countries observe “caution” in trading with the Soviet Union and other democratic states. Speaking of the dislocation of international economic relations it is impossible not to mention the dislocation of interzonal trade between Western Germany and the German Democratic Republic.

The dislocation of peaceful economic relations between states, and especially the curtailment of trade between Western and Eastern Europe, is highly detrimental to the interests of the peoples and is having an adverse effect on the national economy of the countries of the West. The peoples and the representatives of the business world, of industrial,

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financial and commercial circles are becoming increasingly convinced that the policy of economic discrimination, of trade boycott and of placing artificial barriers in the way of the development of international economic cooperation is a disastrous policy that runs counter to their interests and aspirations. They are becoming increasingly aware of the fact that the development of international trade on the basis of equal rights, respect for sovereignty and mutual advantage would facilitate the utilization of production capacity, and reduce unemployment, which in a number of countries has assumed threatening proportions. Many states are deprived of the chance to import goods which are of vital importance to their industry, agriculture, transport and construction.

An important role in doing away with this abnormal state of affairs could be played, first and foremost, by the extension of intra-European trade, trade between Western and Eastern Europe. Not long ago the Norwegian newspaper *Aftenposten*, noting the drastic decline in trade between Western and Eastern Europe as a result of American pressure, stressed that "from the economic point of view such a situation is a very sad one." More and more frequently sober voices can be heard in the West, pointing out the fact that unless the present state of affairs is altered, Western Europe will be the first victim, that it might ultimately be completely "Portugalized," i.e., will completely forfeit its economic and

political independence and at best be able to feed only half its present population.

The British *New Statesman and Nation* wrote recently that if deliveries of goods from Eastern Europe to Western Europe should stop, the position of the West would become worse and it would be still more dependent on the Americans. "The Eastern countries," wrote the weekly, "could easily find other uses for what they send to the West, and cannot be expected to sell except in return for products which they seriously want. . . . The Eastern countries can adapt themselves to a permanent pattern of nearautarky much more easily than the West." At the Congress of the International Chamber of Commerce in Lisbon in June 1951, the head of the American delegation Sloan acknowledged that with regard to certain types of raw materials the Western countries were dependent on imports from the Soviet Union and Eastern Europe.

Very strong discontent with the policy of disrupting trade with the Soviet Union and the other democratic countries may be observed in Britain, which is known to be a country highly dependent on the imports of many goods, including food. Yet there is every reason for mutually advantageous trade and economic relations between Britain, as well as the other countries of Western Europe, with the U.S.S.R, the Chinese People's Republic and the countries of Central and Southeast Europe. The

British people and representatives of business circles in the country realize that such trade would reduce or liquidate the country's dollar deficit and would provide it with vitally needed raw materials, food, timber and other goods. Britain, in turn, would be able to supply these countries on mutually advantageous terms with machinery, coal, ships, textiles and other manufactures, whose production involves the development of the peaceful economy.

Speaking of the great difficulties which Britain's foreign trade is experiencing in connection with the revival of the industrial war potential of Western Germany and Japan and their competition on world markets, Mr. Harold Davies, M.P., said that the artificial restriction of trade with China, Russia and Eastern Europe had increased these difficulties and caused a rise in prices. Sir Hartley Shawcross, former President of the Board of Trade, said in a speech of August 15, 1951, how important to Britain were her imports from the U.S.S.R. and the other democratic countries. Shawcross said that Britain would find it difficult to manage without these imports. Eastern Europe, he added, remains the only source of certain supplies for Britain.

The curtailment of trade with the East is increasing the shortage of raw materials and food, swelling the ranks of the unemployed and reducing the consumption of the population in the countries

of Western Europe. The acute raw materials crisis in these countries, engendered by their colossal unproductive military expenditures, is aggravated by the policy of strategic stock-piling in the U.S.A.

The coal-mining industry of Western Europe is in a state of protracted stagnation and decline. According to the figures of the United Nations Economic Commission for Europe, the coal shortage in the European countries in the fourth quarter of 1951 reached an all-time peak for the postwar period—11,500,000 tons. In a number of countries of Western Europe people are coming to the conclusion that one of the reasons for the coal famine is the absence of normal relations with the countries of the East. The Austrian *Österreichische Volksstimme* in an article on Austria's coal supplies wrote: "The only reason for the shortage of coal and power is the 'trade war' against the countries of the East, which the government is conducting upon the orders of the Americans. Were it not for this, there would be no coal crisis." Millions of tons of high-grade Ruhr coal are being shipped from Western Germany at an extremely low price by the American monopolies, while the Bonn "government" imports low-grade coal from the United States, paying double the price of Ruhr coal for every ton of imported coal.

In 1950 Austria exported 11,300 head of cattle, while the country was experiencing an acute short-

age of meat and meat products. Because of this, the Austrian population is now, more than six years after the end of the war, compelled to use American tinned horse-meat, which is, moreover, rationed.

The Belgian *De Roode Vaan*, describing American foreign trade operations, reported that the Belgian Government had early in 1951 purchased 400,000 tons of wheat in the U.S.A., paying 2,300,000,000 Belgian francs for it. However, the wheat proved unfit for use, since it was infested with worms. "Wheat which cost us such an enormous sum is unfit for baking," wrote the paper. "Such is American 'aid' in practice! The Americans demand nearly 2,500,000,000 Belgian francs from us for grain unfit for use, but forbid us to buy good wheat in the Soviet Union on favourable terms."

Demands for the maximum possible development of international economic cooperation on democratic principles and protests against the suicidal policy of disrupting trade with the Soviet Union, China and the countries of Central and Southeast Europe are being put forward more and more emphatically by the progressive public in the West, which is fighting for national independence, and by the representatives of business circles suffering from the policy of militarism and American competition. In April 1950, the National Council of Manufacturers in France asked Schu-

man to consider the question of extending trade with Eastern Europe. The leaders of this organization pointed out that the limitation of trade with the Soviet Union and a number of other countries conducted upon the "recommendations" of the U.S.A., were having an extremely adverse effect on French industry.

Opposition is becoming increasingly apparent in the industrial circles of the North Atlantic bloc member-countries to the program of subjugating all the branches of the economy of these countries to the interests of rearmament. At a meeting of the Association of Belgian Manufacturers in the middle of February 1951, De Staercke, president of one of the biggest Belgian trusts, pointed out that the implementation of the Brussels decisions of the North Atlantic Treaty Council would create a menace to the industry not only of Belgium, but of the other West-European countries as well. A resolution adopted by the members of this association protests against the policy of the Belgian Government, which neglects the interests of Belgian manufacturers and undermines the position of industry in the country. The illusions of commercial and industrial circles in the West that war preparations would improve economic conditions are being shattered. Voices can be heard more and more frequently in these circles saying that the realization of extensive plans of economic development in the countries of Eastern Europe, on the one hand, and the ex-

istence of grave financial difficulties in the West-European countries, on the other, create ample opportunities for the development of mutual trade.

With every passing day it is becoming increasingly obvious that the countries of the West can strengthen their national economy only by developing economic cooperation with the Soviet Union, the Chinese People's Republic and the countries of Central and Southeast Europe. That is why insistent demands are being put forward to restore normal trade relations between countries on mutually advantageous terms that would satisfy the requirements of the peoples, preclude the possibility of economic discrimination in any form and ensure the development of the national economy of big and small states.

All this clearly illustrates once again the fundamental principle that the reduction of the Soviet Union's foreign trade with America and the capitalist countries of Western Europe is due not to a difference in economic systems by any means; it has been proved in theory and practice, that the extensive development of trade relations is possible notwithstanding this difference. "The whole trouble is that the aggressive American politicians are pursuing a policy of discrimination against the Soviet Union, are deliberately sabotaging trade with the Soviet Union, and are compelling their West-European satellites, to the detriment of

the latter's economic interests, to refrain from developing trade relations with the Soviet Union and the People's Democracies."*

Business circles in Britain, France, Belgium, Italy and other countries of Western Europe are anxious to extend economic relations with the U.S.S.R., China, and the European People's Democracies, with which they maintained a quite active trade a few years ago or which were their traditional purchasers of machinery, equipment, textiles, fruit, etc.

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The implementation of the Marshall Plan and the Schuman Plan, the realization of Truman's so-called Point Four Program, directed against the economic independence of the weak and underdeveloped countries, the setting up of the International Materials Conference, the extension of the program of the "liberalization" of intra-European trade, the convention of tariff and trade conferences in Torquay, Britain, and in Geneva—all this, far from contributing to the extension of international trade, is aimed at its further curtailment and at placing artificial barriers in the way of economic cooperation between nations.

* A. Mikoyan, *Great Architect of Communist Society*, Moscow 1950, p. 14.

Thus, the conference in Torquay passed a decision on prolonging for three years the tariff concessions made prior to the conference to the countries participating in it. Nevertheless, the American Government on August 10, 1951, announced that it intended unilaterally to deprive Czechoslovakia of all the tariff concessions which it had formerly been granted by the United States. This step, pointed out the *New Statesman and Nation*, creates a precedent which could in a large measure undermine the effectivity of a general agreement (on tariff and trade—*L. F.*) and leads to the sad conclusion that tariffs are a weapon in the cold war. The journal added that Britain had so much to lose as a result of new tariff wars that the actions of the United States would inevitably give rise to anxiety in White Hall.

The program of the so-called liberalization of intra-European trade (i.e., of relaxing quantitative restrictions on the mutual trade of the Marshallized countries), put forward in the O.E.E.C. as far back as 1949, has not produced any results. Under this program, quantitative restrictions on the mutual trade of the Marshallized countries (within 75% of their total imports) were to have been lifted by July 1951. However, despite the efforts of American ruling circles, this was not accomplished. Austria, Denmark and Norway lifted restrictions only partly, pleading economic difficulties as an excuse. As for

Western Germany, Sweden and Greece, they even increased their quantitative restrictions in foreign trade.

Furthermore, the trade-political points of the Schuman Plan, under which the European coal and steel "community" (Western Germany, France, Italy, Belgium, Holland and Luxembourg) was formed, provide for the lifting of all quantitative restrictions, customs tariffs, subsidies and other government measures in the trade in coal, coke, iron ore, pig iron, scrap iron, steel and steel semimanufactures. However, the very first months following the signing of the Schuman Plan revealed the deep contradictions between its participants. Owing to the different level of production costs in the metallurgical industries of the participating countries and the different share of metallurgy in their economy and foreign trade, particularly acute contradictions developed between them in the matter of establishing minimum prices of ferrous metals and fixing export quotas.

The efforts of the American monopolies to stockpile strategic raw materials account for the negligible results achieved by the so-called International Materials Conference. This is borne out most strikingly by the competition between the U. S. A. and Britain in the raw materials market and by the failure of the plants to set up committees on rubber and tin within the framework of this organization. On top of this, there are grave differences between

the U.S.A., on the one hand, and the countries producing raw materials—Malaya, Indonesia, Ceylon, Australia, New Zealand and the Union of South Africa—on the other. It is not surprising, therefore, that as a result of the acute contradictions between its members, the Conference has reached an impasse. The contradictions have reached the point that on October 28, 1951, *The New York Times* correspondent Belaire had to acknowledge that the organization was gripped by an acute crisis.

The sharp differences between the U.S.A. and Britain in the struggle for sources of raw materials also became apparent at the raw materials conference of the ministers of the British Empire countries and representatives of Britain's colonial possessions which was held in London at the end of September 1951. Press reports made it clear that at this conference Britain had hoped to solve the acute problem of raw materials by mobilizing to a greater extent the raw materials resources of the dominions and colonies. Soon after the conference the then British Minister of Materials Stokes urged that the prices of raw materials be stabilized "at a reasonable level" in order to check inflationary trends, and avoid "loot-and-grab" tactics. The latter words, according to the foreign press, referred to the U.S.A.

Business circles in the Western world are disturbed by the restrictions imposed by the United

States on the development of the civil economy of Japan and normal trade relations between Japan, on the one hand, and China and Japan's neighbours, on the other. Trade and industrial circles in Britain observe with anxiety that the Americans are using Japanese exports to remove British and Australian exporting firms from the markets of Southeast Asia.

An important step towards strengthening international economic cooperation is to be made by the International Economic Conference, which is being called in April 1952 in Moscow for finding possibilities of improving living conditions of the people of the world through the peaceful cooperation of different countries and different systems and through the development of economic relations between all countries. The participants in the Conference will pool their experience and knowledge for the single purpose of finding ways and means of stimulating the restoration of normal economic relations between countries and contributing to the improvement of the population's standard of living. Prominent figures in industry and trade, economists, trade union and cooperative organizations in the countries of Europe, Asia and America are displaying a great interest in this Conference, which will be attended by people of different views and social standing, but united by the firm conviction that close and fruitful cooperation between the nations must be established.

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The Soviet Union, which is vitally interested in defending a stable democratic peace and cooperation between the nations, is a resolute champion of the peaceful co-existence of the two systems. Just as always, it supports every initiative that is really aimed at strengthening peace and the security of the nations. The restoration of normal economic connections between countries would remove one of the principal causes of the tension in international relations and would be an important prerequisite for the strengthening of world peace.

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