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EDITORIAL — FOR ALL-ROUND DEVELOPMENT OF INTERNATIONAL ECONOMIC COOPERATION

The International Economic Conference, opening in Moscow on April 3, will be attended by manufacturers, businessmen, economists, engineers, trade union leaders and cooperators from dozens of countries. These are men of the most diverse political views and convictions, but they all share the desire to promote international economic cooperation, to develop business and other economic relations among countries. Soviet economic circles welcome the International Economic Conference, which will work to find ways and means of promoting peaceful cooperation between different countries and different economic and social systems.

Active preparations for the Conference have been under way for more than five months. Arrangements Committees have been set up in France, Britain, Italy, Austria, the Scandinavian countries, Czechoslovakia, Bulgaria, Japan, India, Pakistan, Iran, Argentina, Colombia and many other countries. The aims and prospects of the Conference have in these past months been discussed at length in the world economic and general press of different trends. The universal attention commanded by the Conference attests to the vital importance of the tasks confronting it.

The forthcoming Conference is an economic conference. Its participants are coming together not to debate political or ideological issues, not to discuss the respective merits of different social and economic systems and not to impose on one another any particular views regarding these systems. They will leave aside political problems. The Conference is called solely on a business basis for a practical exchange of experience and the elaboration of concrete proposals as to what can and should be done to promote cooperation among countries, irrespective of differences in their social and economic systems. Its purpose is to ascertain the possibilities for extending trade and other international economic contacts as a means of raising living standards. The agenda of the Conference has been formulated in conformity with this aim. It consists of one item: "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 Conference participants will devote themselves to a free and thorough discussion of the present situation in world trade and how to eliminate existing difficulties in this sphere; they will seek for ways and means of extending international business relations and alleviating the economic difficulties which are experienced by many countries. The Conference will examine how the development of normal commercial relations between countries and increasing the volume of world trade might promote the expansion of national production, greater employment and lowering of the high cost of living. The Conference will in particular study the possibility of extending trade between the East and West and between the economically developed and underdeveloped countries. Also, it will examine any other proposals that might be introduced by the participants in conformity with the agenda.

The International Economic Conference is not sponsored by any governmental bodies. The International Initiating Committee, which was set up in Copenhagen on October 27-28, 1951, by representatives of different circles and different countries, is the only body responsible for its arrangement. Full and unlimited opportunity for a broad and free exchange of views will be afforded at the Conference. The Conference will not pass decisions binding on its participants, but will only make recommendations. Establishment of business contacts among representatives of commercial and industrial circles of different countries is to be facilitated.

At its meeting in Copenhagen on February 10-12, 1952, the Arrangements Commission of the International Initiating Committee, taking cognizance of the wishes expressed by the national Arrangements Committees in certain countries, decided that the question on the Conference agenda is to be discussed not on the basis of reports from groups of countries, as intended earlier, but of contributions by all participants who wish to make them. Besides plenary meetings, panels will be formed for the more detailed study of individual problems, such as, for instance, the promotion of world trade, the promotion of trade with economically underdeveloped countries, international economic cooperation with the aim of solving social problems, etc. This procedure will undoubtedly enable a much broader circle of participants to express their views and to discuss more concretely the questions that interest them.

An announcement by the Soviet Arrangements Committee for the International Economic Conference states that persons attending the Conference will, during their stay in the Soviet Union, be accorded all necessary assistance and hospitality, and that facilities will be provided them, if they desire, to establish contact with Soviet trade, industrial and cooperative organizations. The Soviet Arrangements Committee was constituted by the Chamber of Commerce of the U.S.S.R., industrial trade organizations the Central Union of Consumers' Cooperatives Societies of the U.S.S.R., the' All-Union Central Council of Trade Unions, the Institute of Economics of the U.S.S.R. Academy of Sciences, and by economic research bodies.

Great and responsible tasks confront the International Economic Conference and its aim is a lofty one. Millions of men and women in all parts of the world look to it to settle questions of vital importance that have long been on the order of the day. They hope that the Conference participants, meeting in an atmosphere of businesslike cooperation, will draw up a concrete program of all-round development of trade and other economic relations between countries and thereby help to relieve the international tension, improve the conditions for equal and mutually advantageous exchange of material values among nations, normalize the national economy in many countries, as much as possible, increase the manufacture of consumer goods, and increase employment, thereby eliminating one of the chief causes of the decline in living standards.

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World trade, as all other economic relations among peoples and countries is now in a state of extreme dislocation.

The Second World War was a terrible calamity for mankind. It took a toll of millions of lives, brought incredible privations and distress to the broadest masses of all countries, caused colossal destruction of material and spiritual values created by the labour of many generations, the demolition of many thousands of towns and rural communities, factories, mills and cultural establishments. Moreover, the war radically disrupted world economic ties formed during decades, undermined international commerce; it brought about a sharp curtailment in civilian production and increased the disproportions in the economy of many belligerents, aggravated the derangement of their monetary, credit and financial systems, and intensified internal inflationary processes.

More than six and a half years have passed since the end of this most sanguinary and destructive of all wars in the annals of man. Has the onerous aftermath of the war been eradicated, have the wounds inflicted on the economy and the population of most countries been healed? It is highly regrettable that the answer to this question is negative. To this day the main economic consequences of the Second World War have not been eliminated and their effect painfully tells on the living standard of many nations. Striking testimony to this is the present state of international trade.

It is generally recognized that in our times no nation can develop without foreign trade. As far back as the end of 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."*

The development of human society and its productive forces in the 19th and early 20th centuries convincingly shows that foreign trade played an outstanding part in the industrial progress of many states, big and small, in the advancement of their industry, agriculture and transport services. For instance, Britain, which V. I. Lenin called the most "trading" country in the world, attained outstanding economic development towards the end of last century chiefly because it carried on extensive trade with all parts of the world. The same applies to Belgium, whose economic prosperity at the beginning of the 20th century was largely due to the substantial trade relations this small country developed with the rest of the world. The swift industrial progress of the United States in the second half of last century also proceeded parallel with an increase in foreign trade, which grew from 80-90 million dollars at the beginning of the century to nearly 2,300 million dollars in 1900. In

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

general, total world trade increased more than 5.5 times between 1860 and 1913, amounting on the eve of the First World War to 64,600 million dollars (calculated at present value of the dollar).

Prior to the world economic crisis of 1929-33, and especially before the First World War, the physical volume of international trade increased more rapidly than production. According to League of Nations figures cited by the American economist Ethel B. Dietrich in her book *World Trade*, the physical volume of world trade between 1881-85 and 1909-13 annually increased by 3.2 per cent, while world production grew approximately at the rate of 2.7 per cent. After the First World War this trend slowed clown, and in some years even an opposite trend was observed. Prohibitive tariffs, currency blocs, dumping, etc., took on increasing importance in the competitive struggle among various countries for markets. Still, from 1913 to 1929 the physical volume of world trade increased annually by 1.5 per cent as against 1.7 per cent for world production, while in 1925-29 trade in raw materials grew annually by 3.6 per cent and in manufactured articles by 7.2 per cent, with a respective increase in the production of these items of only 2.7 per cent. and 6.7 per cent.[**]

The world economic crisis of 1929-33 and then the Second World War brought international trade to stagnation and decline. The progressive development of foreign trade relations between nations that was characteristic of the 19th and early 20th centuries gave way to regression. “The intensified struggle for foreign markets,” J. V. Stalin said at the beginning of 1934, “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

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

the various countries extremely strained....* The disintegration of international economic cooperation increased not only as a result of the introduction of the systems of quotas, license systems and other import and foreign exchange restrictions, but also because of the establishment of regional economic blocs on the world arena: the Balkan Entente and the Little Entente, the Ottawa and Pan-American blocs, whose activities were expanded, and what were known as the Oslo and Ouchy blocs. The most undisguised of the attempts to establish a closed autarchic economy were those made by the fascist states. As a result of all this the disastrous effect of the world economic crisis on international trade was felt right up to the beginning of the Second World War. In 1938 the physical volume of world trade was only 11-12 per cent above 1913, while the population of the world increased more than 22 per cent during these years. In other words, on the eve of the Second World War international trade per capita was lower than a quarter of a century earlier, on the eve of the First World War.

In the initial postwar years international trade revived and developed, and in 1947 it approached the prewar level in physical volume. A certain hope arose that world trade would emerge from the prewar stagnation. This hope, however, was not destined to materialize.

In recent years the derangement of trade relations between countries has been still further intensified. One can enumerate the following major symptoms of dislocation of international trade: a drop in the volume of foreign trade (measured in constant prices) per capita compared with the prewar level and a progressive lag in the index of the physical volume of exports behind the trend of industrial production; destruction of the remnants of free trade, as manifested in greater restrictions,

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* 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.

prohibitions and discrimination in foreign trade policy, increasing spread of superprotectionism and the tendency to autarchy, and blocking of the main streams of world trade, which is in no way justified from the economic standpoint and crudely interferes with the international division of labour formed long ago; the rupture of traditional trade and other economic relations between East and West; a change in the geographical distribution and the structure of foreign trade of the Western countries, the major civilian consumption goods (foodstuffs and manufactured articles for the population, means of production and raw materials for civilian production) being replaced in their commerce by armaments, strategic raw materials and supplies and equipment for the manufacture of weapons of destruction.

Let us examine more closely some of the elements in the derangement of international trade in the present, postwar, period and its main causes. We shall examine first the facts of the matter.

The physical volume of world trade per capita is now at a lower level than that attained more than twenty years ago, in 1929, and it is only 8-10 per cent above the 1913 level; in a number of big countries even that level has not been reached. The increase in foreign trade, measured in constant prices, dropped from 20 per cent in 1947 to an annual average of 5 per cent in 1948-49. It should be taken into account that in 1948 alone, according to United Nations figures, the population increased almost 10 per cent as compared with 1933.

An even more striking picture is obtained when we compare the indexes of industrial production and exports. During fourteen years, from 1937 to 1950, exports in capitalist countries receded more than 20 per cent compared with industrial production, although the latter itself has been for a long time in a state of stagnation. 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 has always been one of the chief means in the economic rapprochement among nations and the satisfaction of their prime vital needs. In our days the chains fettering international trade deprive it to a large extent of the possibility of performing this function assigned to it by history. 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 following abnormal situation: the main world flows of goods move within two parallel world markets which actually are closed and 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 colonial and dependent countries. 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 the enumerated groups

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

of countries is developing along the lines briefly described 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 twice a Dove 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 foreign commerce, are rapidly expanding. Soviet-Polish trade, for example, has increased five times over in the postwar period.

World trade now proceeds along two separate channels, within two groups of countries artificially separated from one another. As for trade relations between these two groups, they, contrary to elementary economic expediency, have been radically undermined and virtually ruptured. During the last five years, beginning with 1946, Soviet-American trade declined by more than 85 per cent, while 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 per cent in 1946 practically to zero in 1951.[**] The share of these countries in British exports shrank from 6.0 per cent in 1929 to 0.7 per cent in 1951; in French exports for the same years, from 6.2 per cent to 0.8 per cent, and in Italian exports from 10.5 per cent to 4.0 per cent, 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. 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

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

more than 60 per cent 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.

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 proceeding not freely but also 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 and the Fritalux type that has been under consideration for a long time, the Schuman plan group of countries, etc. All these groupings and blocs are separated by formidable barriers. In each of these groups, as well as in the separate countries customs and foreign exchange obstacles are piling up more and more, the system of export and import licenses and quotas is being expanded, and discriminatory export and import duties are increasing. All this in fact means that many countries have wholly abandoned free trade and the old and tested principle of most favoured treatment.

Since the outbreak of the Korean events in June 1950 and the ensuing accelerated militarization of the Western countries, substantial changes have occurred in the structure of their commerce. Armaments, strategic raw materials and equipment for war plants and industries closely allied with them are increasingly dislodging from foreign trade goods designed for peaceful purposes, especially foodstuffs (meat, butter, coffee,

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

teal etc.), manufactured consumer goods (cotton and woollen fabrics, footwear, etc.) and means of production for civilian industries. Intensification of the one-sided nature of foreign trade in the Western countries, that is, the sharp increase in the ratio of war goods, resulted in a certain rise of their foreign commerce, which reached its maximum level in 1950 and was unable to regain it throughout 1951.

The United States, striving to stockpile huge strategic reserves, has substantially expanded its imports of rubber, ores and concentrates, ferrous metals, chemicals and other strategic materials, while cutting in its total imports the share of lumber, hides and skins, furs, coffee, tobacco and certain other goods. As for exports, in 1951 the United States shipped to other countries tanks, aircraft, guns and other arms to the value of 1,500 million dollars, or about 11 per cent of its total exports; in the 1951-52 fiscal year it intends to bring up its armament exports to 6,300 million dollars. Simultaneously the share of civilian goods in United States exports has dropped noticeably.

A similar situation prevails in the foreign trade of Britain, France, Italy, Western Germany, Belgium and many other countries. 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 scarce raw materials and metals. The share of textiles, clothing and footwear in total manufactured goods exports of the eleven biggest capitalist countries dropped from 30 per cent in 1929 to 20 per cent in 1950. Shipments of raw materials have increased from the overseas countries of the sterling area to Western Europe and the United States, among the West-European countries, from Western Europe to the sterling area countries and the United States, from Latin America to the United States, etc.

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. 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 derangement of 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 seek its causes and ways and means of overcoming it. All-round development of international economic 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.

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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 prosperity of the nations in the postwar world? These are questions that agitate the minds of millions of men and women in all countries, irrespective of their position in society or their political views. Even the ill-wishers and the 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 is respected and the legitimate interests of the parties are recognized, with observance of the principles of

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

non-interference in internal affairs and honest fulfilment of commitments, assumed on the basis of equality and mutual benefit.

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.

J. V. Stalin has more than once stated with utmost clarity that the Soviet Union proceeds from the fact of the inevitable coexistence of the two systems—Socialism and capitalism—for a long period and steadfastly adheres to the policy of loyal 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.

J. V. Stalin says: "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."[**] This statement defines the nature and trend of the Soviet Union's foreign policy and of its integral component, Soviet foreign trade policy, which aim at strengthening peace and the security of the 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 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 the real basis of agreements between the U.S.S.R.

[**] 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. 35:37.

[***] V. M. Molotov, Problems of Foreign Policy, Moscow 1949, p. 253.

and the capitalist countries, J. V. Stalin said almost a quarter of a century ago 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, the Netherlands, Switzerland, Norway, Denmark, Finland, Sweden and a number of other countries.

On the initiative of the Soviet Union the Committee for the Development of Foreign Trade was set up at the United Nations Economic Commission for Europe; the Soviet Government has invariably supported all measures proposed in this commission to re-establish and develop mutually advantageous trade between Eastern and Western Europe. At the sessions of the Economic Commission for Asia and the Far East held in Singapore last October and in Rangoon in February 1952, the Soviet representative spoke of the possibilities for the delivery from 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 by these countries for the conclusion of trade agreements and compensation contracts on the basis of mutual benefit. 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.

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

The Soviet Union and the People's Democracies in Europe and Asia, developing to the utmost multilateral economic and cultural relations among themselves, relations founded on the Lenin-Stalin principle of equality of big and small nations, friendly cooperation, fraternal mutual assistance, and economic and political independence of free and sovereign nations, have attained notable economic progress and a rise in living standards. They by no means strive to limit their trade and other economic relations to themselves, however. The U.S.S.R. and the states friendly to it are in principle confirmed opponents of closed trade, conducted along two channels isolated from one another, and are steadfast supporters of free, multilateral trade on the basis of equality and mutual benefit.

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—food and coarse grain, foodstuffs, timber, coal, oil products, certain metal ores, fertilizers, furs, industrial equipment and other highly important goods greatly needed by industry and agriculture of the Western countries. In exchange for these commodities they are interested in the imports of overseas textile fibres, hides and skins, rubber, certain nonferrous metals, spices and other groceries, and machinery from the industrial countries of the West which are greatly pressed for markets to dispose of these goods.

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 in Europe and Asia 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

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

commitments, especially and first and foremost the commitments assumed at the Potsdam Conference; the militarization of the economies 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 the deterioration of economic relations among the nations. 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 senseless policy of economic warfare and blockade.

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 contracting parties to the Geneva General Agreement on Tariffs and Trade "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 prohibited imports of certain types of furs from the Soviet Union, China and Poland. The United States Congress approved the Kern 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, the Battle Act threatens to deprive United States allies of "aid" if they do not comply with its provisions. The United States, Britain, France, Belgium, the Netherlands 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.

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.

The question arises—whose interests suffer most from economic warfare: the blockaded countries or the countries that instituted the blockade? There can be no doubt that the above discriminatory measures were meant to retard the economic development of the U.S.S.R., China and the countries of Central and Southeast Europe, to undermine their economies. However, the unceasing economic progress and rising living standards in these countries 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, for 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 possesses 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, crisisless economy of this combination of countries 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.

The rupture of natural, traditional trade relations with the East strikes the West-European countries first and foremost and hardest of all. An analysis of their damages resulting from 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 capital goods and manufactured articles; aggravation of the dollar deficit, shortage of gold reserves, and greater chaos in the foreign exchange sphere; keener competition for markets, which adds to their already considerable economic difficulties.

Prior to the Second World War the West-European countries covered by shipments from Eastern Europe 35-60 per cent of their timber import requirements, 20 per cent of wheat and eggs; 18 per cent of coarse grain; 10 per cent of sugar and 7 per cent 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 dropped more than 78 per cent; wheat and sugar, 75 per cent; eggs, 66 per cent; meat, more than 50 per cent and tobacco, 92 per cent.*

This unfounded cut by West-European countries of imports 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.

In order to compensate this depletion of resources at least partly the West-European countries are forced to buy the respective goods from the United States and other dollar freight countries. This means not only a misshapen and irrational change in the geographic distribution of commodity circulation but also entails more economic losses for the importing countries. West-European countries bear triple losses on imports from the United States; they pay inflated prices, overpay for transportation in view of artificially raised freight rates, and they have to divert big tonnage for these irrational shipments.

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. Foreign trade of these two parts of a single continent strongly differs 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 barter operations. By

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

renouncing such trade the countries of Western Europe act only to their own detriment, showing that they do not wish to reckon with economic considerations.

As distinct from such trade, the trade carried on by West-European countries with the United States and other dollar area countries aggravates the crisis of their trade and balances of payment, 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 competitors for foreign markets. They export in many instances the same merchandise. 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 adverse trade balance of the West-European countries comprised the huge sum of 22,000 million dollars-a fact without precedent! In 1951 alone the adverse balance of trade of these countries with the United States and Canada amounted to 2,200 million dollars; Britain had in the same year a foreign trade deficit of 1,200 million pounds, or 3.5 times above the 1950 deficit. Needless to say, in covering their adverse 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

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

was made by J. V. Stalin in 1927. Since then the Soviet Union has become a major industrial power which produces all types of machine tools and other machinery, 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 manufactured in Western countries with a highly developed industry, are of undoubted interest for the rapidly advancing economy of the Soviet Union. 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 as well.

Objective 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 per cent; France, 55 per cent; Belgium, nearly 70 per cent; Germany (Western), 72 per cent, etc. Formerly Eastern Europe was one of the main 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 with an 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 per cent; in that year many countries did not even regain their prewar level of exports. Among these are Belgium, Sweden, Germany (Western), Ireland, India, Brazil, Japan, etc. According to the *United*

States News and World Report, British exports in the first half of 1951 increased only 14 per cent compared with 1950, while the exports of Germany (Western) rose 56 per cent and of Japan 61 per cent. 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. Indeed, Japan has already surpassed Britain in the export of textiles and has invaded the sterling area countries, Britain's natural market. This is an inevitable consequence of the fact that Japan was forced to break her traditional trade ties with neighbouring China and her export output was routed to markets of the British countries.

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 all-round 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, trade boycott and discrimination. This is demanded by the vital interests of the peoples. That is why business circles of many countries place great 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.

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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 an worsening the working and living conditions of the population. Improvement of the living standards in the Western countries is perhaps the most important and burning issue of our day.

The militarization of the economy in the Western countries deforms foreign trade, disrupts economic relations among nations, their exchange of raw materials and industrial production, and hampers technical progress and international business cooperation. Militarization and its inseparable companions—greater inflation, higher prices and taxes and a rise in unemployment—bring distress not only to the workers, peasants and office employees in the countries of Western Europe. America and Asia but also to many thousand owners of small and medium industrial and trade establishments and even big manufacturers engaged in civilian production. It is no secret that owing to militarization of the economy and disruption of the free exchange of commodities, enterprises putting out civilian goods are deprived of shortage raw materials and other supplies, man power, credits, etc., necessary for their operation and that 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.

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 foodstuffs formerly supplied by Eastern Europe, they began to buy them in the dollar area, 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, intends to cut imports by 170 million dollars in the first half of the current year; Britain contemplates an annual reduction of 500 million pounds sterling, with a curtailment of 130 million pounds sterling in the import of foodstuffs. This policy means a decline in the imports per capita (in Britain they dropped 13 per cent from 1913 to 1950) and a reduction in consumption. For example, in Britain the per capita consumption of meat in 1951 was 40 per cent below the annual average for 1934-38; the consumption of bacon and ham was reduced 29 per cent; butter, 40 per cent; tea, 23 per cent; sugar, 16 per cent; dried fruit, 28 per cent; rice, 38 per cent, etc. A similar situation prevails in other Western countries.

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 it needs and many types of raw materials for industry, but would also provide this industry 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 delivered. In 1951 Maurice Webb then British 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 also of great importance for increasing employment the Western countries, in most of which unemployment has acquired menacing proportions. This point is proved by history.

During the world economic crisis, in 1930, the Soviet Union was the only country out of 38 which, far from reducing, increased trade with the United States. The Soviet Union then held second place in American exports of industrial equipment, and in 1931 advanced to first place. In that year the United States shipped to the Soviet Union 74 per cent of its total foundry equipment exports, 70 per cent of crushing mills, 68 per cent of forging and stamping equipment, 67 per cent of agricultural machinery, 65 per cent of its machine tool exports, etc. Millions of American workers were then assured jobs by Soviet orders.

It is well known that the United States has always found trade with the Soviet Union advantageous from the standpoint of its balance of trade. For example, in the five years from 1926 to 1931 the favourable balance of the United States in its trade with the Soviet Union amounted to almost 400 million dollars. The American weekly *National Guardian* has written that the American embargo on trade with Russia, Eastern Europe and new China means the loss of jobs for three million American workers who would have employment if trade between the West and the East were resumed.

Great interest in the expansion of economic relations with the Soviet Union, the Chinese People's Republic and the European People's Democracies is manifested in the economically underdeveloped countries. Trade would facilitate the delivery of a wide range of industrial equipment, machine tools and other machines the backward countries are greatly in need of and which they practically cannot obtain from the industrial countries of the West. In exchange for these deliveries they could export to the U.S.S.R. and the countries friendly to it a wide assortment of their produces, which would also facilitate greater employment of their population and raise their living standard, which now does not meet their prime vital needs. The population of the backward countries have in the

Soviet Union a loyal defender of their rights to national self-determination and economic independence, for the Soviet Union firmly and undeviatingly adheres to the principle of equality of nations, big and small, and recognition of their legitimate interests.

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 among states are one of the major factors impending normal economic cooperation. But economic cooperation and consolidation of peaceful reasons among countries are interdependent. 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 International Economic Conference which is to open in Moscow has special significance. 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 many of the urgent problems of our times.

Soviet economists extend their wishes of success to the International Economic Conference.

ACADEMICIAN STANISLAV STRUMILIN — 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 cooperation 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 the present world cleavage is not so deep as to preclude cooperation 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, Cooperators, 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 cooperation*—cooperation 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* coexistence of the two systems which has been proved beyond all doubt by past experience. Economic *competition* does not rule out mutually advantageous cooperation in world trade and in technical, scientific, and cultural progress. In fact, both sides find this *cooperation* necessary, notably in such matters as supply of essential materials.

Why, then, has this peaceful cooperation been disrupted, and its future jeopardized? Why all these discriminatory measures—the Battle Act, the embargo on trade with Eastern and South-Eastern 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, manganese 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 man power 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 aluminium 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 ruling *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.

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A. KORELENKO — THE PRINCIPLES OF EQUALITY AND MUTUAL BENEFIT IN TRADE RELATIONS BETWEEN THE U.S.S.R. AND THE EUROPEAN PEOPLE'S DEMOCRACIES

Throughout its history the Soviet Union has invariably evinced a readiness to cooperate economically with all countries, irrespective of their social and economic systems, on a basis of equality, mutual benefit and scrupulous fulfilment of commitments, strictly observing the principles of non-interference in domestic affairs, respect of national sovereignty and regard for the legitimate interests of all states whether they be big or small. Consistently championing these democratic principles of international relations, the U.S.S.R. firmly stands for the consolidation of friendly all-round cooperation among the nations.

"Our foreign policy is clear," Joseph Stalin has said. "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."*

The peace policy of the Soviet Union, its desire for cooperation with all countries, is not a transitory phenomenon, but springs from the very nature of the Soviet social and state

* 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. 36-37.

system and from the interests of the Soviet people. It is a policy that corresponds to the hopes and aspirations of all nations. The guiding principle of Soviet foreign policy as a whole and foreign trade policy in particular is to be found in these words uttered by Stalin, the great leader of the people: "We stand for peace and the strengthening of business relations with all countries. That is our position; and we shall adhere to this position as long as these countries maintain like relations with the Soviet Union, and as long as they make no attempt to trespass on the interests of our country."[**]

The sweeping advance of industry, agriculture, transport and the other branches of the Soviet Union's national economy in no way tends to curtail its foreign trade. On the contrary, its trade with other countries is steadily expanding, for this serves as a source of additional material resources making for a still higher rate of economic development at home. "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."[***]

Normal development of trade and other economic relations among all countries on a basis of equality and mutual benefit, irrespective of social and economic systems, would consolidate friendship between peoples, help to preserve and strengthen peace and general security, promote a fuller utilization of

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[**] J. V. Stalin, *Report to the Eighteenth Congress of the C.P.S.U.(B.) on the Work of the Central Committee*, Moscow 1951, p. 26.

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

industrial capacities and give employment to a greater number of people in the Western countries, thereby raising the living standard of millions. Such a policy would coincide with the interests of business circles cooperative organizations and trade unions in all countries. Hence the keen interest evinced by representatives of industry, commerce and banking, economists, cooperative organizations and trade unions throughout the world in the International Economic Conference to be convened in Moscow on April 3-10.

* * *

The close cooperation existing between the U.S.S.R. and the European People's Democracies offers an example of a new type of relationship between equal, free and independent nations—relations founded on the principle of equality of all nations, big and small of non-interference in each other's internal affairs and mutual respect of territorial integrity and national sovereignty—a principle proclaimed by Lenin and Stalin.

The economic relations of the Soviet Union and the People's Democracies rest not on cutthroat competition, not on a big-stick policy and subordination of the weak to the strong, or violation of national independence, but on genuine equality of the contracting parties, reciprocity, and honest and disinterested mutual assistance.

Economic cooperation between the Soviet Union and the People's Democracies assumes a great many forms. It includes trade, joint development and utilization of natural wealth, credits and loans, organization of mixed stock companies and chambers of commerce on a parity footing, technical assistance, scientific and technical cooperation and exchange of information in the fields of engineering and production, cooperation in training skilled personnel sponsoring of exhibitions, etc.

The underlying factor in all these forms of economic cooperation among free and equal peoples is the fraternal assistance rendered to the others by the Soviet Union as the most highly developed country. The Soviet Union, despite the fact that it itself was faced with herculean tasks in eliminating the aftermath of the war, came to the assistance of the countries of Central and South-eastern Europe immediately after their liberation from fascist slavery, helping them in the most varied ways and on an enormous scale to rehabilitate their economies ruined by the war and Nazi looting. The first agreement between the U.S.S.R. and free Poland was signed before the war was over, on October 20, 1944. Under this agreement the Soviet Government at once shipped to the liberated areas of Poland flour, oil and oil products, coal and other goods which they badly needed. The Soviet Union likewise helped Poland rehabilitate Warsaw launch electric power stations, reinstall the radio and telegraph systems, repair bridges, etc.

During the first year of its existence the People's Republic of Bulgaria received from the Soviet Union substantial quantities of foodstuffs as well as raw materials without which it would have been impossible to restart Bulgaria's textile and other industries.

As for Hungary, 40 per cent of its iron ore, 50 per cent of its coke and 100 per cent of its petrol and nickel requirements were supplied by the Soviet Union under a trade agreement concluded in 1945. "The food the Soviet Union shipped us at a time when our industries were at a standstill and there was no supply organization in our country, while the railways and other transport services were in a state of chaos, saved the one and a half million inhabitants of Budapest from starvation," Mr. Ernö Gerö, Vice-Chairman of the Council of Ministers of the Hungarian People's Republic, has written on the aid rendered by the Soviet Union to Hungary immediately after her liberation. "The Soviet Army helped restore the bridges on the Danube and the Tisza which the fascists had blown up. The first raw material needed to start our industries we received from the U.S.S.R."

Since then Soviet assistance to the People's Democracies has been steadily increasing and it now embraces a wide range of branches of the economies of these countries. The Minister of Foreign Trade of the Rumanian People's Republic has observed that "there is not a branch of Rumania's national economy which does not feel at every step this day-by-day aid rendered by the Soviet Union."

Since the war the Soviet people have further advanced their national economy and are now in a better position than ever to assist other nations. In rendering material assistance to the People's Democracies the Soviet Union seeks no political, economic or strategic concession from them. On the contrary, Soviet aid always serves to build up the strength and consolidate the economic and political independence of peoples.

The main factors making for successful economic advancement in the People's Democracies, apart from measures taken in the sphere of domestic policy and the constructive efforts of their own people, are the multiform aid rendered by the U.S.S. R. as well as economic cooperation and assistance among themselves. Within an amazingly brief space of time they have healed the wounds of war, rehabilitated their industry, agriculture and transport, and left the prewar levels far behind in all key fields, while raising the material and cultural standards of the population. By the end of 1951 the prewar level of industrial output was nearly doubled in Czechoslovakia, more than doubled in Rumania nearly trebled in Poland and Hungary, more than trebled in Bulgaria, and more than quadrupled in Albania.

A key element in the economic relations of the U.S.S.R.

and the People's Democracies is their close trade ties.

Before the Second World War the big Western Powers, taking advantage of the dependence of the countries of Central and South-eastern Europe on foreign markets, used their trade relations with these countries to subordinate them and retard the development of their national economies. After the war the situation changed radically. The trade relations of the People's Democracies with one another and with the Soviet Union are a powerful factor promoting the growth of their productive forces, advancing their economies and consolidating their economic and political independence. The keystone of these relations is the principle of equality and mutual benefit.

Trade between the People's Democracies and the Soviet Union is increasing rapidly from year to year. By 1949 the People's Democracies accounted for about two-thirds of the Soviet Union's imports and exports, which had increased substantially since the end of the war and amounted in that year to more than double the physical volume of the U.S.S.R.'s foreign trade before the war. Since then trade between the Soviet Union and the People's Democracies has been continuing to grow steadily.

Annual goods deliveries between the U.S.S.R. and Poland under the five-year Soviet-Polish agreement for 1948-52 concluded on January 26, 1948, were increased by 35 per cent in 1949. The following year trade between the two countries, including deliveries of capital and other goods from the Soviet Union under credit arrangements, was further increased by 34 per cent in comparison with 1949. On June 29, 1950, a Soviet-Polish protocol was signed once again increasing the volume of trade for the last two years of the January 26, 1948, agreement. An agreement on trade for the 1953-58 period calling for a further increase was concluded at the same time. The projected annual average for 1951-58 was raised by more than 60 per cent in comparison with the actual annual imports and exports in 1948-50. Since the war Soviet-Polish trade has increased five times over.

The five-year economic agreement concluded between the U.S.S.R. and the Czechoslovak Republic on November 3, 1950, provides for a substantial increase in goods deliveries between the two countries in 1951-55. The annual import-export figure has been set at more than 50 per cent above the average for 1948-50. As for trade between the U.S.S.R. and the Rumanian People's Republic, the long-term agreement signed on August 24, 1951, on deliveries of Soviet capital goods and technical aid to Rumania as well as further expansion of imports and exports between the two countries provides for an increase of more than 50 per cent in the average annual trade in 1952-55 as compared with 1948-51. A sizable increase of Soviet-Hungarian trade in 1952-5 is provided for in the long-term agreement on goods deliveries concluded between the two countries on January 23, 1952. Soviet Bulgarian trade is likewise going up steadily: in 1950 its volume was increased by more than 20 per cent in comparison with 1949 and a further rise was registered in 1951.

In the agreements on mutual merchandise deliveries concluded between the Soviet Union and the People's Democracies for 1952, substantial increases were provided for in comparison with 1951.

The Soviet Union's share in the foreign trade of the People's Democracies is steadily increasing. Before the Second World War trade between the U.S.S.R. and the countries of Central and Southeast Europe was negligible, the former's share in the total foreign trade of Poland, Czechoslovakia, Bulgaria, Hungary, Rumania and Albania amounting to less than one per cent. Trade among these six countries too was insignificant and developed exceedingly slowly. Since the war, .however, the situation has changed sharply. Trade has expanded several times over the prewar level both between the various countries of People's Democracy and between them and the Soviet Union. At the present time the Soviet Union occupies first place in their import and export trade, the volume of which is now several times what it was on the eve of the war. The share of the Soviet Union and the other People's Democracies in the foreign trade of Czechoslovakia amounted to 60.5 per cent in 1951 as compared with 45.5 per cent in 1949. In Bulgaria's foreign trade it amounts to over 80 per cent. Of Hungary's import trade 56.6 per cent and of her exports 66 per cent fell to the share of the U.S.S.R. and the People's Democracies in 1950, and the percentages went up still higher in 1951.

The bulk of Soviet exports to the People's Democracies consists of capital goods for factories, mills, power stations, etc., under construction. Machine tools, other industrial equipment and raw materials supplied by the U.S.S.R. under trade and credit agreements are of enormous significance in accelerating the pace of industrialization in these countries, helping as they do to strengthen and develop further their industries and to reconstruct their national economies in accordance with the last word in technical achievement. In their turn, goods deliveries from the People's Democracies to the U.S.S.R. serve as an additional factor speeding up the fulfilment of the latter's economic plans.

The advance of the Soviet Union's peace economy has enabled it not only to expand steadily the export of various kinds of machinery but also, to ship to the People's Democracies complete sets of equipment for industrial enterprises—manufacturing, electric power and other plants. The importance of such deliveries for the acceleration of industrialization of the People's Democracies was noted by the Bulgarian *Rabotnichesko Dielo*. "Never before in the history of the peoples," the paper said, "has there been a case of a country supplying another with complete new factories, electric power stations, and industrial, agricultural and other machinery when it needed them itself."

Industrial equipment supplied by the Soviet Union and Soviet scientific and technical assistance have played a cardinal role in the construction in Poland of a new iron and steel industry centre and other important industries. Bulgaria's new nitrogen fertilizer plant named after Comrade Stalin—a plant in which the people of that country take particular pride—was equipped with Soviet machinery. Soviet industrial equipment and raw materials helped Rumania set up her own large-scale engineering industry, the foundation of her industrialization. The plants launched in postwar years in the People's Republic of Albania are almost exclusively equipped with Soviet-made machinery. "Our industry has been expanded and strengthened by plants equipped with first-class Soviet machinery," Mr. Enver Hoxha, the head of the Albanian Government, said in summing up the substantial accomplishments of the Albanian people in the rehabilitation and development of' their country's national economy. "These plants are the Stalin Textile Mill, a large sugar re finery, the Lenin Hydroelectric Power Station, a cotton-ginning mill, a woodworking mill and other plants already in operation."

During the first years after the war trade agreements were concluded between the U.S.S.R. and the People's Democracies for terms not exceeding one year. Latterly, however, they have been supplanted by long-term agreements covering periods of from four to six years. Such agreements, concluded with Poland, Czechoslovakia, Hungary, Rumania, the German Democratic Republic and the Mongolian People's Republic, provide a still greater stimulus to trade, make it possible to plan deliveries for years ahead and to dovetail them with the general economic plans. At the present time, when the European People's Democracies are successfully carrying out their five- and six-year economic plans, long-term trade agreements with the U.S.S. R. have acquired exceptional importance to them as guarantees of the steady and increasing growth in material resources needed to implement their economic programs. Such agreements lend still greater stability to their trade relations and play an important role in strengthening their planned economies.

The trade agreements between the U.S.S.R. and the People's Democracies are based on the principle of balanced deliveries for each six-month period throughout the term of the agreement. If in the course of a six-month span one of the contracting parties ships goods to a greater value than the other, the difference must be balanced at the end of the period. In case one of the parties does not equalize by the end of the year, it is given another three months in which to make good the lag.

This exchange of goods is effected on the basis of fair prices fixed by common agreement, with the same standards applied to both sides. This makes any inequality of deliveries impossible.

The foreign trade policy of the U.S.S.R. and the People's Democracies, just as their foreign policy in general, precludes any approach to international commitments from the standpoint of momentary advantage; in other words, they do not countenance any arbitrary, unilateral amendment or denunciation of treaties and agreements or their separate provisions. In their foreign relations these countries strictly adhere to the principle of scrupulous observance of all treaties and agreements they have signed, trade agreements included. Strictly observed in day-to-day trade practice, this fundamental precept governing relations between the Soviet Union and the People's Democracies plays an exceedingly important part as a guarantee that all parties can count on receiving the machinery, raw materials, etc., contracted for within the prescribed time limits. Full certainty of this serves further to strengthen the planned economies of these countries.

Trade agreements with the Soviet Union ensure the People's Democracies a vast stable market for their exports. This eliminates serious problems that ordinarily confront exporters, particularly the small capitalist countries, which are not in a position to capture markets for themselves and hence at best' are compelled to sell their goods for next to nothing.

The system of payments established between the Soviet Union and the People's Democracies meets the interests of the contracting parties and tends to stimulate trade. All clearing accounts opened by the banks of both sides are kept in rubles, the most stable currency in the world today, and the exchange rates are agreed upon jointly.

The stability of the trade relations of the People's Democracies with the Soviet Union is ensured by state economic plans and trade agreements which are observed to the letter as regards time limits and quantities and quality of deliveries. Moreover, trade with the U.S.S.R. safeguards their economies against the pernicious effects of capitalist market fluctuations, manipulations on the currency and commodity exchanges.

In 1945-51 the Soviet Union granted loans and credits to Czechoslovakia, Poland, Rumania, Bulgaria, Albania and the Chinese People's Republic, the most common forms of the credit arrangements being for financing deliveries of Soviet industrial equipment and commodities. Capital goods, raw materials and other goods obtained on credit from the U.S.S.R. constitute a substantial addition to the goods received by the People's Democracies under their trade agreements with the U.S.S. R.

The terms of the Soviet loans and credits are highly advantageous to the recipients as regards both interest rates and payments on the principal. For instance, in 1948 the Soviet Union granted Poland medium-term credits of up to 450,000,000 dollars to finance purchases in 1948-56 of Soviet industrial equipment, in particular for a large new iron and steel mill, power plants, chemical (nitrogen fertilizer, soda, carbide, etc.) works, metalworking, textile and other industries, as well as equipment for the rehabilitation of cities and ports. Under the Soviet-Chinese credit agreement of February 14, 1950, which is largely similar to agreements between the U.S.S.R. and the European People's Democracies, the Chinese People's Republic was granted long-term credits at one per cent interest to be used within five years for the purchase of Soviet capital goods and materials, including electric power, iron and steel, engineering, coal and ore mining, railway and other transport equipment, rails and other items needed for the rehabilitation and further development of China's national economy. It is to be paid back in ten years in equal annual instalments.

An important form of economic cooperation is mutual scientific and technical assistance, and in the first place that rendered by the Soviet Union. This assistance is of vital significance for the People's Democracies in view of the ambitious scale on which they are building up their industries and of the fact that most of them used to be backward, agrarian countries.

The extensive technical assistance given by the Soviet Union to the People's Democracies assumes numerous forms. On the request of the various governments Soviet experts conduct surveys and research work on the spot, draw up projects for the construction of major factories and mills, electric power stations, mines and other industrial establishments on the most modern scientific and technical patterns. Soviet engineers help in the construction of new industrial enterprises, installation of machinery and launching of production. They also render assistance in the manufacturing of new articles and in introducing the latest, most productive methods of work.

Soviet assistance to the People's Democracies also takes the form of transferring, free of charge, licenses, designs and other technical information, and the training of engineers and workers from these countries at plants in the Soviet Union. The mixed joint-stock” companies set up on a parity footing in Hungary, Rumania and other countries and operating on the basis of genuine cooperation and respect for each other’s interests playa noteworthy role in spreading the most advanced methods of production and industrial management. The plants being built by Soviet engineers and skilled workers in the various People’s Democracies on the request of the respective governments and equipped with Soviet machinery also serve as a school for local engineers, technicians and workers. In other ways too the signal accomplishments of Soviet innovators in production are finding ever wider application, contributing to the rapid advance of professional skill among the production and engineering personnel of the People’s Democracies.

The exchange of scientific and technical information proceeds in conformity with long-term agreements. The U.S.S.R. has concluded such agreements with Poland, Czechoslovakia, Hungary, Rumania, Bulgaria and Albania, and also with the German Democratic Republic. In these agreements the contracting parties undertake to promote cooperation in science and engineering by exchanging information in these fields as well as on the latest production methods. Provision is made for the establishment of mixed commissions consisting of five members from each side whose duty it is to work out ways and means for achieving the objects of the agreements and to submit corresponding recommendations to their respective governments. The commissions meet no less than twice a year, alternately in the capitals of each of the contracting parties. The term of the agreements is five years with a provision for automatic extension for the next five-year period. Extensive utilization of each other’s scientific and engineering accomplishments helps to speed up the rate of industrial and agricultural development in the countries concerned.

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Peaceful economic upbuilding proceeds on an enormous scale in all the People's Democracies. The working people of these republics have made exceedingly substantial headway in building up a new life for themselves, implementing sweeping plans of economic reconstruction, industrialization and electrification, mechanization of agriculture and the construction of new towns and villages. In all this rapid development of national economy in general and industry in particular the key factors have been the timely, regular deliveries of the most modern industrial equipment, machine tools and other machinery, of raw materials, fuel and food from the Soviet Union, the credits and loans it has granted, and the technical assistance it has rendered. Economic cooperation with the U.S.S.R. and with one another is one of the levers making for progress in the national economy of these countries and further improvement of the living standard of their population.

From year to year the industries of the people's democracies are launching the production of ever new lines of output with the decisive bearing on the industrialization of these countries. Rumania, for instance, has begun to produce special steels, steel cable, powerful engines, improved models of machine tools, hydraulic presses, turbogenerators, transformers and tractors. Serial manufacture of oil equipment and multiple production units has also been inaugurated, and last year Rumanian plants with Soviet assistance started putting out new models of machines for the coal mining, oil and building industries, harvester combines, crawler tractors, hoist and elevator installations, ball bearings, etc.

A number of new industries which she never had before have been established in Poland—industries producing heavy and specialized machine tools, tractors, motor lorries, seagoing vessels, synthetic materials, and modern artificial fibres. Poland now has a highly developed industry turning out equipment for iron and steel works, coal mines, and chemical, paper and other plants. Last year the production of coal-mining combines, coal-cutting machines, new types of metalworking machine tools, oil equipment, etc., was started with the Soviet Union's assistance.

Bulgaria too has made substantial progress in developing new industries. She now has her own engineering, shipbuilding, chemical and electrical equipment industries, and her plants have launched the production of lathes, planning and grinding machines, compressors, gas generators and transformers. Last year Bulgarian engineering works put more than 100 new types of machines into production. The other People's Democracies likewise registered signal achievements in starting new lines of industrial production.

The growth of industrial output in the People's Democracies is accompanied by a radical improvement in the living standard of the population. Unemployment has been done away with, and hundreds of thousands of new jobs open up in industry every year. In 1951 the number of workers and other employees engaged in industry increased in Poland by nearly 12 per cent and in Czechoslovakia by 4 per cent as compared with the previous year, while in Hungary the number went up by 109,000 and in Rumania by 210,000.

Last year was also marked by a continued rise in real wages in all the People's Democracies. In Hungary the wage fund increased by 22.4 per cent in comparison with 1950. The purchasing power of the population is steadily growing, with the result that m Poland, for instance total retail trade last year increased by 11 per cent, and in the state and cooperative trading system by nearly 25 per cent over 1950. In Czechoslovakia 23 per cent more butter, 2.6 per cent more pork fat, 8 per cent more synthetic fats and sugar, 19 per cent more tea, 20 per cent more sweets and 26 per cent more vegetables were sold to the population last year than in 1950, to mention only a few items. In Rumania retail sales of manufactured goods increased by 22.3 per cent. Bulgaria ended the rationing of manufactured goods in the spring of 1950, and Hungary did away with all rationing and went over to unrestricted trade in February 1952. In all the People's Democracies the prices of consumer goods are being reduced and the living standard of the population has risen far above the prewar level.

The economic and political achievements of the People's Democracies In Europe and the consolidation of their state systems offer tangible evidence of what can be accomplished in friendly cooperation with the Soviet Union and with its assistance. They show how countries can preserve economic and political independence, and ensure rapid economic development and improvement of the living standard of their population.

Y. KOTKOVSKY — EXPANSION OF ECONOMIC RELATIONS — ITS EFFECT ON EMPLOYMENT IN CAPITALIST COUNTRIES

The problem of markets is one of the most pressing issues for capitalist countries today. Difficulties in the marketing of goods leave industrial capacities idle and result in a growth of unemployment which has reached alarming proportions in many countries. The disorganization of international economic ties renders the problem of markets still more acute. The fetters binding world trade add to the difficulties in the sale of goods and further swell the armies of unemployed.

Can the development of international trade promote greater employment in the capitalist countries? Undoubtedly, the answer to this question is positive. The re-establishment and consolidation of international economic cooperation on the basis of equality and mutual advantage is in the interests of all peoples. The expansion of world trade will not only help to relieve tension in international relations, but will also favourably affect production, raise employment in the West and provide jobs to millions of unemployed who suffer incredible hardships and privations. Normal trade with the U.S.S.R., the European People's Democracies and the Chinese People's Republic—and they represent both vast markets and sources of raw materials, foodstuffs and industrial equipment—will provide orders for the civilian industry of Western countries, accelerate the industrial development of underdeveloped countries and in this way draw into production vast numbers of people.

It is known that the Soviet Union favours utmost development of international trade. The Soviet Union proceeds in its peace-loving foreign policy from the possibility of the peaceful coexistence and cooperation of two systems for a long time to come. Speaking of temporary agreements with capitalist states in industry and trade, Joseph Stalin stressed that "the existence of two opposite systems, the capitalist system and the socialist system, does not exclude the possibility of such agreements. I think that such agreements are possible and expedient in conditions of peaceful development.

"Exports and imports are the most suitable ground for such agreements."[*]

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The deep-going-derangement of international economic relations is strikingly revealed in the fact that exports lag behind industrial production in the capitalist countries. For example, if the ratio between exports and industrial production in 1937 is to be taken as 100, in 1950 it amounted only to about 80. In other words, during these fourteen years exports receded more than 20 per cent compared with the trend of industrial production, although the latter is stagnating in capitalist countries. The attempts to exclude from international trade the Soviet Union which holds the second place in the world for the volume of industrial production, the Chinese People's Republic and the European People's Democracies, i.e., countries with a third of the world's total: population, had an extremely adverse effect on exports as well as production and employment in the capitalist world. In 1950 exports from all capitalist countries (except the United States) did not reach the level of 1937.

The question might naturally arise, whether this stagnation in exports. and the gap between exports and industrial production are not due to the fact that a greater part of the output in each country is being absorbed by the home market. This, of course, is not the case. Quite the reverse, a relative contraction of the home market capacity is taking place in all

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

capitalist countries, this being due to the growing impoverishment of the working masses who are the main consumers. At the beginning of 1950 real wages of British workers were 25-30 per cent below prewar; in France they do not comprise even half and in Western Germany two-thirds of that level. Average wages of Italian workers in 1950 amounted only to 38 per cent of the minimum cost of living, while the living standard of Japanese workers was 60 per cent below prewar. In all these countries consumption of the main foodstuffs lags behind prewar.

The gap between exports and industrial production is being widened also because the development of industry in capitalist countries proceeds not in normal conditions and is of a one-sided, war character. Production is rising only in the war industries or industries closely allied with them. As for the production of civilian consumer goods, it is on the decline in the United States, Britain, France, Italy and other countries, without having in most cases regained the prewar mark. Especially pronounced has this tendency become since the second half of 1950, after the outbreak of hostilities in Korea. The war industries. of the United States absorbed more than half of the country's entire steel output during the second half of 1951, according even to moderate estimates. The production of armaments in West-European countries increased 100 per cent in 12 months since the middle of 1950, and continues to mount.

The curtailment of international trade and the militarization of the economy of Western countries hits hard the working class and the peasantry, office employees, professional men and intellectuals, the owners of small and medium industrial establishments, merchants and big manufacturers producing civilian goods. Small and medium industrial establishments as well as factories and mills putting out civilian goods are deprived of many raw materials and supplies necessary for their operation. These establishments are forced either to introduce a shorter working week or to close down. Workers are dismissed in big numbers from civilian industries establishments.

The rise in war production cannot increase employment, as some bourgeois economists, followers of Keynes, maintain, because life has shown that greater war production is obtained first of all not by drawing fresh contingents of workers into industry but by making the conveyers and machines run faster, in other words, by speeding up the workers already employed. The total number of unemployed, fully or partly, exceeds 45 million in capitalist countries (not counting concealed unemployment).

Unemployment is greatest in the *United States* which has 16 million people fully or partly jobless. American government agencies admit that the rise in unemployment is caused by difficulties in the sale of civilian goods. "The biggest declines are in the textile, apparel and leather industries," the Bureau of Statistics of the U.S. Department of Labour reported at the end of 1951. "Employment in these industries has been dropping since early last spring because of high inventories and reduced sales."

In 1951 the automobile industry of the United States was running at about half of its capacity because it encountered serious obstacles in the sale of civilian output and in obtaining the necessary raw materials. This brought about an increase in unemployment. In Detroit, the centre of the automobile industry, the number of jobless increased five times. over during last year and reached the figure of 200,000 by the beginning of 1952. The American magazine *March of Labor* stated that every fourth worker in Detroit was jobless.

A considerable rise in unemployment is registered also in other industrial centres of the United States. *The New York Herald Tribune* reported on October 11, 1951 that there was substantial unemployment in twenty-two cities because of wholesale layoffs in the automobile industry. At the end of last year almost 70,000 workers were dismissed in ladies' garment factories of the State of New York; textile and woollen mills in New England laid off 50,000 workers, and so on. Expansion of war production does not reduce unemployment in the United States. *Union*, newspaper of the American Mine, Mill and Smelter. Workers Union, pointed out that for every worker hired in the war industry one or two unemployed are added in the civilian industries. Total employment in the United States declined by 500,000 in but one month—from October to November 1951.

With unemployment on the increase and the purchasing power of the population on the downgrade, the consumption of goods is declining in the United States and the stocks of unsold goods are growing. For example, retail inventories increased more than one-third in the middle of 1951 compared with the beginning of 1950, while the total business inventories reached the record sum of 70,000 million dollars at the end of 1951 compared with 51,000 million dollars in 1949. Moreover, the increase in unsold stocks of goods is taking place, notwithstanding the drop in civilian production. The result is that the number of industrial and commercial failures in the United States was 2.4 times greater in 1951 than in 1947.

Britain is undergoing tremendous economic difficulties. Addressing Parliament at the end of 1951, Churchill, Prime Minister, spoke of the threat of "national bankruptcy"; Mr. Butler, the Chancellor of the Exchequer, on his part, stressed the possibility of the "collapse of the whole economy" of Britain. Gordon Schaffer wrote in the *New Central European Observer*: "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."

The number of unemployed and part-time workers in Britain increased compared with 1948 and exceeds the one-million mark. Factories of the British electrical equipment industry producing household electric appliances are operating only at 25-30 per cent of their production capacities. Shipbuilding companies in Northeast Scotland specializing in fishing vessels are in great straits. There were seven shipbuilding companies in Peterhead several years ago, but only one remains now. Several shipbuilding companies in other towns did not launch a single vessel last year. The secretary of one of the regional trade union organizations said that there were more unemployed members of the union at the shipyards now than ever since the war ended. According to the statement of shop stewards of the Shipbuilding and Engineering Workers' Confederation, many engineering plants work only four days a week.

Employment dropped sharply in the clothing industry of Britain which now has 25,000 totally jobless and many thousand part-time workers. A four-day working week has been introduced in the textile industry almost throughout the country. Approximately 2,000 workers are being laid off in the coal mines every month. Employment is on the downgrade also in the automobile industry. Unemployment has reached big proportions in the furniture industry of London. In the year from September 1950 to September 1951 retail sales of textiles in Britain dropped 14 per cent and of household goods 12 per cent. The artificial curtailment of trade with the U.S.S.R., the European People's Democracies and China undermined Britain's economic position. The *Statist* admitted 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 Western European countries."

French industry is experiencing serious hardships. The production of railway equipment has dropped. A shorter working week is spreading in the textile industry due to sales difficulties. The number of workers engaged in the textile industry declined from 900,000 in 1929 to 600,000 in 1950. There are wholesale layoffs in the shoe industry.

The results of the disastrous policy of disrupting trade with the U.S.S.R., the countries of Central and Southeast Europe and China are strongly felt by the population of French Mediterranean ports through which lively trade with these countries was conducted in the past. French shipyards employed 80.000 workers in 1948; now only 42,000 are working, France has now more than 500,000 jobless. In 1951 there were four times as many failures as in 1947.

Western Germany together with the Western sectors of Berlin has more than two million jobless, i.e., five times as many as in the middle of 1948. In December 1951 alone the number of unemployed in Western Germany increased by 347,000. Unemployment is especially large in those West-German provinces that depend on trade with the German Democratic Republic as well as the European People's Democracies and the Soviet Union. Life in the one-time bustling old Hanseatic ports of Hamburg and Bremen has almost come to a standstill. The unwise actions of the western occupation authorities and the Bonn government which seek to restrict the direct and transit trade of these ports with other Baltic ports inevitably lead to a further rise in mass unemployment among industrial workers and dockers. Hamburg, for example, had 100,000 unemployed at the beginning of 1952.

In the Western sectors of Berlin the number of unemployed exceeds 300,000. In other words almost every fourth worker in the Western sectors of the German capital is jobless. *Berliner Wirtschaftsblatt* reported in October 1951 that handicrafts in Western Berlin "are at a level which far from making possible the use of the production capacities of workshops does not even guarantee the craftsmen themselves sufficient means for existence. In three years from 1948 to 1951—6,000 small establishments employing 50,000 people failed in Western Berlin.

According to a statement of Öchsle, Labour Minister of the Bavarian government, restrictions on imports of Czechoslovak coal led to an Increase in the number of unemployed in Bavaria which reached 362,000 in December 1951. Last year the Bonn government put a ban on an order for railway switches placed by Hungary. *Neues Deutschland* reported that this order would have guaranteed workers of a steel mill in Osnabrück employment for six weeks. The upper Franconian porcelain and glass factories found themselves in straitened circumstances in view of the actual disruption of trade relations between Western Germany and Czechoslovakia.

Many industries in *Italy* are experiencing sales difficulties. According to figures of the American magazine *Export Trade and Shipper* (December 1951), the metal working and engineering plants of Italy worked at only 55-60 per cent of their capacity in 1951. Many workers were dismissed from the Nebilolo and Savigliano engineering plants. A shorter working week has been introduced in very many plants, including the country's biggest enterprises. In Torino 85,000 workers are working part time. Most of the Genoa Bay coast shipyards and plants producing equipment for ships and ports worked only at 15-30 per cent of their capacity last year, while all shipyards were idle in San Giorgio. Of all these enterprises only one, Carpentaria, operated at full capacity; it was filling an order of the Soviet Union for cranes. Unemployment in Italy increased about one and a half time from 1947 to 1951. The country now has four-five million wholly and partly unemployed.

In *Belgium* the textile, shoe and car-building branches of industry are in a difficult position. In 1947-48 these branches employed 18,000 workers and now only 2,500. Many glass factories introduced a four-day working week on December 1, 1951. With the production of river vessels declining, employment at the shipyards was cut by more than half in 1951 compared with 1948. On the whole, unemployment in Belgium was more than three times greater in 1951 than in 1941 and reached the figure of 350,000 at the beginning of the current year.

In *Holland* civilian production is declining and unemployment is mounting. In 1951 the number of unemployed in the country was 2.5 times above 1947. The consumption of foodstuffs, textiles, footwear and furniture dropped sharply throughout the country. From November 1950 to November 1951 the sale of these goods shrank approximately one-fifth. The number of failures in 1951 was 10 per cent above the preceding year.

From 1947 to 1951 the number of unemployed increased more than seven times over in Austria and three times in Norway and Denmark.

The impact of exceedingly grave economic difficulties, aggravated by the derangement of normal international trade, is felt not only in the Americas and Western Europe but also by the countries of Asia, by Australia, New Zealand, etc. The break of trade relations with China strikes hard the economy of Japan. Normal trade with China, whose national economy is developing at a fast pace, would be very advantageous for Japan, would help her solve the pressing problem of foreign markets, provide orders for her civilian industries and increase employment. As matters stand now, Japan has 18 million fully or partly unemployed, including jobless agricultural labourers.

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Facts irrefutably prove that the policy of economic discrimination and trade boycott of the Soviet Union, the Chinese People's Republic, the European People's Democracies and the German Democratic Republic, pursued by the ruling circles of the Western states, has an extremely adverse influence on the economic position of the Western countries themselves, curtailing the operation of industrial establishments and leading to a swift rise in unemployment. Life also demonstrates that this discriminatory policy cannot prevent great economic and cultural progress in the U.S.S.R. and countries friendly to it. In these countries industrial and agricultural production is rapidly growing, reciprocal trade is increasing, the material and cultural standards of the population are steadily rising and the capacity of the home markets is expanding. These countries with their planned economy that is immune to crises and unemployment are engrossed in grandiose peaceful construction and they are confidently consolidating their economic might.

All this goes to stress the advantages which the broadest sections of the population in the capitalist countries could derive from trade on the basis of equality with the Soviet Union, the Chinese People's Republic and the European People's Democracies, advantages from the standpoint of increasing production in their civilian industries and expanding employment.

Facts of the recent past corroborate this point. During the world economic crisis of 1929-33 that shook the economy of capitalist countries to its very foundations, the only country which, far from decreasing, on the contrary, increased the purchase of goods was the Soviet Union, Referring to the importance of the Soviet market for American goods, American Senator Borah said in 1931: "The greatest potential, the greatest developing market in the world for American goods is in Russia." In 1931 the United States shipped to the U.S.S.R. 87 per cent of all exported wheel tractors, up to 90 per cent of combines and 66 per cent of lathes, according to American statistics. Almost 40 per cent of the entire output of the American tractor industry was shipped to the Soviet Union. In 1931 Soviet orders provided employment to about one-third of all the workers engaged in the American industry producing metal working machinery. In 1938 the U.S.S.R. accounted for 35 per cent of the total American metalworking machinery exports, 38 per cent of the machine tool exports, etc. Even in 1946 up to 25 per cent of the total exports of metalworking machinery from the United States were shipped to the Soviet Union.

Soviet orders for capital goods in substantial degree kept busy the production capacities of the manufacturing industry in the United States and gave employment to a big number of American workers. Disruption of trade with the Soviet Union and other democratic countries inevitably leads to a further rise in unemployment in the United States. This is admitted by many American periodicals and various public leaders. For example, 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 three million American workers who would have employment if trade between the West and the East were resumed. Speaking of the need to develop trade between the United States and the Chinese People's Republic, Lincoln Fairley, research director of the International Longshoremen's and Warehousemen's Union of the United States, arrived at the conclusion that if the United States were to maintain the exports to China on the same scale as exports to Mexico, the sale of civilian goods to China would provide work for at least two million Americans.

Soviet purchases of capital goods also provided considerable work for Britain's industries, especially the engineering industry. According to British statistics, in 1932 one-quarter of all exports of the main types of machines and more than four-fifths of the entire machine tools exports were shipped to the Soviet Union. In 1938 the U.S.S.R. accounted for 38 per cent of the total British machine tools exports. In the initial period after the Second World War Soviet orders likewise gave employment to a big number of workers in Britain's manufacturing industry. In 1947, for example, the Soviet Union received from Britain steam boilers and boiler house plants (except water tube boilers) for a sum of 3,962,000 pounds sterling, which amounted to 31 per cent of the entire production of the above equipment in Britain, or 48 per cent of their exports from Britain in that year (8,176,000 pounds sterling).

Trade with the U.S.S.R., providing Britain with foodstuffs and industrial raw materials she is badly in need of, at the same time gives employment. to tens of thousands of British workers. In 1938 Soviet orders for metalworking machine tools alone provided work to more than 10,000 British engineering workers as well as to miners, steel, transport and other workers, without whose labour the manufacture and transportation of the machines is impossible. It should be borne in mind that the Soviet Union imported then not only machine tools; the U.S.S.R. bought in Britain a wide range of goods.

Commenting on the conclusion of the Anglo-Soviet trade agreement of 1947 the Labour newspaper *Daily Herald* stated on December 19, 1947: "The effect of the agreement will be the maintenance of steady employment for at least three or four years for large numbers of British engineering workers. "*The Financial Times* stated in October 1949 that if any agreement were to be negotiated for the sale in considerable volume of machine tools to Russia it would involve a great stepping up of capacity.

It follows from the above that the stringent restrictions introduced by the United States and Britain on the exports of goods to the U.S.S.R., the Chinese People's Republic and the

European People's Democracies reduce employment in the United States and Britain and worsen still more the condition of the American and British workers. This fully applies also to France, Italy, Western Germany, Japan and many other countries. By trading with the Soviet Union and countries friendly to it, they would assure jobs to millions of workers. Berliner Zeitung, a newspaper published in the German Democratic Republic, stressed the point that orders of the U.S.S.R., the People's Democracies and the German Democratic Republic would provide jobs to not less than 500,000 West-German unemployed.

The steadily developing industry in the Soviet Union, Chinese People's Republic, European People's Democracies and German Democratic Republic require, in ever-greater quantities, not only equipment and other goods of the manufacturing industry but also industrial raw materials. Although the requirements of these countries in raw materials are covered in the main by home production and mutual deliveries, however, certain types of raw materials are partly bought on foreign markets. These purchases assure a number of capitalist countries producing raw materials a regular and stable market. For example, Soviet purchases of rubber provide employment to Malayan peasants and workers; purchases of hides by Czechoslovakia open possibilities to Argentinean livestock breeders for the sale of their products, and so on. The re-establishment and development of normal trade relations between all countries, irrespective of their social and economic systems, is of benefit to the peoples of the capitalist countries in all respects. Entire industries in many of these countries will find a secure and guaranteed market. This will make it possible to operate some of the idle industrial capacities and, consequently, to increase employment. Moreover, trade with the Soviet Union, China and the European People's Democracies does not entail a "dollar problem," which is quite acute for most countries of the Western world. Benefits, however, are not limited to this.

The economies of the U.S.S.R. and the People's Democracies develop according to plan. They do not know any crises, various market fluctuations and derangements. Consequently, the establishment and consolidation of economic ties with the Soviet Union and the People's Democracies mean lasting and expanding trade for the capitalist countries. Moreover—and this has been fully proved by the experience of foreign trade—the Soviet Union and the People's Democracies carry out undeviatingly, honestly, on time and to the letter, all commitments that follow from the trade treaties and agreements they sign, as in general all their international commitments. This has repeatedly been confirmed both by representatives of business circles and official spokesmen of Western countries. To cite but one of them. In August 1951 the then British Minister Maurice Webb said: "The Russians do carry out their contracts—and that cannot be said about everybody with whom we are trading."

Goods exported from the Soviet Union and the People's Democracies have won world-wide recognition and high appraisal. Moreover, their appearance on foreign markets facilitates the stabilization of prices. It is known, for example, what big importance is attached to deliveries of timber from the U.S.S.R. by British industrialists, of fodder grain by British farmers and foodstuffs from the Soviet Union as well as Poland and Hungary, by the entire population of Britain. Polish coal is badly needed by France which is compelled to import low-quality American coal at high prices and, besides, to pay for it in dollars.

Deliveries from the U.S.S.R. of industrial and transport equipment, agricultural machinery, building materials and other goods would be of tremendous importance for the underdeveloped countries of Asia, the Far East and Africa.

Such deliveries, which are not made conditional upon any bondage terms, would enable the weaker countries to develop independently their national industry and agriculture and to draw big numbers of workers into production. The steadfast observance by the Soviet Union and the People's Democracies of the principle of equality and mutual advantage, respect for the national interests and independence of all nations, big and small, would enable the underdeveloped countries to supply, in exchange for equipment and machinery, goods produced by their industry and agriculture.

Broad sections of the population in all Western countries, industrial and agricultural workers suffering for a long time the agony of unemployment, numerous industrial and commercial circles subjected to serious difficulties due to the lack of orders and the militarization of economy are openly expressing dissatisfaction with the policy pursued by the ruling circles of their countries which disturbs the historically formed international division of labour and they insist on the re-establishment of normal economic cooperation among all countries, irrespective of their social and economic systems.

A meeting of 3,000 people held in Manchester in December 1951, the Foundry Workers Union and other British trade unions demanded the establishment of normal trade ties and friendly relations between Britain and the Soviet Union. British commercial and industrial circles come out more and more frequently with the demand that the government pursue a foreign trade policy that would accord with the interests of the nation. The *News Chronicle* pointed out that. economic independence is impossible without trade with Eastern Europe. The Labour weekly *New Statesman* and *Nation* holds that trade isolation of the Eastern countries is senseless because it leads to keener competition and to a sharp drop in the living standard in the Western countries, to a rise of unemployment in their industries.

Representatives of commercial and industrial circles and various sections of the population in other West-European countries also express themselves in favour of expanding trade with the U.S.S.R., China, and the People's Democracies in Europe. M. Rene L'Hermitte reported that a group of industrialists in Rome in answer to the question as to the desirability of developing trade among all countries replied that the possibility to exchange goods freely would benefit their industries. *Cite*, the Belgian Catholic trade union paper, pointing out that "Belgian industrial circles are advocating the idea of 'Peace Among Businessmen,'" recalled that "several years ago the artificial fibre factories in Zwijnaerde were saved thanks to Soviet orders." The same newspaper reported that at present, with difficulties in the sale of artificial fibre, Soviet orders received by the Fabelta Company, one of the biggest in Belgium, assured work for the near future for a number of shops of the Company's factories. The German industrialist Arthur Just (Stuttgart), speaking of the need to develop trade relations with the East, stated that "such trade provides the only possibility for abolishing unemployment in Western Germany."

Sober voices resound also among business circles of the United States, whose interests are directly affected by the policy of economic discrimination of the United States against the U.S.S.R. and the People's Democracies. As early as in 1948 when the United States Government openly embarked upon this policy, Mr. Tell Berna, representative of the National Machine-Tool Builders Association of the United States stated that these discriminatory measures confront the American machine-tool industry with big difficulties. *The New York Times* now admits the importance of the Soviet and Chinese markets for the United States and holds that it is these markets that can guarantee the Western countries employment for their industries for many years. Mr. Weir, president of a big steel company in the United States, directly said that it was necessary to resume trade with the Soviet Union and other East-European countries.

The purpose of the International Economic Conference, to be held in Moscow from April 3 to April 10, 1952, is to find the possibilities for improving the living conditions of people through peaceful cooperation of different countries and different systems, through the development of economic relations among all countries; this Conference is called upon to promote the expansion of international trade and thereby help to release many millions of men and women in the West from the tormenting clutches of unemployment.

A. SMIRNOV — NORMALIZATION OF WORLD TRADE AND THE MONETARY PROBLEM

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.

Prominent among the factors that can contribute to normalizing and extending international trade is the adjustment of currency relations between countries and, first and foremost, the stabilization of currencies. At the same time the normalization of international 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 fluctuations in the rate of exchange and various currency restrictions of the Western states to a greater or lesser degree affect the interests of all the countries 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 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.

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 mass devaluation 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 at low prices in dollars for scarce raw materials and strategic supplies both in the countries which had depreciated their currencies, and in their colonies.

In this way the instability of exchange rates, their fall makes for a non-equivalent 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.

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 compelled to restrict the use of certain types pf 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 clue 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, notwithstanding government measures aimed at artificially bolstering up the former price level. 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 consequent deficits in the budgets of the U.S.A., Britain, France, Italy and many other countries are met 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. 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 bank demand 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 complete 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 currency restrictions had been 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 the 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 by virtue of the reasons mentioned above, 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 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 financial measures practised on a large scale in the countries of the West and prompted by the currency crisis. Foremost among these are exchange restrictions.

These restrictions, which mean that the freedom of private currency transactions is abolished and that the available currency resources are distributed by government bodies according to a fixed official rate, which does not depend on foreign currency supply and demand relations, 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 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 de finite 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 practice 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 discrimination 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.

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

Thus we see that more than two-thirds of the world's gold

* 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.

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 law of 1934 concerning gold reserves and the regulations laid down by the President of the United States on the basis of this law the American dollar was depreciated to 59.06 per cent of its former parity, and its gold backing was fixed at 15 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. Paper money, it will be remembered, does not represent the amount of gold of which it has officially been made the equivalent on the basis of par value, but represents the amount which is actually required by the market at a given moment under the conditions of circulation. Although the official "price" of gold in the United States is constant, the dollar is now worth far less gold than the official rate. 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.

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 sum 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.

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 their supplies 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, triple 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. Whilst 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. In France the foreign trade deficit in 1951 ran into 339,000 million francs, i.e., three times as much as in 1950. France's 1951 deficit in her trade with the United States and the countries of the dollar area was 125,300 million francs, and with the countries of the sterling area it was 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 350 million pounds; its food imports it first decided to reduce by 130 million pounds, and then, by another 150 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.

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 can be based on mutual goods deliveries, in which case the West-European or other countries, could pay for the goods they purchase in Eastern Europe not in dollars, but in counter-deliveries of various goods on a clearing basis, without the transfer of currency. The development of such mutually-advantageous trade would undoubtedly help to normalize the balance of payments of the West-European countries and would create the necessary prerequisites for the relative stabilization of their currency exchange rates. The normalization of international economic relations would also alleviate the currency crisis now gripping many of the West-European countries and would gradually place International currency relations, now severely dislocated, on a sounder basis.

A. EVREISKOV — WAYS AND MEANS OF CONSOLIDATING INTERNATIONAL FINANCIAL RELATIONS

International financial relations are an important factor in the development of trade and the strengthening of economic ties between the countries concerned. For commercial operations to expand it is essential that the machinery for effecting international settlements function normally. Conversely, the development of trade and other forms of international economic cooperation may be greatly instrumental in placing financial relations on a sounder basis and, in general, consolidating currencies.

In the capitalist countries inflation, which has taken a tremendous leap during and since the Second World War, exerts an unhealthy influence on the entire economy of the countries affected. It impairs the development of their industry, agriculture, trade and credit. It is a bane to the most diverse sections of the population, rendering currencies unstable, producing sharp fluctuations in their purchasing power and exchange rates and thus impeding the expansion of international commerce and other forms of economic intercourse between nations and peoples. Another weighty factor making for unstable currencies is the acute disequilibrium of balances of payments of capitalist countries during the postwar period. The state of disequilibrium also deteriorates international trade and hinders the establishment and development of mutually advantageous normal commercial ties between different countries. An all-round development of international economic cooperation, an expansion of trade, primarily between West and East, will tend to diminish inflation in the capitalist countries and establish a certain equilibrium in their balances of payments.

A broadly conceived expansion of trade and other forms of economic intercourse between the various countries, regardless of their social and economic systems, will make it possible to restore the general international situation to a healthy state, relax the tension in international relations, and create an atmosphere of greater mutual confidence and businesslike cooperation. This should bring in its wake a curtailment of the enormous war expenditures, which at present are the main cause of the intense inflation prevailing in the countries of the West. An extension of international economic relations should also create conditions necessary to make balances of payment less unfavourable in the countries of Western Europe and elsewhere. In the first place it should tend to reduce in these countries the dollar deficits, which have been a prime factor of the instability of their currencies.

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The Second World War has left to many a country a lamentable legacy—virulent inflation. Though taxation increased sharply the huge war expenditures vastly increased public debts, the amounts of money in circulation and bank note issues. With productive forces to a considerable extent destroyed and a shrinkage in production and commodity turnover, the purchasing power of money has slumped in many countries. Not only has inflation not been eliminated during the postwar period in Western Europe, Asia and America, but on the contrary it has been steadily increasing. The monetary reforms and currency devaluations in the countries of Western Europe and elsewhere in the capitalist world have not led to stabilization and sound money circulation. Political leaders and economists as well as scientific periodicals and newspapers representing the most diverse trends in the countries of the West devote much time and space to the problem of inflation, debating its causes and trends. Thus Mr. Truman, the President of the United States, in his message to Congress on the State of the Union during the first half of 1951, said that the previous year inflation in the U.S.A. had raised prices of prime necessities, facilitated speculation and imposed burdens on a considerable portion of the American people. Mr. Acheson, the Secretary of State, admitted in his turn that the possibility of improving the living conditions of the population was directly dependent on a lightening of the armaments burden. Describing inflation in England, the English journal *The Economist* wrote: "All economic, and most political, discussions today are dominated by the spectre of inflation; the stage has been reached when, for the first time in British history, the man-in-the-street is aware that his money cannot be relied upon to keep its value."*

During the postwar period the Soviet Union has repeatedly submitted to various international bodies certain proposals whose realization would ease the budgetary strain, lower taxes and decrease inflation, besides yielding other important benefits to the people at large in all countries. In submitting to the Sixth Session of the General Assembly of the UNO the proposals of the Soviet Government concerning measures to eliminate the threat of a new world war and to strengthen peace and friendship among the peoples, Comrade A. Y. Vyshinsky, Minister of Foreign Affairs of the U.S.S.R., said in his speech of November 8, 1951, that in the capitalist countries "the arms drive is giving rise to growing military budgets and to an increase in direct and indirect taxes, which still further depress the living standards of the population of these countries. " He likewise laid stress on the fact that "the policy of

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* The Economist, June 23, 19151.

discrimination against the Soviet Union and the People's Democracies in the economic sphere, and, in the first place, in the sphere of trade, played and continues to play no small part in the deterioration of the international economic situation, to the great detriment of world economy, not excepting even the economy of the United States itself, the adverse effect being particularly strong in England and France."*

Greater civilian production and increased volume of trade are essential if inflation is to be successfully combated. By developing trade with the U.S.S.R., the People's Democracies in Europe and the Chinese People's Republic, the countries of the West would be able to increase their output of general consumers' goods and improve the supply of the population, which would deal a strong blow to inflation.

It is well known that the steep speculative rise in the prices of imported goods, particularly of raw materials and foodstuffs, figured as one of the principal reasons why the blight of inflation was so severe in Western Europe during 1950-51. The importation by Western Europe of many of these commodities at reasonable and stable 'prices from the U. S. S. R. and countries friendly to it in exchange for goods manufactured by the Western part of Europe would also greatly mitigate inflation. The acquisition of new markets. would tend to increase production in a number of industries in the West which are at present suffering for lack of effective demand on both the domestic and foreign markets.

Last, but not least, international cooperation in matters of credit would be a potent means of fighting inflation. Foreign credits unaccompanied by any military, political or economic demands and granted under conditions which fully observe the principles of equal rights and mutual advantage, would go far toward abolishing inflation in the recipient country.

Stability of prices on the domestic market would greatly

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* Pravda, November 9, 1951.

tend to stabilize foreign exchange rates. With firm domestic prices exchange rates would. express the real values of the respective currencies. In this event the machinery of international settlements would no longer hamper but promote the development of trade.

The steady increase in the purchasing power of the currencies established in the U.S.S.R. as well as in the European People's Democracies and the Chinese People's Republic, coupled with the consolidation of the monetary systems in these countries, is irrefutable evidence of the vast role played here by the development of foreign trade. The friendly economic cooperation that exists between the People's Democracies in Europe and Asia on the one hand and the Soviet Union on the other, and among the Democracies themselves, has been of the greatest import in the restoration and further strengthening of their monetary systems. The unrestricted development of international economic cooperation will tend to weaken the inflation factor and solidify the money systems of the capitalist countries.

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Extreme disequilibrium balances of payment, manifesting themselves mainly in the so-called dollar gap prevailing in Western Europe and many other countries, i.e., deficits in their balances of payment with the U.S.A., have become a characteristic feature of postwar capitalist economy.

During the first few years after the war the opinion was widely held in Western Europe that the dollar gap was a transient phenomenon, a legitimate consequence of the war, and that it would disappear in a few years, when international payments would again become balanced. John Maynard Keynes, the British economist, wrote for instance in 1946 that as a result of the financial aid which the United States would render Great Britain and other West-European countries during the first few postwar years and thanks to their own efforts, the balance of payments in their accounts with the U.S.A. would soon be in a state of equilibrium.* The ruling circles of Great Britain calculated upon the receipt from the U.S.A. in 1946 of a credit amounting to 3,750 million dollars and that this would last them for five years, in the course of which the dollar deficit would be wiped out. But in actual fact the credit was used up within a year and a half without Great Britain's currency crisis having been overcome to any extent. It was not even allayed. On the contrary, it became more severe. The radiant hopes that the unfavourable balances of payments with the United States would disappear as a result of American "aid" were not fulfilled in other countries of Western Europe either.

At the present time, when the Marshall plan, which lasted almost four years, has already expired, the currency situation in the countries of Western Europe is still as extremely difficult as before. In this connection *The Economist* admits: "It is ironical that Europe, after four years of cooperation, should find itself in what seems to be the same position as in 1947; Europe is still hungry for dollars; the overseas payment accounts are again markedly in the red; countries are still trying vainly to combat inflation, while the need to increase productivity is just as great as it was four years ago."*

The U.S. balance of payments surplus on goods and services amounted during the six postwar years—1946-51—to the immense sum of more than 40,000 million dollars. Never has the disturbance of the equilibrium in international economic relations been so great. The major part of the sum standing to the credit of the U.S.A. from its balances of

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* Economic Journal, June 1946 "The Balance of Payments of the United States."

* The Economist, January 5, 1952.

payments is due from Western Europe. In 1947 the latter's exports to the United States covered only 15 per cent of its imports from that country and in 1949 only 25 per cent. In 1950, due to the forced militarization of economies and increased imports of strategic raw materials and the like goods into the United States, Western Europe's exports to the U.S.A. covered 45 per cent of its imports from there, but in the third quarter of 1951 that figure already dropped to 38 per cent.

The foreign exchange reserves of the West-European countries fell to only a small fraction of what they had been before the war—such was the effect of their unfavourable balances of trade and payments with the U.S. Thus, for instance Britain's gold and dollar assets declined from 5,900 million dollars at the end of 1938 to 1,700 million dollars at the end of 1949; France's for the same period from 3,000 million dollars to 700 million dollars, Holland's from 1,100 million dollars to 400 million dollars, and so on[**]. At the same time it must be borne in mind that the dollar's purchasing power is today less than half of what it was before the war. The pegging of the dollar's gold parity at an artificially raised level contributed much to the rapid exhaustion of the gold and dollar reserves of the West-European and many other countries. These countries are compelled to sell gold for dollars at half its real value.

In an attempt to prevent the complete exhaustion of their gold and foreign exchange reserves, the governments of the above countries tightened their import and exchange restrictions. Severe exchange control and a general inconvertibility of currencies have distinguished the postwar economies of the West. The lack of gold for international settlements has led to a considerable development in these

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[**] *Cf*, "'Economic Survey of Europe in 1950." United Nations, Geneva 1951, p. 117.

countries of bilateral trade, payment and clearing agreements aimed at balancing payments between the countries parties to such agreements.

The United States of America strives to abolish bilateral agreements and currency restrictions in other countries. It aims to make currencies convertible, as its entire postwar foreign exchange policy has been attuned to the further extension of markets for American commodities, to the conversion of the dollar into a monopoly means of settling international accounts. As long as the level of development of production is considerably higher in the United States than in the other capitalist countries the so-called principles of the open door, "equal opportunities," etc., widely in circulation in the U.S.A. near the dumping of American goods on the markets of these countries, and this inevitably spells catastrophe for their industry and agriculture.

Experience has shown that opening the frontiers to the free inflow of foreign goods, and making it possible to buy any goods with any currency on short-term credits leads within a short period of time to the exhaustion of the exchange reserves of any country that embarks upon such a course, leads to the depreciation of its currency, to greater inflation and to other extremely adverse results. According to the Anglo-American financial agreement of 1945 the British Government relaxed its currency restrictions in 1946-47, and in July 1947 introduced the free convertibility of the pound sterling into dollars for third countries. This however immediately caused such a draw on Britain's exchange reserves that only five weeks later, despite the dissatisfaction expressed by the United States, she was forced to cancel the free convertibility of the pound and reintroduce a number of restrictions. In 1949 Great Britain and other countries of the sterling area took steps to limit imports payable in dollars, and in January 1952, at the conference of finance ministers of countries of the British Commonwealth held in London, it was decided to take additional measures to spare foreign exchange.

In certain cases currency and import restrictions are, of course, quite superfluous and indeed very harmful to international trade and the stability of currencies. For instance, in 1950 the ruling circles of the U.S.A. blocked the assets belonging to banks and firms of the Chinese People's Republic. A whole string of export-import and exchange control measures restrict trade between the Western countries and the U.S.S.R., China and the countries of Central and South-eastern Europe, greatly damaging the cause of developing international economic relations. When the Anglo-Iranian Oil Co. was nationalised the British Government adopted measures discriminating against Iranian trade and currency. It completely abolished the convertibility of pounds sterling belonging to Iran into dollars, a right reserved to Iran under a special agreement she had concluded previously with Britain, and it limited the use of these pounds even for purchase of various commodities in Britain and other sterling area countries.

Britain has also blocked sterling balances accumulated by a number of countries and is endeavouring to restrict their use. She is making it a particular point to delay fulfilment of her financial obligations vis-à-vis Egypt.

In many cases, on the other hand, bilateral trade agreements and clearing settlements promote the development of international trade and economic cooperation and also play an important part in stabilizing currencies. If such agreements are based on equal rights and mutual advantage and respect, their existence is fully justified.

The U.S.S.R. and the People's Democracies resort extensively to bilateral trade agreements and clearings in commercial transactions not only between themselves but also with other countries, these trade agreements being often supplemented by credit arrangements. Suffice it to cite here, for instance, the Soviet-Swedish agreement of 1946, the Anglo-Soviet agreement of 1947, and the numerous agreements concluded by Poland, Czechoslovakia and Hungary with various countries of Western Europe and the East. Everybody knows that bilateral settlements without recourse to dollars or gold are widely practised also by other countries, particularly Britain, Italy and India.

At the same time the Soviet Union and the People's Democracies are making attempts to widen the use of bilateral settlements. The U.S.S.R., Poland and Czechoslovakia have not only concluded trilateral clearing arrangements with Finland but have become parties to the system of transferable accounts in Britain, which considerably extends the use of the pound sterling in international settlements.

During the Second World War two international monetary and financial bodies were set up with the object, as their Articles of Agreement stated, of facilitating the development of international economic cooperation—the International Bank for Reconstruction and Development and the International Monetary Fund. These agencies were to grant credits for the purpose of rehabilitating the economies of countries that had suffered from the war and fascist pillage, of promoting the economic development of the underdeveloped countries, of smoothing out the temporary disequilibrium of balances of payment and of assisting in the stabilization of currencies. Today everyone sees clearly that these goals are far from having been attained. Despite the large resources at their disposal the sums they have granted during the entire period of their existence have been very insignificant. This has aroused the fully justified dissatisfaction of many countries in sore need of credits. The International Bank for Reconstruction and Development and the International Monetary Fund systematically discriminate against the East-European countries, refusing them credits although they suffered more than other countries from the ravages of war and are making enormous efforts to restore and develop their economies. This compelled Poland in 1950 to withdraw from membership of these bodies.

The operations of the International Monetary Fund have proved a complete failure. Its declared aims have been to work for the stabilization of currencies, to make them freely convertible and to cause exchange restrictions to be relaxed. The French newspaper *Tribune des Nations* was quite right when it prefixed the word “still-born” to “Bretton-Woods Twins,” the usual appellation given to these two institutions. This policy of both the Bank and the Fund, in which the United States calls the tune, has greatly disappointed the hopes of those who had expected them to become effective agencies of international economic cooperation.

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A multiplicity of books and pamphlets, and of magazine and newspaper articles has been written about the dollar deficits, their causes, the forms they assume and the methods proposed to liquidate them. Some writers are of the opinion that they are rooted in the differences that have marked economic development in the U.S.A. and Western Europe for a long period of time, and that only a large influx of American capital and a reshuffling of West-European economics as a whole will be able in the long run to eliminate this malignant phenomenon. Such are the Views entertained by the American economist Charles P. Kindleberger in his book *The Dollar Shortage*. On the other hand, the English economist Balogh does not look upon the dollar scarcity as a temporary or short-lived departure from an “equilibrium position” to which it is easy to return. To him this is a historically unique, harsh break with all that has gone before, a fundamental structural crisis.* For Britain he recommends, as a palliative, that the policy of restricting imports from the U.S. and of controlling payment balances be continued. Other writers on economic subjects, such as Haberler and Graham, both Americans, assume that the dollar gap can be bridged by deflation, the restriction of consumption and investments and also the devaluation of the West-European currencies. The consequences of the 1949 devaluation proved the fallacy of this opinion.

All these different points of view have one thing in common: they underrate the importance of an all-round development of international economic cooperation as a means of coping with dollar deficits in West-European and many other countries. Yet there can be no doubt that the disruption of trade relations between these countries, on the one hand, and the U.S.S.R., the People's Democracies in Europe and the Chinese People's Republic, on the other, was largely responsible for the intensification of the dollar shortage, which in the main was called forth by the profound economic and political processes that have been going on in the postwar period. Among them may be named the slower development of the productive forces in Western Europe as compared with the United States, the increasingly severe crisis of the colonial system, inflation, etc.

One is bound to acknowledge that intra-European trade, trade between its West and East, is an indispensable condition of Western Europe's normal economic development, and that any augmentation of this trade would considerably allay, if not entirely do away with, the dollar famine raging in these countries and improve their exchange situation. This is admitted by many politicians and economists of the West.

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* Cf. "The United States and the International Economic Equilibrium" in Foreign Economic Policy tor the United States, New York 1948, p. 478.

Halpern, an English economist, after remarking that Eastern Europe presented a constant and steadily growing market, stated that an extension of trade with that area might lead to a rediscovery and rapid development of a source of food and raw material supply located beyond the dollar area. And *The Economist* put on record that the insufficient development of trade with Eastern Europe in the postwar years "increased Western Europe's dependence on North America."[*]

The pertinent figures tell the same story. In 1949 there was a 3.5-fold increase in the imports from the U.S.A. of the ten biggest countries of Western Europe, as compared with 1938 (from 1,100 million dollars to 3,800 million dollars), while the value of their imports from Eastern Europe for that year remained on the same level (900 million dollars), and their volume for that period shrank to almost one-third. Since exports from these countries to the U.S.A. rose but little their dollar deficit multiplied 4.5 times (from 700 million dollars to 3,100 million dollars).[**]

By 1950 and the first quarter of 1951, according to the figures supplied by the so-called Organization of European Economic Cooperation, imports by Western Europe from Eastern Europe had dropped 20-30 per cent below prewar in value, while their imports from the Western Hemisphere doubled. This increased Western Europe's dollar deficit still more.

Lately the exchange crisis has become still more acute in Britain, France and several other countries. In the latter half of 1951 the deficit of Britain's balance of payments, which had been covered by foreign exchange reserves and foreign credits, represented a yearly average of 700 million pounds sterling,

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[*] The Economist, September 1, 1951.

[**] Economic Journal, March 1951, p. 119.

whereas in the latter half of 1950 Britain had had a surplus of current receipts over payments representing a yearly average of 350 million pounds sterling. During the latter half of 1951 Britain's deficit in the European Payments Union, described below, reached the 1,100 million dollars mark. The balances of payments of a number of countries belonging to the sterling area, whose foreign exchange receipts go to supplement Britain's foreign currency reserves, also deteriorated sharply. Owing to this Britain's gold and dollar reserve dropped more than 1,500 million dollars during that half year, or almost 40 per cent. In its endeavour to forestall a further depletion of its gold and dollar reserves, the British Government announced an "economy program." This in the main consists in a reduction of imports of foods and other consumers' goods and is bound to be followed by a new decline in the standard of living of the general population. The recommendations of the January 1952 conference of finance ministers of the countries of the British Commonwealth, whom the intensification of the foreign exchange crisis had brought together, boiled down to the same thing.

The countries of Western Europe are making every effort to enlarge their exports to the United States. Their governments grant privileges to exporters selling for dollars, pay them premiums, give them priority in the purchase of scarce raw materials, etc. But all these measures are of little avail—dollar deficits are not going down. American politicians make frequent avowals of their purpose to put an end to the dollar gap in Western Europe. But in reality they are always striving to prevent a considerable increase in imports, particularly of manufactured goods. Fierce competition, high customs tariffs, excessive freight rates and the like all stand in the way of the West-European exporters desirous of selling their goods for dollars.

Numerous attempts have been made during the last few years to set up a system of multilateral clearing in Western Europe. These attempts culminated in the establishment in 1950 of the so-called European Payments Union, an international credit and settlement agency of the West-European countries. The idea of a multilateral clearing house empowered to grant mutual credits is undoubtedly correct and may under certain conditions produce beneficial results. However the principles on which the Union has been established make it impossible for it to function normally and with success. A system of intra-European settlements not participated in by Eastern Europe is as artificial and unviable as intra-European trade from which Eastern Europe is excluded. The need to pay a considerable part of their deficits in dollars makes it more difficult for the countries which are members of the European Payments Union to discharge their task of equilibrating the balances of payments and in several instances this need has even brought their exchange reserves nearer to depletion.

As is now generally recognized the European Payments Union is undergoing a severe crisis. The disequilibrium of the balances of payments in the countries parties to the Union is growing worse, which is greatly interfering with the functioning of the Union.

The established system of settling in dollars has greatly reduced the Union's liquidity and brought it to the brink of bankruptcy. The attempt to set up a system of intra-European trade and settlement without the participation of the East-European countries has proved futile. This fact once more illustrates the palpable necessity of restoring and expanding economic relations between the two parts of Europe.

Such an expansion of international economic cooperation will tend to stabilize currencies not only in Western Europe, but also in Asia, the Near and Middle East and Latin America. These areas are hit hard by the fluctuations of markets for their products, by the difficulty of obtaining capital goods they are in need of, by the frequent blocking of their foreign exchange assets by economically stronger states.

Many underdeveloped countries with very limited economic resources and foreign exchange assets have been forced to grant Britain large credits. For instance, the sterling balances of the sterling area countries increased in 1950 by 378 million pounds sterling and during the first half of 1951 by another 368 million pounds. Britain's indebtedness to sterling area countries (India, Pakistan, Australia, New Zealand, Malaya, Iraq, and others) amounted, on June 30, 1951, to 3,100 million pounds sterling while her sterling liabilities to all countries totalled 4,200 million pounds sterling.*

The instability of currencies in underdeveloped countries and their dependence on the major currencies of the Western world are often fraught with severe economic consequences for these countries. A striking example of this is furnished by the almost complete cessation of trade between India and Pakistan after the 1949 currency devaluation. At that time the Pakistan rupee was kept at its previous rate of exchange while the Indian rupee was devaluated.

As a result the rate of exchange of Pakistan rupees for Indian rupees rose 44 per cent. Pakistan goods suffered sharp price increases in India, whereas Indian goods poured in large quantities into Pakistan, as their sale at the old prices in Pakistan rupees meant an additional profit to the sellers due to the fall of the Indian rupee. The Government of India refused at that time to import jute and cotton from Pakistan, though both were badly needed by Indian industry, and prohibited exports to Pakistan. The Pakistan Government retaliated with a series of measures directed against India's foreign trade and currency. Trade between India and Pakistan dwindled to a fraction of its former value, which brought great loss to both countries whose

* Records and Statistics, October 13, 1951.

economies are closely interrelated. Not until February 1951 did they come to an arrangement on trade and currency questions, but the agreement is badly carried out.

For some years past India and Pakistan have been concluding mutually advantageous commercial agreements with Poland, Czechoslovakia and Hungary and are seeking an extension of trade with the U.S.S.R. and China. Indian and Pakistan business circles favour a further expansion of international economic relations. The Pakistan *Economic Observer*, for instance, writes there cannot be a scintilla of doubt that given the necessary conditions and good will on both sides, an expansion of trade between Czechoslovakia and Pakistan will give satisfaction to both parties. The splendid success of the Soviet Pavilion at the International Industrial Fair held at Bombay early this year augurs well for Soviet-Indian trade expansion.

The conclusion in 1950 of a commercial agreement between the U.S.S.R. and Iran went far to promote their economic intercourse. Commenting on this pact the Iranian newspaper *Keyhan* wrote on October 22, 1951, that it possessed great virtue in that it enabled Iran to buy goods essential to her economy without her spending scarce dollars or pounds. At the same time Iran could now sell abroad certain items of merchandise, particularly produce of the northern provinces, which she had not exported before because of the prohibitive cost of transportation to the southern ports. The newspaper also stated that expansion of Soviet-Iranian trade was having a favourable effect on the economic position of the peasantry in the northern provinces.

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The U.S.S.R., the Chinese People's Republic and the People's Democracies in Europe are not only exporters of highly important lines of goods. They are at the same time vast markets capable of absorbing, and able to pay for, large quantities of a wide range of goods produced in Western Europe, America and other parts of the world. It is a well-known fact that during the extremely severe world economic crisis of 1929-33, when all other countries fought shy of buying, the Soviet Union was a heavy purchaser of industrial equipment and raw materials. At times entire industries in the United States, Germany and Great Britain were kept busy filling the orders of virtually their sole customer, the Soviet Union. In 1931, when the crisis in the capitalist countries had reached its climax, Soviet imports were at their highest. Their value was in excess of 4,800 million gold rubles, an increase of almost 25 per cent in comparison with 1929. In an interview with *The New York Times* correspondent Walter Duranty on December 25, 1933, J. V. Stalin emphatically stated:

"We are the biggest market in the world, and are ready to order and pay for large quantities of goods."*

In the present as in the past the Soviet Union consistently adheres to the point of view that credits granted on the basis of equality, mutual advantage and respect for the interests and independence of the parties concerned can be of assistance in the development of trade and may represent an important form of economic cooperation between nations. The Soviet Union has always taken the stand that no bondage conditions should be attached to credits, and that credits should not entail economic or political enslavement of the debtor country by the creditor state. At the same time the Soviet Union has invariably defended the thesis that the chief means of restoring a country's economy should be not foreign credits but utilization of its internal resources, the establishment and development of an industry of its own. At the Conference of Foreign Ministers of the D.S.S. R., France and Great Britain held in Paris on July

* J. V. Stalin, *Works*, Vol. 13, Russ. ed., p. 276.

2, 1947, Comrade V. M. Molotov declared that the Soviet Government was favourably disposed towards "the promotion of international cooperation on the basis of equality and mutual respect for the interests of the contracting countries," towards cooperation based "upon the development of political and economic relations among equal states, without their national sovereignty being prejudiced by foreign interference."*

The putting of the Soviet ruble on a gold basis in March 1950 is of great importance for the development of international economic cooperation. The accounting unit for settlements between the U.S.S.R., the European People's Democracies and the Chinese People's Republic is the ruble- the most stable and secure currency in the world, whose exchange rate is not subject to any fortuitous fluctuations of the markets, of the ups and downs of business. This is of particular value at the present time when many other currencies are very unstable. Predictions of currency depreciations in the West are to be found continually in its financial press. Instability of these currencies very seriously affects the development of international trade and economic relations among different countries in general.

The development and consolidation of normal international economic cooperation, primarily a broad expansion of trade between East and West, should go far to weaken inflation and stabilize currencies.

The International Economic Conference that will open in Moscow on April 3 is destined to playa significant part in this important matter. No wonder the eyes of the broad masses all over the world are eagerly fixed upon it. No wonder they wish it every success.

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* V. M. Molotov, *Problems of Foreign Policy*, Moscow 1949, pp. 468 and 467.

G. AFANASYEV—THE EXPANSION OF INTERNATIONAL TRADE AND THE ECONOMIC DEVELOPMENT OF THE UNDERDEVELOPED COUNTRIES

One of the objects of the United Nations, as stated in its Charter, is to promote higher standards of living, full employment and conditions of economic and social progress and development 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 (Article 55).

Analogous purposes are inscribed in the constitutions of the various specialized agencies of the UN set up in pursuance of Articles 57 and 63 of the UN Charter. Thus, for instance, the Constitution of the United Nations Food and Agricultural Organization (FAO) provides that "raising levels of nutrition and standards of living of the peoples under their respective jurisdictions" shall be one of the aims of each member of the organization. Pursuant to this it has been made a function of the FAO to provide technical assistance to countries at their request, and also to send them suitable missions to this end. Article One of the Agreement of the International Bank for Reconstruction and Development likewise states that one of its objects is "to assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes. . . and the encouragement of the development of productive facilities and resources in less developed countries."

Included among the latter are the poorly industrialized countries of Southern and Southeastern Asia, the Middle and Near East, Africa and Latin America. As a rule, the economies of these countries are quite one-sided, their characteristic feature being the production of just one or at most very few kinds of food products, or agricultural or mineral raw materials. They have either no national industry at all or if they do it has been developed very little. The standard of living of the population is exceedingly low and constantly falling due to a lack of food, clothing and housing. At the same time these countries occupy large territories possessing a numerous population and great natural wealth. In a number of cases they are among the most important and sometimes even monopoly suppliers of raw materials and foodstuffs: rubber (Indonesia, Ceylon, Malaya), jute (India, Pakistan), tin (Malaya, Indonesia, Bolivia), sugar (Cuba), coffee (Brazil and Central America), etc. This what may at first sight seem to be advantageous position of the less developed countries leads however, in consequence of their economic weakness to very disadvantageous results, as they become objects of exploitation by the strong powers of the capitalist world and their economies fall into ever greater dependence upon the vacillations of the market, whose tendency is frequently determined by measures that are far from being commercial.

UN agencies had expended no little time and labour on an examination of problems of economic assistance to less developed countries but the results achieved are disproportionate to the time and energy spent. As a matter of fact these results are meagre indeed.

As early as 1948 the Third Session of the UN General Assembly adopted a resolution which spoke of the necessity of assisting the economic development of the underdeveloped countries and appropriated about 300,000 dollars for the UN budget for preliminary expenses connected with the furnishing of such technical assistance. Talk of economic aid to less developed countries increased in the UN agencies, particularly after the announcement of the so-called “point four” of President Truman’s inaugural address delivered in January of 1949. “Point four” of the American president’s program likewise dealt with the problem of helping the underdeveloped countries.

At the March 1949 Session of the Economic and Social Council of the United Nations the Soviet representative declared that the point of view of the U.S.S.R. on the question of economic assistance to weak countries and territories could be reduced to the following:

1. The Soviet Union stands for rendering extensive economic assistance to underdeveloped countries and territories, on condition that this assistance shall facilitate their national development towards independence, as the Charter of the UNO provides.

2. The economic assistance must facilitate the development of the internal resources of these countries and territories, the development of their national industry and agriculture.

3. The economic assistance must not be made conditional by a demand of political, economic or military privileges for the countries which render the assistance.

Thereafter the Economic and Social Council kept aloof from the problem of rendering economic assistance to weak countries and concerned itself solely with technical assistance, which is of course much narrower in character and can in no way serve as a substitute for the broad economic assistance that the underdeveloped countries need. At this point the U.S.S.R. delegates, acting in conjunction with the representatives of the People’s Democracies, found that in order to safeguard as much as possible the interests of the weaker countries that were to receive technical assistance, they, the delegates, had to fight a major battle against the opponents of the principle of national sovereignty and of the industrial development of the underdeveloped countries.

To illustrate: Upon the insistence of the Soviet delegation the Economic and Social Council decided that the purpose of rendering technical assistance was to make it easier for the underdeveloped countries to achieve economic and political independence by developing their industry and agriculture and promoting the economic and social welfare of the general population.

The Council also adopted another Soviet proposal which provided that experts sent to less developed countries were not to engage in any activity there except such as was directly connected with the rendering of technical aid and that moreover their functions in such cases should be agreed upon with the Governments of the countries receiving assistance.

The Council likewise accepted an amendment introduced by the Polish delegation. It required that the national sovereignty of the assisted countries and their legislative acts be respected and that no discrimination be permitted in the rendering of assistance. Another proposal which received the Council’s approval was that of the Byelorussian delegation, to the effect that the Information to be supplied by countries requesting technical assistance be limited to questions having a direct bearing on their application for such assistance.

Thus, owing to the initiative and insistence of the U.S.S.R. and the People’s Democracies, technical assistance is rendered through UN channels to economically underdeveloped countries requesting the same under conditions which to some extent protect the rights and interests of these countries.

On the other hand, the question of granting economic assistance to the weaker countries is left to the discretion of the separate states which posses the necessary money and materials, as well as of the International Bank for Reconstruction and Development, the only intergovernment institution disposing of actual funds for investment. The economically underdeveloped countries have thus been compelled to occupy an unequal, subordinate position during their negotiations with most of the parties with which they closed contracts, a circumstance of which the latter did not fail to take advantage.

The funds held by the UN for the rendering of technical aid are exceedingly modest. Moreover, it places the bulk of these funds at the disposal of specialized institutions. For example, in 18 months—July 1, 1950 to December 31 1951—the various member-countries of UN assigned no more than 20 million dollars to the UN fund for the so-called “expanded program of technical assistance.” Over 70 per cent of this amount was handed over to the FAO, the International Labour Organization, the UNESCO, etc. This money is spent on paying experts furnished by UN and intergovernment agencies as consultants, on granting stipends for the technical training of citizens of the countries applying for technical assistance, on organizing courses for the training of technical specialists locally, and on other measures similar in character.

Activity of this sort might also have some beneficial effect, though of course an absolutely inadequate one in the light of the immense requirements of the economically underdeveloped countries, if it were carried on properly. Particularly unsatisfactory in this respect is the practice of such specialized UN agencies as the Food and Agricultural Organization and the International Labour Organization. The FAO has sent many missions to the Latin-American, Asian and Mediterranean countries to investigate the state of their agriculture. Besides giving purely technical advice, such as instruction in methods of combating pests, these missions have done nothing but recommend to the farmers of the investigated countries that they confine themselves to planting crops that would not compete with United States exports, such as wheat and cotton. With such a tendentious approach to the less developed countries no effective aid can be expected from UN and its specialized agencies.

Matters are still worse, however, with regard to economic assistance properly so called, in the case at hand the aid rendered by the International Bank for Reconstruction and Development. Between 1946, when it started operations, and 1951 the bank granted loans aggregating only 1,207 million dollars, of which sum 395 million dollars went to countries that could be considered economically weak. But only 174 million dollars of the latter sum had actually been utilized by January 1, 1952. Under the guise of checking up on the commercial advisability of contemplated investments the bank institutes a highly inquisitorial investigation into the economic and political condition of the country applying for assistance, often demanding, in violation of that country's sovereignty, that it introduce certain administrative or legislative measures. If a loan is finally granted its financial terms are very burdensome, interest charges averaging 4 per cent. The purposes for which loans may be had are confined to specified building operations to be approved by the U.S.A., which has the main say in the affairs of the bank. Loans granted by this bank are almost exclusively for the construction of electric power stations or for the development of the borrower's transport facilities with the object of enhancing its output of raw materials and other strategic supplies, which are subsequently shipped to the United States.

Another thing that perished before it bloomed was "point four" of Truman's "bold new program." According to its author it was to "make available to underdeveloped countries America's store of technical knowledge" and foster capital investments "in areas needing development." This program boiled down to nothing more than the appropriation of inconsiderable sums for technical assistance, such as it was, leaving open the entire question of supplying weak countries with capital and materials for engaging in broadly-conceived economic construction, such as could really ensure full employment and raise the standard of living of the masses populating Southern and South-eastern Asia, the Pacific area, Africa and Latin America. For the budgetary year of 1950-51 the U.S. Congress appropriated a mere 14.5 million dollars for assistance under “point four” Most of this sum went to pay American officials sent to the countries receiving such assistance under the above-mentioned program. For the fiscal year of 1951-52 the United States is paying only 13 million dollars into the UN fund as its contribution to the “expanded program of technical assistance.”

The ruling circles in the United States have made it a condition of granting money or materials for technical assistance under point four, that recipient countries shall conclude special agreements with the U.S.A. This occasion was taken advantage of by the above circles to obtain not only every kind of information concerning the economic situation in the receiving countries but also the right to prospect for useful mineral deposits where this right had not already been secured by American interests under other agreements. For instance, in its technical assistance agreement with Nepal the United States received that state’s consent “for the immediate undertaking of a mineral survey project” of its territory. An American mission has been dispatched to Nepal for this purpose.

In this way technical assistance agreements assume the function of auxiliary, preliminary measures, preparing the ground for direct capital investments by the United States in countries that have become the objects of such questionable aid, as well as for loans of the government-controlled Export-Import Bank of Washington. *Business Week*, which represents the interests of the big American industrialists and bankers, considers point four of Truman's program a continuation of the Marshall plan. In May 1949 it wrote that its term of operation should be lengthened to, say, fifty years. Among the principal means to be employed in carrying out the Truman program this magazine included loans by the International Bank for Reconstruction and Development and the Export-Import Bank, private investments, and last but not least, an expansion of the American program of creating a stockpile of strategic raw materials, which is to result in an increase in the production of raw materials in the less developed countries and their exportation to the United States.

As for American private investments, they had found their way in considerable quantities long before this to the economically underdeveloped countries. These investments are of a specific nature, intended almost exclusively to expand United States oil enterprises in Venezuela and some other Latin-American countries, as well as countries of the Near and Middle East such as Saudi Arabia, Kuwait and Iraq. This type of investment does not in the least promote the economic development of the countries concerned nor does it aid the social progress of their populations. It can lead only to a waste of their national wealth.

Other underdeveloped countries and regions which have not "passed muster," one might say, receive either no investments at all or very minor ones and even these are hedged about by a whole series of preliminary conditions. Very significant in this connection is the International Code of Fair Treatment for Foreign Investments, adopted in 1949 at the Twelfth Congress of the International Chamber of Commerce: This code grants to the investors virtually unlimited rights and guarantees in the economically less developed countries. Most of them are members of the British Empire. British South-eastern Asia is a supplier of highly important raw materials needed by British industry and is one of the remittors of dollar exchange to the English exchequer. Yet nowhere in the world are poverty, famine and extinction of the population so horribly widespread as in India and the neighbouring underdeveloped countries. Thus, according to the annual FAO report for 1951, the average number of calories consumed per person a day in food is 1,600 in India 1,950 in Indonesia and 1,560 in Indo-China, whereas the minimum average is fixed at 2,800 to 3,000 calories.

Alarmed at the growing national consciousness and emancipatory struggle of the peoples of Asia and the Far East, Britain's ruling circles seek to divert the attention of these peoples from their direct military intervention by promising to help them develop their economies. Great Britain's anxiety to prevent America from strengthening her position in this area is also a weighty factor in the shaping of British policy here. The outcrop of her endeavours was the so-called Plan for Cooperative Economic Development in South and Southeast Asia, generally referred to as the Colombo Plan, which British propaganda is trying to represent as a "generous contribution of Great Britain to the aid to economically underdeveloped countries."

However an analysis of the Colombo Plan at once reveals not only its tendentious character but also its infeasibility and extreme limitations. It was designed to cover six years and to embrace India, Pakistan, Ceylon, Malaya and the British possessions in North Borneo. It contemplates the expenditure of 1,868 million pounds sterling, less than two dollars per person a year. But as a matter of fact the countries envisaged by this plan do not possess any such sum nor do the countries that initiated it. Of the total expenditure contemplated, amounting to 1,868 million pounds sterling, 1,084 million pounds, or 58 per cent, is meant for imports, the more or less tangible means for the realization of the import program being the sterling balances totalling approximately 250 million pounds sterling which stand to the credit of these countries and which England is promising to unfreeze. Moreover, 100 million pounds are expected in the form of credits from Canada, Australia, New Zealand and England herself, (the latter contribution to go for the payment of materials and equipment imported into Malaya and North Borneo). All other expenditures called for by the Colombo Plan, among them considerable sums in local currency, are not really covered by anything.

The Colombo Plan is extremely modest in the tasks it sets itself along the line of raising the economic level of the countries it embraces, and, what is more important, fails to lay any material foundation on which these countries may attain to real economic independence. It provides for an increase of only 3.5 per cent in the land under cultivation, of only 6 million tons in the output of food grains and of only 1.1 million kw. in electric generating capacity. This at best will merely suffice to preserve the existing miserable standard of living, without holding out any prospect of improvement.

The Colombo Plan envisages the development mainly of agriculture within the limits indicated above, and of transport to handle increased exports of jute, cotton, rubber and other raw materials. Industry, primarily light, is scheduled to receive no more than 10 per cent of the total capital investment. But the question of developing heavy industry as a means by which the countries of South-eastern Asia can achieve genuine economic and political independence is not even raised in the plan. Its sole purpose is to perpetuate the role these countries play of suppliers of cheap raw materials and of markets for British manufactures.

The above clearly shows that the economic assistance furnished by the United States, Great Britain and their partners does not contemplate the establishment of a firm basis for the national economies of the weak and underdeveloped countries.

It merely aims at increasing their production of strategic raw materials to be exported to the countries which grant the assistance and pile up huge stocks of strategic raw materials. Countries which are the recipients of this assistance are refused the industrial equipment they vitally need to develop their national economies, as such deliveries would tend to establish their economic and political independence and would inevitably lead to a further intensification of the fierce competition on the market. Needless to say, such stinted assistance is unable to promote economic and social progress in poorly developed countries. Quite the contrary. It only retards the development of their productive forces, increases their dependence on the big capitalist powers, leaves them in their position of agrarian, raw-material-producing, appendages to the economies of these powers, and jeopardizes even the pitifully low living standards now prevailing in the less developed countries.

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It would do violence to the very nature of the Soviet Union, engrossed as it is upon its stupendous tasks of peaceful construction, for it to entertain such plans as the keeping of ill-developed countries in a state of backwardness, as agrarian appendages to the big industrial states, or to contrive schemes for squeezing raw materials out of such countries. A stalwart defender on principle of the right of all peoples to national self-determination the Soviet Union has always striven to promote to the utmost the development of the productive forces of the weaker countries, to assist them in making rational use of their natural wealth, to facilitate their achievement of economic and political independence. The relations which the Soviet Union maintains with all other countries are based on the Lenin-Stalin principle of the equality of nations, big and small, of mutual respect for national sovereignty. The Soviet Government firmly abides by this principle; it never deviates from it.

The beneficent effect of close economic interrelations with the U.S.S. R. upon the development of the productive forces of other countries is strikingly evidenced by the successful economic and cultural development in the European People's Democracies, most of which in the recent past were still agrarian. The trade agreements concluded by the Soviet Union with these Democracies rest on the principle of equal rights and mutual advantage, and ensure the assistance of the U.S.S.R. in the free and independent development of the economies of these countries which have embarked upon the road of accelerated industrialization. The Soviet equipment they have received, including a great variety of up-to-date machinery, has enabled these Democracies to rapidly heal the wounds inflicted by the war and the fascist occupation, to considerably surpass their prewar levels of production, and to make gigantic strides in the sphere of industrialization.

The Soviet Union is a mighty industrial power. Its factories, operated with the aid of the latest achievements in science and technique, produce the most complicated modern lathes, machines, equipment, tools, accessories and so forth. Suffice it to say that in 1951 alone the engineering industries of the U.S.S.R. produced about 500 new important types and models of machinery and appliances.

No equipment, lathe or machine is too complicated to be produced by U.S.S.R. enterprises. Soviet-made hoisting and transporting cranes, textile machinery, printing presses, trucks and passenger cars, optical instruments and all kinds of appliances have been demonstrated at numerous international exhibitions and received general approbation. The coal mines of the Soviet Union are worked by combines and the latest types of combined cutters and loaders—the most productive in the world. To illustrate: a coal combine whose productive capacity is 60 tons an hour will simultaneously cut and load up to 85 per cent of the coal in seams 0.8-1.5 m. thick. Soviet boiler-and pipe-manufacturing and the production of new types of powerful steam turbines and high-pressure boilers, as well as of hydroturbines and hydrogenerators, have made great progress. The Soviet machine tool industry has mastered the production of about 150 new kinds of highly-efficient metal-cutting lathes, presses and forge machinery. New types of equipment are being manufactured for the light, food and other industries, as well as for transport. Powerful suction dredges and dredgers, walking single- and multi-bucket excavators, heavy-duty concrete mixers for automatized cement plants, 25-ton trucks and other high-efficiency mechanical giants are extensively used m the U.S.S.R. for the building of canals, hydraulic engineering works, highways and railways.

In addition to the many types of tractors and harvesting combines, as well as the complex threshers, soil-working, sowing and other farming machines which Soviet agriculture has already been receiving, new types of such machinery and implements are constantly being produced, which facilitate the further mechanization of agricultural work. Besides, a whole series of new machines are being made to mechanize fodder production and protective forest belt planting.

All these machines are of high quality and can be exported to countries that need them to develop their national economy.

Visitors of the Soviet pavilion at the Bombay International Industries Fair held this year could see for themselves the great variety and high standard of machinery made in the U.S.S.R. The exhibited machine tools which in the opinion of the director of the Bombay Industrial Institute were really matchless, the crawler tractors, electric excavators, coal combines and light industry equipment, the cotton-picking combines, hay mowers and seed-cleaning machines, woven fabrics of the best make and excellently dyed, first-grade wheat and a multiplicity of other goods called forth the admiration of the Soviet pavilion's guests. "This is an exhibition from a new world," was the comment of *Crossroads*, an Indian newspaper, on the U.S.S.R. pavilion. "The lie about the 'iron curtain' has now been nailed." The pavilions of the Chinese People's Republic, Hungary and Czechoslovakia were also a great success.

At the Eighth Session of the Economic Commission for Asia and the Far East (ECAFE) held at Rangoon (Burma) in February 1952, the Soviet representative, developing and supplementing the proposals introduced by the Soviet delegation to the Conference on Trade Promotion in the ECAFE region held at Singapore in October 1951, made a statement on trade between the Soviet Union and the Asian countries.

He declared that the following items could be supplied by the Soviet Union to the countries of Asia and the Far East on mutually advantageous terms: machine tools, power, electrical and transport equipment including power plants, steam locomotives, railway cars, equipment for the mining industry and for the textile, shoe and other light industries, agricultural machinery and implements, and other machinery required by these countries for their industrialization and agricultural development, as well as cement, lumber, fertilizers, grain and consumer goods. The items in which the Soviet Union is interested, namely, rubber, jute, shellac, tin, spices, tea, cinchona bark, etc., were to be had against delivery of raw materials and consumer goods produced in the said countries. The Soviet representative further declared that the U.S.S.R. was ready to examine any proposals that the countries of Asia and the Far East might submit concerning the conclusion of trade agreements and compensatory transactions on a mutually advantageous basis. When at the above-mentioned conference in Singapore the Soviet representative spoke about developing trade between the U.S.S.R. and Asian countries, the propaganda agencies hostile to the Soviet Union made clumsy attempts to depict his statement as a sheer manoeuvre, as an offer not based on anything tangible. But lying, we know, does not get one very far. The whole history of the economic relations of the U.S.S.R. vis-a-vis the European People's Democracies and the Chinese People's Republic, as well as the selfless assistance rendered by the Soviet Union in the rehabilitation and further development of the national economies of these countries, have refuted more eloquently than words could do the utter falsity of such assertions. As Liu Shao-chi, Vice-Chairman of the Central People's Government of the Chinese People's Republic, stated, "the terms on which the Soviet Union has proposed to trade are friendly and unselfish from beginning to end. No capitalist country can offer such terms. This accords with the well-known spirit of internationalism that pervades the Soviet people."

D. SHCHERBINA—THE FOREIGN TRADE PROSPECTS OF THE CHINESE PEOPLE'S REPUBLIC

The two and a half years that have passed since the fornication of the Chinese People's Republic have been a period of considerable change, a period of building a new People's Democratic China. The Chinese people are successfully overcoming the extreme backwardness of their country, putting their national economy into shape and preparing for further development. In the brief space of its existence the Chinese People's Republic has been able "to solve a number of important economic and political problems in the struggle for complete economic independence from the capitalist world, for industrialization of the country and for cultural progress."[*] The Central People's Government of the Chinese People's Republic led by the leader of the Chinese people Mao Tse-tung is directing the efforts of the masses towards a further rapid transformation of the country's economy and the creation of a powerful national industry.

In 1951 the enterprises of the Ministry of Heavy Industry of the Chinese People's Republic considerably increased the 1950 level of production.[**] At present the output of the majority of Chinese industries is approaching the highest prewar level, while the production of copper, cement, glass, and cotton goods has already surmounted this level. Nearly four-fifths of the heavy industry and nearly one-third of the light industry are concentrated in the hands of the state. The

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[*] L. P. Beria, *The 34th Anniversary of the Great October Socialist Revolution*, February 27. Moscow 1951, p. 34.

[**] Jenminjihpao, December 15, 1951.

state sector is at present turning out a half of the whole industrial production of the country.

Big successes have also been achieved by the Chinese people in agriculture. In 1951 a large harvest of grain and industrial crops was gathered. The cotton crop was 133 per cent and the crop of tobacco approximately 130.5 per cent compared with the best harvest year for these crops in China.[***] The increase in the cotton crop and other agricultural crops is creating a firm raw material basis for the development of the country's light industry.

A big role in restoring and furthering the development of China's national economy is played by foreign trade, which provides the home industry and agriculture with essential capital goods, machinery and raw materials and is an important means of maintaining and consolidating the country's economic independence. Unlike former years, China's foreign trade now serves the people and is organized entirely to assist and stimulate the development of the country's productive forces and create the necessary conditions for industrialization. Active in the defence of peace, the Chinese People's Republic is endeavouring to foster economic cooperation with all countries on the principle of equal rights, mutual advantage and respect for territorial integrity and national sovereignty. Especially now, when its national economy is reviving rapidly, China, with its huge-natural resources and inexhaustible reserves of man power forms one of the largest markets in the world.

China is well known to possess rich deposits of coal iron ore nonferrous metals and other mineral resources. Judging merely by explored deposits China ranks fourth in the world in coal resources; she was always a heavy exporter of this commodity to Japan, Korea and other countries of the Far East.

[***] Jenminjihpao, February 27, 1952.

Moreover, it should be remembered that as yet very little study has been made of the true extent of the country's mineral resources. In 1937 China produced 37 per cent of the world's output of tungsten and 70 per cent of the world's antimony; she was then fifth among the world's producers of tin. China is also capable of producing considerable quantities of wool, cotton, bristles, raw silk, tea, soya beans, tung oil, ground nuts and other agricultural products, which are basic items of the country's export.

The Chinese market has for long been a centre of fierce competition among some of the most powerful industrial countries. The following figures from Chinese customs statistics illustrate the extent to which various countries participated in China's import and export trade (in percentages of the totals of imports and exports):

	1936		1946		1948	
U.S.A.	26.4	19.6	38.7	57.1	20.1	48.4
Britain	9.2	11.7	4.4	4.6	3.9	8.0
Japan	15.2	16.6	3.1	0.4	5.5	0.9
France	4.3	1.9	1.8	0.2	0.9	0.7
India	2.1	2.6	5.3	8.7	3.8	10.6
Hong Kong	15.1	1.9	28.3	4.6	31.4	1.5

From the above table it is clear that before the Second World War in 1936, the U.S.A., Britain and Japan together accounted for nearly 51 per cent of China's exports and nearly 48 per cent of her imports. After the war defeated Japan ceased to be a competitor for the Chinese market, Britain's position was undermined, and she likewise was unable to compete seriously with the United States. Thus a very favourable situation was created for American trade. Another element in favour of the U.S.A. was the pro-American policy of the Kuomintang regime, which put the country's market at the disposal of the American monopolies. Taking advantage of this, American trade and banking companies captured the Chinese market. As a result, America's share in the Chinese trade increased considerably, totalling approximately half the latter's import between 1946-48.

Throughout the period of reactionary Kuomintang rule China's foreign trade was semicolonial in character, import was in excess of export. As a result of this excess in 1946 the deficit in China's foreign trade balance swelled to the enormous sum of 472 billion dollars. The foreign trade policy of the reactionary Kuomintang regime was designed not to develop the country's industry but to convert China into a dumping ground for foreign consumer goods. This is clearly illustrated by the composition of Kuomintang import trade.

The basic items of import in Kuomintang China were manufactured goods, mainly products of light industry: cotton textiles and articles, rayon, tinned products, tobacco, hardware, etc. The proportion of goods necessary for the development of the nation's industry and agriculture was negligible. In 1946 manufactured articles and food products amounted to nearly 57 per cent of the value of China's imports, while industrial equipment and machine tools totalled only 2.9 per cent. Oil products also figured significantly in Chinese imports; in the prewar years (1935-37) the average annual import of oil products accounted for 8-10 percent of the country's total import. In 1946 Kuomintang China imported 1,000,000 tons, in 1947—2,100,000 tons and in 1948—1,450,000 tons of oil products. Moreover it is extremely significant that in spite of having considerable oil resources inside the country Kuomintang China satisfied about 90 per cent of all the country's oil requirements by means of import.

As for the composition of Chinese exports, products of agriculture and animal husbandry prevailed. A considerable portion of China's export was likewise made up of nonferrous metals, such as tungsten concentrates, antimony and tin. In

1946 China exported nearly 80,000 tons of tung oil, that is 16.5 per cent of the total value of her export. In the same year the export of bristle amounted to 4,759 tons or 16.3 per cent of the whole export of China. China is one of the biggest exporters in the world of bristles, tung oil, soya beans, and also antimony, tungsten concentrates and a number of other products.

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With the formation of the Chinese People's Republic fundamental changes took place in the character, aims, distribution and structure of the country's foreign trade. A change of principle was effected in the import trade of China, priority being given to products necessary for the industrial development of the country-industrial equipment, machine tools and raw materials for the leading branches of the national industry. In 1950 the ratio of iron and steel goods to the country's total import amounted to 11.3 per cent, machinery—8.3 per cent, rubber—11.5 per cent, oil products—8.5 per cent, rolling stock and ships—3.2 per cent, sulphate of ammonia—2 per cent, copper—1.8 per cent, cables—1.5 per cent, motor tyres—1.1 per cent. These items accounted for 49.2 per cent of the year's total import.[*] At the same time People's China stopped importing grain and a number of other foodstuffs and consumer goods, including luxury articles.

The Chinese people's achievements in restoring and developing their industry and increasing the productive forces of agriculture will lead to a considerable increase in the demand for capital goods and materials, raw materials for the chemical industry, transport vehicles, tractors and agricultural machines. This is bound to increase the volume of goods imported by the Chinese People's Republic.

At the same time the rapid development of agricultural

[*] People's China, No. 7-8, Vol. III, Peking 1951, p. 16.

production will promote the growth of Chinese export. In 1950 the value of China's export was almost equal to the total value of goods exported during the three previous years. However, no big changes have taken place in the composition of Chinese export. As before, the bulk of export goods are agricultural products. The breakdown of Chinese basic exports in 1950 was as follows: soya beans—14.4 per cent, tung oil—7.0 per cent, bristle—6.7 per cent, edible vegetable oils—5.4 per cent, ground nuts—4.7 per cent, eggs and egg products—4.7 per cent, wool—4.1 per cent, tea—3.3 per cent, nonferrous metals —3.0 per cent, live pigs—2.2 per cent, peanut oil—2 per cent, raw silk—1.9 per cent, coal—1.2 per cent.[**]

In spite of the general growth of China's export trade, in 1950 the export of certain goods particularly coal, raw silk and egg products, did not yet attain the prewar level. The reduction of exports of these products is due mainly to the fact that their chief importers—Japan, Britain and the U.S.A.—have to a considerable extent curtailed imports of these goods from China, although it is well known that these countries are still in need of such products, which they always used to import from China.

In restoring and building up her industrial and agricultural production China will considerably increase her export potential not only of goods already being exported but also of a new range of products, such as hides and skins, silk materials, minerals, etc.

In 1950, for the first time in seventy years, China achieved a favourable balance in her foreign trade. During the period from 1926-36 China's foreign trade deficit amounted to an average of 153 million dollar's a year. This brought about depletion of the country's national wealth, which was draining away into the pockets of foreigners. With the formation of the

[**] Sinhuayuehpao, April 1951, p. 1345.

Chinese People's Republic a radical change came over the situation. Already in 1950 exports were 52.23 per cent and imports 47.77 per cent of China's total foreign trade turnover.

An important feature of the foreign trade of the Chinese People's Republic is that the major part of the exchange of goods is conducted through state trading organizations. In 1950 state companies accounted for 53.3 per cent, and 70.5 per cent of her exports and imports, respectively, the share of private companies being 46.7 per cent and 29.5 per cent, respectively.[*] State companies exercise a monopoly right to import and export the most important goods. Thus they hold a monopoly over the exports of bristles, soya beans, ores and nonferrous metals, steel, pig iron and other products that have been declared state monopolies by the Central People's Government of China. In the field of import they have the exclusive right to purchase industrial equipment and raw materials necessary for the restoration and development of state enterprises. Private companies may export all unmonopolized goods, and can import raw materials and equipment for private enterprises, and also consumption goods, the import of which is not prohibited. Private companies have the right to carry on export and import operations on behalf of state companies as agents in buying and selling any goods, including all types of equipment, raw material and monopolized goods.

The encouragement shown by the Government to private exporters is having a favourable effect on the development of foreign trade. Under Kuomintang rule, businessmen who had no political or family ties with the governing clique, were obliged to give enormous bribes in order to receive export and import licenses. Now businessmen who abide by the rules of trading laid down by the Government, enjoy every opportunity of carrying out foreign trade operations.

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[*] *People's China*, No. 7-8. Vol. III, Peking 1951. p. 17.

In 1951 the principle of barter trade was made a basis for the development of trade relations between the Chinese People's Republic and the capitalist countries. This principle makes it much easier for capitalist countries to develop trade relations with China, since for barter trade one has no need of cash in hand. According to the existing data, trade in kind for the period from January 1 to March 15, 1951 amounted to over 50 per cent of the total value of both exports and imports. The recent period of the barter trade of China is characterized by the slogan "first imports and then exports." This also facilitates the extension of trade between China and the capitalist countries, which are experiencing great difficulties in selling their goods, suffering from heavy unemployment and running very short of gold and dollar reserves.

The reorganization of the old customs institutions and the creation of a new Customs Authority has been of immense importance in developing the foreign trade of the Chinese People's Republic. Under the new conditions Chinese customs houses have to exercise effective control over the export and import of goods and currency, collect customs duties and other charges and combat smuggling. The Vice-Chairman of the Central People's Government of China Liu Shao-chi has said that the "tariff and foreign trade policy of the new China has already become an important weapon protecting the development of the country's industry. This means that the key to the gates of China now lies in our own hands. . . ."*

No sooner was the Chinese People's Republic founded than the countries of the Western world, and above all the United States, began to hinder the development of her foreign trade. In December 1949 the U.S. Government prohibited American ships to enter Chinese ports blockaded by the Kuomintang. A year later, in December 1950, President

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* *People's China*, No. 7-8, Vol. III, Peking 1951, p. 16.

Truman officially announced a “complete economic blockade” of the Chinese People’s Republic by the U.S.A. On December 16 the American government put under control the state property of the Chinese People’s Republic as well as Chinese private property within the territory of the U.S.A. Following the United States a number of countries also imposed an embargo on the export of goods to China. All these measures were planned to hinder the restoration and development of the economy of the young Republic.

However, the blockade failed to damage China’s foreign trade. On the contrary. Her trade increased and considerably exceeded the volume of her trade before the Sino-Japanese war. China’s successes in foreign trade during the past two and a half years are striking a severe blow at the policy of economic blockade conducted by the U.S.A. and other Western countries against China. The economic blockade is having an unfavourable effect first and foremost on the economy of the countries organizing this blockade. Thus, for example, the prices of bristles and tung oil on the American market rose between November 1950 and September 1951 by over 50 per cent.[**]

A sharp change has taken place in the geographical distribution of new China’s foreign trade. This is quite clear from the following figures illustrating the share of various countries in the foreign trade of the Chinese People’s Republic (in per cent):[***]

	1946	1950
U.S.S.R.	1.6	23.4
U.S.A.	53.1	23.0
Britain	4.5	7.1

[**] *Jenminjihpao*, October 5, 1951.

[***] *Sinhuayuehpao*, April 1951, p. 1344.

Japan	1.0	4.6
Western Germany	—	1.9
India	7.9	2.8

The figures quoted above show in the first place that the Soviet Union's share in trade with China has sharply increased, while that of the U.S.A. has declined. Nonetheless, the part of the United States in trade with China in 1950 was considerable, which shows that in spite of the hostile policy pursued by United States ruling circles towards the Chinese People's Republic, certain American business circles have continued to trade with China.

In 1951, as a result of the economic boycott of China by the U.S.A. and states following the American lead, the capitalist countries' share in trade with the Chinese People's Republic suffered a sharp decline. At the same time the share of the Soviet Union and the European countries of People's Democracy in trade with People's China increased considerably. Thus in 1950 the value of goods imported to China from the U.S.S.R. accounted for 19.84 per cent of the total value of China's imports; 1.37 per cent came from the countries of People's Democracy and 78.8 per cent from the capitalist countries. In the first nine months of 1951 the value of Chinese imports from the U.S.S.R. rose to 44.7 per cent of her total imports, while 25.3 per cent came from the People's Democracies and the share of goods imported from the capitalist countries fell to 29.9 per cent. In 1950 the value of goods exported from China to the U.S.S.R. equalled 25.58 per cent of the total value of China's export; the People's Democracies received 3.87 per cent, and the capitalist countries—59.55 per cent. During nine months of 1951 the value of Chinese export to the U.S.S.R. increased to 51.51 per cent of the total, and to the People's Democracies—to 26.43 per cent, while the value of goods exported from China to the capitalist countries fell to 22 per cent. Thus, China's export trade to the

Soviet Union and the European countries of People's Democracy increased during nine months of 1951 in comparison with 1950 by 126 per cent.[*] The Treaty of Friendship, Alliance and Mutual Assistance between the Soviet Union and the Chinese People's Republic of February 14, 1950 as well as the agreement for long-term credits on favourable terms granted by the Soviet Government to the Chinese People's Republic to pay for Soviet deliveries of industrial equipment and other materials, are of paramount importance for the restoration and further development of China's national economy. These historic documents have opened up a new stage in the development of friendly relations between, these two countries, ensuring the consolidation of friendship and mutual aid, and strengthening political, economic and cultural cooperation between the great peoples of the Soviet Union and China. The Trade Agreement concluded between the Soviet Union and the Chinese People's Republic on April 19, 1950, like the agreements concluded in March and April 1950 (concerning the forming on parity terms of Sino-Soviet joint-stock companies for prospecting and extracting oil and nonferrous metals in Singkiang, and for the organization of civil air lines in China) have further extended economic cooperation and trade between the two friendly powers. The Treaty and Agreements with the Soviet Union are a completely new form of cooperation, including economic cooperation, never known to China in the past.

The Soviet Union delivers to the Chinese People's Republic industrial equipment of great value for factories, mills and power stations, indispensable raw and industrial materials, locomotives, wagons and rails for railway transport, tractors, combines and other agricultural machinery, etc. These deliveries promote the rapid restoration and development of

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[*] *Jenminjihpao*, October 5, 1951.

Chinese industry and agriculture and, consequently, the economic progress of the Chinese People's Republic.

This creates the prerequisites for a further development of China's foreign trade. In an interview given to a correspondent of the Hsinhua news agency concerning the results of Sino-Soviet trade in 1950 the chief of the foreign trade department of the Ministry of Trade of the Chinese People's Republic Ling Hai-yun said: "The development of trade relations between China and the U.S.S.R. during the past year was one of the most important factors in the rapid restoration of our country's economy. Trade between China and the Soviet Union is a fine example of the growing friendship and mutual aid between the two states, and also of the real help that the Soviet Union is giving us in the economic construction of our country. In trade between the Chinese People's Republic and the Soviet Union the prices of all goods are arrived at on the principle of equality and mutual advantage. . . . As a result of the development of trade with the Soviet Union our positions in international trade have been strengthened and the initiative in trade with capitalist countries is now in our hands."

On the principle of equal rights and mutual advantage the Chinese People's Republic is developing friendly economic ties both with the European countries of People's Democracy and with the German Democratic Republic.

In February 1950 the Chinese People's Republic and Polish foreign trade organizations concluded agreements in accordance with which China supplies the Polish Republic with soya beans, tea, tobacco, oils and a number of other goods, while receiving from Poland rolled steel, metal wares, instruments, chemical products and piece goods. Apart from this, in January 1951 China and Poland concluded agreements on payments and mutual deliveries of goods for 1951, as well as on navigation and on exchange of postal information, parcels and telegraphic communications.

In June 1950 in Peking a trade agreement was signed between the Chinese People’s Republic, and the Czechoslovak People’s Republic. According to this agreement Czechoslovakia receives from China raw materials, hides and skins, raw silk, hemp, bristles, nonferrous metals and a number of other goods, and in its turn supplies China mainly with capital goods and products of the metallurgical industry, lorries and passenger cars, chemicals, pharmaceutical goods, etc.

In October 1950 the Chinese People’s Republic concluded a trade agreement with the German Democratic Republic, by which China supplies the German Democratic Republic with tung oil, mineral raw materials, bristles, egg products, tea, casings and a variety of other goods, while the German Democratic Republic supplies China with various types of industrial materials and equipment, chemicals, dyes and other commodities.

In January 1951 in Peking an agreement on trade and payments for 1951 was signed between the Chinese People’s Republic and the Hungarian People’s Republic. By this agreement China supplies Hungary with raw materials and manufactured goods of her industry in exchange for industrial equipment and raw materials.

The friendly economic cooperation between the Chinese People’s Republic, the Soviet Union, the European countries of People’s Democracy and the German Democratic Republic based on the principles of equal rights and mutual advantage, respect for national independence and sovereignty, is creating an important foundation for the rapid restoration and further successful development of democratic China’s national economy.

China, however, does not confine herself to trade with the U.S.S.R. and the countries of Central and Southeast Europe. As is emphasized in the Common Program of the People’s Political Consultative Conference of China, the Chinese

People's Republic can restore and develop commercial relations with foreign governments and peoples on the basis of equal rights and mutual advantage. This is the essential condition guaranteeing the successful development of trade between any country and the Chinese People's Republic.

As is well known, the *United States of America*, being interested in the Chinese market, purchased during the first postwar years the greatest quantity of Chinese goods and in 1946 accounted for approximately 40 per cent of the total volume of Chinese export. The U.S.A. was a permanent customer for such Chinese commodities as bristles, tung oil, raw silk, carpets and many other items. Thus, for example, in 1948 China supplied the U.S.A. with 3,100 tons of bristle, 39,000 tons of tung oil, 64 tons of raw silk, 158 tons of silk waste, 3,800 tons of wool, approximately 1,400 tons of duck and goose feathers, nearly 2,200,000 goatskins, 2,900 tons of tea, 1,338 tons of carpets.

In her turn, China always used to buy industrial goods from the United States. In 1948 China received from the U.S.A. 1,540 tons of copper (in 1946—over 3,000 tons), nearly 1,000 tons of galvanized sheet, 11,300 tons of sheet iron, approximately 21,000 tons of rails, over 3,200 lorries and tractors (nearly 10,000 in 1946), nearly 44 million litres of lubricating oils, over 145 million litres of petrol (over 205 million litres in 1946), over 130,000 tons of liquid fuel, over 3,000 tons of wood pulp, 26,800 tons of chemical products, over 3,000 tons of newsprint.

The above figures clearly illustrate that Chinese-American trade can develop and flourish if the U.S. Government abandons its unreasonable policy of economic boycott on the Chinese People's Republic.

Favourable conditions also exist for trade between China and Britain. *Britain* has always been a ready customer for a wide range of Chinese goods, particularly egg products, tung oil, bristles, wool, raw silk, tea, etc. In 1948, for example, Britain imported from China, according to Chinese customs statistics, nearly 15,500 tons of egg products, 35 tons of gallnuts, 960 tons of tea, 528 tons of bristles, over 3,500 tons of tung oil, 85 tons of camel hair. At the same time Britain supplied China with industrial products and equipment, chemical goods and fertilizers. Thus, for example, China imported from Britain, according to Chinese customs statistics, 18,200 tons of steel of commercial grades in 1936 and 5,800 tons in 1946, correspondingly 28,600 tons of rails and 32 tons; 19,700 tons of sulphate of ammonia and 4,000 tons; 20,600 tons of soda ash and 6,300 tons; 12,000 tons of caustic soda and 3,800 tons; 4,700 tons of wool tops and 1,700 tons; 170 motor cars and buses against 302. These figures show that after the Second World War Britain's export to China considerably decreased. An even greater decline in Britain's export to China set in after 1946. This was due to the fact that the Kuomintang regime was conducting a pro-American policy and putting the Chinese market entirely at the disposal of the U.S.A. Britain's exports to China suffered a particularly sharp decline after the British Government took up the economic blockade of China, in spite of having announced de jure recognition of the Chinese People's Republic and expressed a desire to exchange diplomatic representatives as far back as January 1950.

British business circles express obvious displeasure at the imposition of economic blockade on China, which has an adverse effect on the economy of Britain in the first place. The inclusion of the British colony of Hong Kong within the sphere of the economic blockade is cheating Britain of the income she could receive by increasing her export of goods to China through that port. Besides this, Britain has big capital investments in China, the income from which she used to receive in the shape of imports of Chinese goods. The establishment of normal trade relations with the Chinese

People's Republic, based on the principles of equal rights and mutual advantage, would allow Britain to expand considerably export of her goods to China and at the same time to increase purchases of the Chinese raw material and foodstuffs of which she is sorely in need, without spending dollars. This would benefit Britain's balance of payments and enable her to narrow her dollar deficit.

Japan used to buy from China large quantities of coal, iron are, salt, tung oil and other goods of considerable importance to the development of Japanese economy. According to Chinese customs statistics, in 1936 China (not counting Manchuria) exported to Japan over one million tons of coal, over 1,300,000 tons of iron are, 248,000 tons of salt, over 1,000 tons of tung oil, 25,000 tons of beans and peas, 121,000 tons of bran, nearly 120,000 tons of various oil cakes, over 46,000 tons of bones and bone meal, 5.5 tons of cattle hides. The successful development of the coal and salt industries in the Chinese People's Republic means that she can considerably expand her export of these goods to Japan and other countries of the Far East.

In her turn, China was a permanent customer of Japan for a number of important commodities essential to her national economy. In 1936 Japan exported to China over 66,000 tons of commercial grades of steel and sheet iron, 4,100 tons of girders and beams, 3,400 tons of pipes and tubes, 13,000 tons of sulphate of ammonia, 2,200 tons of calcium carbide, 55,600 bicycles; nearly 36 million metres of cotton cloth, 1,700 tons of rayon yarn, 5,700 tons of paints and dyes.

During postwar years Japan's trade with China fell into decline, and import and export between the two countries shrank abruptly. Although in 1948 China imported from Japan more artificial silk yarn, sulphate of ammonia, paints and dyes than before the war, trade in the majority of goods usually exchanged between the two countries decreased considerably, and certain goods ceased to be exchanged altogether. This deals a severe blow at the interests of both countries. Japan suffers particularly from the rift in Japano-Chinese trade. Under foreign occupation the industrial and commercial circles of Japan are deprived of the possibility of buying the products they need from the Chinese People's Republic on mutually advantageous terms, and are compelled to purchase many goods, such as coal, from the U.S.A. at extremely high prices. The Japanese industrialists and businessmen are venting their dissatisfaction over this state of affairs and insisting on the development of normal trade relations with their Chinese neighbour.

Formerly China also conducted considerable trading operations with other countries of the West and East, which were not only permanent importers of Chinese goods but themselves exported to China large quantities of their own products. For example, before the war France used to import from China up to 420 tons of bristles, 1,600 tons of egg products, 3,700 tons of tung oil, 8,600 tons of ground nuts, 2,100 tons of raw silk and silk waste. In exchange for these goods France used to supply many important industrial products, for which there is still a demand on the Chinese market. Thus in 1936 China imported from France 2,500 tons of commercial grades of steel and sheet iron, 2,942 tons of girders and beams, 660 tons of pipes and fittings, 594 tons of potassium chlorite and in 1948-351 tons of cigarette paper, 800 railway wagons and tramcars.

India used to buy from China cotton yarn, raw silk, various piece goods and antimony in exchange for raw cotton, cotton fabrics, ropes, jute sacks and other goods.

Such are the basic figures illustrating the export capabilities and import needs of the. Chinese People's Republic. Her successes in developing her foreign trade turnover show that China's foreign trade has been transformed from that of a, semicolonial country into a solid basis for the restoration and development of the country's national economy. Moreover it should be emphasized that the growing industrialization and economic development of the Chinese People's Republic will in the very near future give rise to a considerable increase in the import demand for capital goods and materials which with the establishment of normal trading relations between China and the capitalist states could to a considerable extent be imported from these countries.

R. SOLODKIN—WHAT THE TRADE RUPTURE WITH CHINA COSTS BRITAIN

Any attempt to improve the international trade situation which leaves China's vast market of raw materials and her great importing capacity out of the picture is doomed to certain failure. The absence of firm trade relations with China tells with special force on the economic health of Britain and the welfare of her people which depend largely on her ramified world-wide commercial connections.

The fact, however, remains that this merchant nation has done nothing to resume its trade with China and advance it to mutual advantage. What is more, Britain has actually suffered herself to be drawn onto the path of severing her trade connections with the Chinese People's Republic.

This disastrous attitude towards trade with China and other countries of the East is encountering stiff opposition in certain British official industrial and commercial circles. The issue has become a still sharper one now that attempts have been made to make Britain a partner in boycotting new China and severing all relations with that Republic. Last summer, Sir Hartley Shawcross, then President of the Board of Trade, came out against a plan to enforce restrictions upon Britain's trade with the East, emphasizing that such restrictions were liable to lead to grave consequences as regards the country's economy and the welfare of its people. Mr. Eden was as emphatic in his statement, made last summer during his visit to the United States: "It is not a wise principle," he said, "to cut off trade between East and West. " The British weekly *New Statesman and Nation* called in its issue of October 6, 1951 for a resumption of the trade between East and West on a large scale. In a memorandum addressed to the President of the Board of Trade a group of trade associations voiced their energetic protest against the policy of curtailing West-East trade, a policy, they said, which was causing irreparable damage to Britain's economy.

These and other statements to the same effect are, no doubt, a reflection of Britain's urgent need in trade with the East, of the vital expediency of trade between Britain and the Chinese People's Republic.

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The creation of the Chinese People's Republic was warmly welcomed by the peace-loving nations. Gone forever was the semicolonial China of old; in its stead, on the basis of a People's Democracy, rose a free and independent China. The Chinese people, having become, for the first time in their history, the rightful masters of their country, were now free to start on the road of true progress in every field, whether political, economic or cultural.

The old system of feudal landownership was abolished as a result of the implementation of the land reform, to be completed this year over almost the whole territory of China. This provides the necessary condition for the development of agricultural production of the Chinese People's Republic. In 1951 the production of food crops in China was 93 per cent of the record mark reached in 1936-37. The Chinese people have scored major victories in their production of the most important industrial crops.

The successful implementation of the land reform, already conducted over a territory peopled by 310 millions, and the development of agriculture create the basis for the development of the nation's industry. The leader of the Chinese people Mao Tse-tung pointed out in 1945 that "after creating the political system of the new democracy, the Chinese people and their Government should take practical steps towards the gradual creation, within a certain period of time, of a light and heavy industry, transforming China from an agricultural country into an industrial one."[*]

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[*] Mao Tse-tung, "*On the Coalition Government*," Chinese language edition,

China has applied heart and soul to the task of rehabilitating and developing her industry. Here are some of the results of this national effort. In 1950 the output of coal increased by 28 per cent as against 1949, and the first eight months of 1951 brought another 15 per cent increase as compared with the same period of the preceding year.[**] The output of steel in the period January-August 1950 increased 7.8-fold in comparison with the corresponding period of 1949; in 1951 it almost reached the highest prewar mark, and the output of rolled steel even topped the mark. The electric power supply of 1950 was 15.2 per cent greater than in 1949; the first eight months of 1951, as compared with the same period of 1950, gave a 22.5 per cent increase. The prewar level in the production of copper, caustic soda, cement, glass, paper and other important items has likewise been topped: The production of cotton yarn and fabrics reached the prewar high already in 1950; in comparison with 1936, the eve of the war with Japan, it increased 16 per cent.

The Central People's Government of China yearly increases its capital investments in industry. Thus, in 1950 capital investments in the state-owned industry of Northeast China increased an approximate 290 per cent as against 1949.[***] Never before in the history of China have such investments of capital been made in a peacetime economy.

The great changes taking place in China and the upsurge of her national economy provide vast opportunities for trade between China and any country abiding by the principle of equal rights and mutual advantage.

The Chinese People's Republic is a staunch advocate of international cooperation based on the above principle, as well

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Mukden 1949, p. 68.

[**] *Jenminjihpaa*, November 4, 1951.

[***] *Kuangminjihpaa*, October 4, 1951.

as on respect for national territorial integrity and national sovereignty and independence. This democratic principle underlying international collaboration promotes world trade and brings the peoples closer together, uniting them, no matter how different their social-economic and political systems, with bonds of an international division of labour.

Article 57 of the Common Program of the People's Political Consultative Conference of China, which is China's fundamental law, decrees that "the Chinese People's Republic can resume and develop its commercial and trade relations with foreign governments on the principle of equal rights and mutual advantage.[****] Full observance of this principle is a guarantee of advantageous trade with China on the part of any country. It lies at the base of the trade relations developing with such success between China and the Soviet Union, China and the countries of Central and Southeast Europe. While expanding her economic and, particularly, her trade relations with these countries on the principle of equality, comradely aid and mutual advantage, China does not intend, as shown by her foreign trade policy, to restrict her commerce to the above-mentioned group. The Republic from the very first days of its existence, has demonstrated its readiness to trade with the countries of the West and East, irrespective of their social-economic systems.

A free and normal exchange of commodities with the Chinese People's Republic, which is so colossal a market is of immense importance to Britain whose foreign trade is fighting against great odds today.

When trading with the whole world Britain has been known to achieve remarkable results. From the middle of the last century to the outbreak of the First World War the volume

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[****] *Creation of the Chinese People's Republic. Documents and Materials,* Gospolitizdat 1950, p. 48.

of British foreign trade increased almost fivefold—from 290,000,000 pounds sterling in 1850 to 1,404,000,000 pounds sterling in 1913. The policy then pursued by Britain, that of developing trade relations with all countries, told with particular favour on her exports, which increased from 35,000,000 pounds sterling early in the past century to 635,000,000 pounds sterling just before the First World War, i.e., almost 20-fold. It is precisely to the increase in the volume of foreign trade and particularly, to the rapid growth of the export of all kinds of British goods that such branches of Britain's industry as the cotton and wool industries, as well as shipbuilding and other important branches of the machine-building industry, owed their development. The returns from the sale of the products of these industries in foreign markets and Britain's shipping revenue were more than enough to cover the foreign trade deficit of Britain, which as a rule did not exceed the annual sum of 150,000,000 pounds sterling.

An altogether different picture is presented by the British foreign trade after the First and particularly the Second World Wars. The once rapid development of Britain's foreign trade gives way to stagnation and even degradation.

The condition of British foreign trade is best shown by the ratio of Britain's imports and exports to her population. Compared to others these figures give a more complete and correct idea of the present state of Britain's foreign trade.

GREAT BRITAIN'S FOREIGN TRADE PER HEAD OF POPULATION

(in the prices of 1913)[*]

	Imports retained	Exports excluding re-exports
1913	£18.2s. 9d.	£11.10s. 2d.
1950	£14.13s. 6d.	£11.3s. 1d.

The figures speak for themselves. In the thirty odd years which have elapsed since the outbreak of the First World War, Britain's imports per head of population decreased 13 per cent, while Britain's exports suffered a 3 per cent decrease.

This, naturally, could not but have a negative influence on the national economy and the living standard of a nation dependent to an exceptional degree on foreign markets. In no other reasonably large country of the world do imports play such a decisive role as they do in Britain. Even with the present rationing system with its low norms, 60 per cent of the aggregate quantity of foodstuffs consumed by her people comes from abroad. As a result of the decrease of Britain's imports per head of population there has been a drop in the country's consumption of staple food products. Thus, as compared with 1934-38, the average per head consumption of meat in 1951 decreased 40 per cent bacon and ham—29 per cent, butter—40 per cent, tea—23 per cent, sugar—16 per cent, dried fruit—28 per cent, rice—38 per cent, etc.[*] Even this meagre average is in danger. In November 1951 the British Government resolved to cut down imports by 350 million pounds, 130 million pounds of which were in foodstuffs. In January 1952 a new imports cut to the tune of 150 million pounds was announced. Pointing to one more reason of the

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[*] *Statistical Abstract for the United Kingdom,* 1937. Cmd. 5353; "Records and Statistics," June 26, 1948*; Board of Trade Journal,* February 10, 1951.

[*] *Monthly Digest of Statistics*, January 1952.

steady deterioration of Britain's food supply *The Economist* (September 29, 1951) is forced to admit that the present period is a critical period for British agriculture," which, it goes on to say, "threatens to decline." Last year's harvest, as shown by the preliminary official figures published recently, brought a 15 per cent decrease in wheat, a 7 per cent decrease in oats, a 16 per cent decrease in potatoes and a 11 per cent decrease in sugar beet.

It is not only food, however, that Britain imports. Britain takes vast quantities of raw materials and goods of other economic classes which are the lifeblood of her industry and economic life.

Britain, a major importing power, strives to payoff her colossal imports by keeping her exports at a maximum. Suffice it to say that in 1950 she exported 40 per cent of her aggregate industrial produce. In the case of many types of equipment the proportion was even higher. Across her frontiers Britain sent 55 per cent of her locomotives, over 52 per cent of her textile machines, 60 per cent of her internal combustion engines, over 75 per cent of all her hydraulic turbines, etc.

It should be admitted that in view of Britain's dependence on foreign markets the above-illustrated decline in her imports and exports per head of population have an extremely adverse effect on Britain's economy and the living standard of her people.

The policy of trade discrimination against a number of countries is a most important reason for the present period of decline and stagnation in Britain's foreign trade which has succeeded its period of progress. Evidence of this is found in figures showing Britain's percentage in world trade.[**]

[**] *International Trade and the Foreign Trade of the U.S.S.R.* edited by Professor D. D. Mishustin. Moscow 1941. pp. 208, 207; "Records and Statistics," November 24, 1951.

	1913	1937	1949	1950
Percentage of Britain in world imports.	17	17	14	11
Percentage of Britain in world exports..	14	10	12	12

In 1950 Britain's part both in world imports and world exports shrank considerably in comparison with 1913. The 1949 revival in British exports was cut short by the rupture of normal trade relationships with the Soviet Union China and the countries of Central and Southeast Europe.

The disintegration of international economic ties as a result of the Second World War and in the postwar period aggravated the problem of Britain's foreign markets and led to a heavy disproportion between the volume of exports and industrial production. Computation on the basis of official figures shows that while the index of Britain's industrial production (1913= 100) grew to 154 per cent in 1950, the volume index of Britain's exports (similarly, 1913=100) became in 1950 but 107 per cent. In the 37 years since 1913 industrial production in Britain developed at a snail's pace, giving an average-annual increase of 1.7 per cent. The increase in the physical volume of British exports was even more negligible, lagging behind industrial production. The average annual increase in the British exports of this period constituted not more than 0.2 per cent in the prices of 1913. The condition of British re-exports trade was even graver. In 1950 it was but one-fourth of what it was in 1913. The importance of Britain as the one-time world centre of re-exports trade, which once yielded her so handsome a revenue, quickly fades.

A resumption of normal trade relations between Great Britain and the Chinese People's Republic would greatly facilitate the solution of Britain's foreign trade problems. The absence of an extensive trade with China is detrimental to Britain's economy, for it shrivels up her resources of food and raw materials and narrows her exports markets. This is borne out by a cursory acquaintance with Anglo-Chinese trade statistics pertaining to the five-year period of 1925-29 i.e. the eve of the first world economic crisis of 1929-33 and Japan's invasion of Manchuria in 1931. The mean annual British imports from China at this period were 13 million pounds, or 1.5 per cent of Britain's total annual foreign imports average,[*] which is almost twice the share of Japan in Britain's imports in 1951. China's importance was even greater as a market for British exports. The annual British exports to China in 1925-29 were 20 million pounds, and China's share in Britain's foreign exports total for that five-year period was 5 per cent, climbing at times (1926) to 6 per cent.[**] To assess the full significance of these figures it should be recalled that at the period in question the part of China in British exports was at an average year 6-7 times greater than that of Japan, and 1.3 times greater, than that of France in Britain's exports in 1951. The mean annual Anglo-Chinese trade turnover in 1925-29 constituted 33 million pounds, or 2.6 per cent of Britain's total foreign trade turnover.

These figures, relating to Anglo-Chinese trade in the past years, give a sufficient idea of what the trade rupture with China costs Britain. If Britain were only to re-establish the Chinese share in its exports in 1925-29, she could increase the value of the exports of her civil industries by 70 million pounds. This would mean work for 120,000 British

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[*] British customs statistics do not list the countries of the British Empire among foreign states.

[**] *Annual Statement of the Trade of the United Kingdom*, Vol. IV, 1929; *Accounts Relating to Trade and Navigation of the United Kingdom*, December 1901.

unemployed, or a cut by one-third of the total number of officially registered unemployed workers. At the present juncture, the prospect of extending Anglo-Chinese trade looks even more inviting for Britain in the light of the decline of her exports since the second half of 1951. The volume index of British exports in the last three months of 1951 was 4 per cent lower than in the corresponding period of 1950.

A qualitative analysis of Anglo-Chinese trade in the past falls short of revealing, however, the full scope of what Britain stands to gain from trade with China today and what she loses from disrupting this trade. An objective analysis of the nature of items imported by Britain from China in the old days shows that they did not compete with or undermine local production; 46 per cent of these goods were important foodstuffs, which were required by the population and which promoted the domestic food industry and livestock breeding; 47 per cent were raw and other materials whose absence precludes the normal functioning of many British industries. In turn, Britain's exports to China were made up of goods typical of British industrial production.

ANGLO-CHINESE TRADE IN STAPLE COMMODITIES
Peak year in the period of 1925-29*

British imports from China				British exports to China			
Commodity	Measure	Quantity	Per cent of total foreign imports of commodity in 1951	Commodity	Measure	Quantity	Per cent of total foreign exports of commodity in 1951
Soya Beans…	in thous. of tons	149.4	269	Machinery.	in thous. of tons	19.5	5
Eggs in	in thous.	1,624.0	16	Iron and			

* Ibid.

Shell.	of great hundreds			Steel and Manufactures	“	173.0	17
Eggs Frozen and Liquid	in thousands of tons	39.2	156	Thereof Dyes and Colours..	in tons	6,806.0	22
Tea…..	in tons	4,186.0	40	Cotton Piece Goods…	in mill of sq. m.	166.9	102
Tungsten Ores…	“	1,904.0	50	Woollen Yarns	in tons	3,166.0	54
Antimony .	In thous. Of tons	5.6	21	Woollen Tissues	in mill. of sq. m.	17.4	41
Cotton Waste	“	2.1	13	Linen Piece Goods…	“	2.6	9
Camels’ Hair	“	2.5	748	Tobacco.	in thous. of tons	2.1	38
Silk	in tons	696.0	343				
Cocoons	“	208.0	29				
Silk Raw	“	1,318.0	128				
Bristles	“	2,232.0	100				
Feathers							

This table is proof of the fact that the composition of exported and imported commodities was in complete accord with Britain’s economy based, as it is, on the import of a great variety of foodstuffs and raw materials, and the export of industrial manufactures. It shows that Britain needs what China can export; it also shows that Britain needs China as the traditional buyer of many of her industrial manufactures. The *Financial Times* in its issue of August 9, 1951, admitting that in a great many cases Chinese imports are indispensable and of exceptional importance to Britain, says: “Chinese soya bean cake has a high protein content, and is thus of great importance to the livestock program,” and “the bristles from China are for certain purposes virtually irreplaceable.... In the confectionery trade there is no real substitute for Chinese eggs.”

The facts and figures cited above speak eloquently enough of the extent to which the policy of curtailing trade with China which has been imposed upon Britain limits her resources in many kinds of food and raw materials. An expansion of Anglo-

Chinese trade on the basis of equal rights and mutual advantage would enable Britain to enlarge appreciably her resources of many deficit goods, even if such an expansion were to go no further than the peak year of the 1925-29 period. The import of soya beans, for instance, would have increased, as shown in the table above, about 2.7 times. Such an expansion of the import of soya beans would put an end to the postwar lag in production and consumption of the staple products of cattle breeding. The import of eggs, the want of which is felt in Britain, would increase, and particularly of frozen and liquid eggs would increase more than 1.5 times. Tea from China would mean a 40 per cent increase in Britain's import of that commodity and an end to tea rationing. The import of tungsten ores would increase 50 per cent, which would undoubtedly lead, provided that official Britain changes her hostile attitude towards China, to the abolition of the strict restrictions now in force as regards the use of tungsten in civil production.

This official anti-Chinese policy precludes all hope for Britain to increase in any appreciable measure the import of raw materials for a number of civil industries which, as a result of the militarization of the national economy, have found themselves in tight straits. Thus, in event of the trade relations with China being brought back to normal, with the imports reaching the 1925-29 level, British foreign imports of camels' hair in 1951 would increase 7.5 times, silk cocoons—almost 3.5 times, bristle—1.25 times, etc.

All these facts and figures show, moreover, the extent to which the curtailment of trade with China tells on the increasing dearth and costliness of goods in England. *The Economist* was forced to admit, on September 1, 1951, that "Europe could not entirely forego the supplies of these things that it now gets from the Soviet bloc except at the cost of a reduction in food consumption and possibly in industrial activity as well."

The suicidal policy of destroying Anglo-Chinese trade has forced Britain to cut down her re-exports as well as exports. According to official British data, in the five years which preceded the Sino-Japanese war, nearly 20 per cent of all British imports from China were re-exported by Britain to other countries. This trade was an exceedingly profitable one for Britain.

The creation of a People's China holds splendid prospects of British imports from that country on a basis of equality and mutual advantage. The Central People's Government of China in every way encourages the export of surplus agricultural and cattle-breeding produce, minerals, works of handicraft art, and a great number of other items. Thanks to Government encouragement Chinese average annual exports for 1950 and 1951 exceeded in value, all showings since 1936. In the prices of 1936 the Chinese export index reached 134 in 1950, and 160 in 1951.* In 1950, for the first time in 70 odd years, Chinese exports exceeded her import.

The restoration of normal relations with the Chinese People's Republic would also have an extremely beneficial effect on Britain's exports. The analysis of the composition of British commodities exported to China in 1925-29 shows that consumer goods, not production manufactures, predominated. Thus, the export of cotton fabrics to China reached almost 167 million square metres per annum, which is more than all the cotton fabrics exported by Britain to foreign countries in 1951. Woollen yarn exports to China totalled more than 3,000 tons a year, while the exports of woollen fabrics equalled 17.4 mil. lion square metres per annum, that is, respectively, 66 and 41 per cent of the same items exported by Britain to countries outside the British Empire in 1951. China was a very important market for Britain's chemicals. The annual export of dyes and

* People's China, No. 9-10, Vol. IV, Peking 1951, p. 11.

colours to China at that period was more than one-fifth of the total exports of this commodity in 1951.

The prospect of exporting to China textile, chemical and other consumer goods acquires special importance for Britain in the light of the increasingly difficult sale of these articles on the home market and many foreign markets. This is explained first by ever-increasing taxation in the West, caused by the climbing war appropriations, which has led to a further decline in purchasing power in these countries and the reduction, starting with the second half of 1951, in the British exports of numerous textiles and other consumer goods. Secondly, the revival of the military and economic potential of Western Germany and Japan results collaterally in the sharpening of the competition between them and Britain in foreign markets. Already in 1951 West-German export of metals, chemicals and many finished manufactures to Europe exceeded the British export of the same articles to Europe.*

Many of Britain's habitual textile markets are in danger. Japan's cotton exports to Pakistan, for instance, totalled, in January-September 1951, 197 million square yards, whereas Britain in 10 months of 1951 sold as little as 36 million square yards in the same market. Japan exported 28 million square metres of cotton piece goods to Thailand in the first half of 1951; during 9 months of the same year Britain sold but 9 million square metres. In the first half of 1951 British East Africa bought 6 million square yards of cotton piece goods from the metropolis; it bought more than double the amount from Japan—13 million square yards. Exports of woollen tissues from Britain to the Argentine dropped from 13 million square yards in 1937 to 2 million square yards in 1949, and to approximately 100,000 square yards in 1951.** In the second

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* *Financial Times*, August 27, 1951.

** *Financial Times*, January 3. 8 and 9. 1952; *The Economist*, December 22, half of 1951 British cotton exports fell by 11 per cent, cotton yarn-27 per cent, woollen fabrics—27 per cent, woollen yarn—more than 36 per cent as compared with the first half of the year.

These and similar facts show that the policy of commercial discrimination against China deprives Britain of a market for many commodities of mass consumption and inflicts colossal loss on many British industries.

The former semicolonial regime in China precluded any chance of its becoming a big buyer of industrial plant. That is why plant did not occupy a place of any importance in the old British exports to China. More important were Britain's exports of iron and steel and manufactures thereof to China, which were equivalent to 17 per cent of Britain's 1951 exports of these goods. Now that the Chinese people have launched their industrialization program and foreign trade is regarded by the Central People's Government as a means of promoting the national industries, China is prepared to import a great deal more machinery and appliances, metal goods and similar commodities.

The successful economic development of the Chinese People's Republic and the rise in the living standard of the Chinese people afford vast opportunity to British export to China of a great number of items and to British import from China of vital foodstuffs and raw materials, as well as numerous finished manufactures. However, this opportunity is being ignored by Britain owing to the policy pursued by certain official circles, a policy of erecting obstacles and barriers in the way of the natural development of Anglo-Chinese trade. Such a policy is ridiculous and highly detrimental to her national interests. The former head of the Overseas Trade Department, Mr. Bottomley, M.P., addressing in January the annual rally of

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1951.

the Kent Labour League of Youth, stated that Great Britain's and the Empire's natural markets are in the East. Said Mr. Bottomley: "We must not allow political expediency to damage our long-term interests."

Britain's illegal embargo on trade with the Chinese People's Republic, passed under United States pressure, has a disastrous effect on herself and her colonies in Southeast Asia. The embargo on trade with China has paralyzed economic Hong Kong—a large centre of transit trade and an important source of British profits from the so-called "invisible exports." The foreign trade turnover of Hong Kong fell from 1,092 million Hong Kong dollars in March 1951 to 692 million Hong Kong dollars, or 37 per cent, in October 1951.* The freight turnover of Hong Kong port suffered a sharp decline; many Hong Kong enterprises have closed down owing to shortages in raw materials and difficulties in shipping finished manufactures. In this British colony unemployment and the poverty and privations of the broad masses of the people that follow in its wake are steadily growing. The British press cannot hush down the ruinous effect the embargo has on the economic life and foreign trade of Hong Kong, as well as that of Malaya and other countries of South-east Asia. In January 1952, *The Economist* said so much describing the embargo as having "severely injured the prospects of trade and development not only of Hong Kong but of the whole area around the China Seas."

The Western policy of boycotting the East economically and breaking off commercial relations with it, a policy wholly alien to economic common sense, has made Britain and the countries of the sterling area exceptionally dependent on the American market and has aggravated their financial difficulties. Britain's foreign trade deficit has reached the

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* *The Economist*, January 19, 1952.

staggering sum of 1,208 million pounds, a deficit unknown in the history of her foreign trade. This has aggravated the crisis of the country's balance of payments and has had a highly injurious effect on the balance of payments of the entire sterling area. To meet her balance of payments deficit Britain had to expend 934 million dollars in the last three months of 1951 from the sterling bloc gold and dollar reserves, reducing them from 3,269 million dollars to 2,335 million dollars.[**]

The rapid exhaustion of Britain's gold and dollar reserves could not but affect the trade and the currency situation of all the countries of the sterling bloc, inasmuch as Britain is the keeper and disposer of their currency reserves.

The facts cited above and their analysis will convince any unbiased person of the great part played by the policy of boycotting and disrupting trade relations with China, pursued by the ruling circles of Britain hand in hand with those of the United States, in the aggravation of the economic and particularly the foreign trade and financial position of Britain. The realization is gaining ground in the various strata of British society that Britain can avert economic disaster and achieve an improvement in her living standards only through restoring and extending economic cooperation with China and the countries of the East generally.

Abolition of all restrictions on British trade with China, as well as with the Soviet Union and the countries of Central and Southeast Europe, extension of the trade turnover between Britain and these countries would greatly facilitate the solution of Britain's economic problems. These measures would flood Britain's civil industry with profitable orders and set it working to capacity. They would ease or utterly do away with the dollar famine and the foreign trade deficit. It would give work to the people of Britain and raise their living standard. British

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[**] *The Economist*, January 12, 1952.

industrial and commercial circles stand to profit greatly from an extension of trade with the East, China included. This trade would consolidate peace and the friendly relations between the peoples.

Every opportunity exists for mutually profitable trade between the British people and the 475 million-strong people of China. The Chinese People's Republic, as its leaders have repeatedly declared, is willing to extend its trade relations with Britain on the basis of equality and mutual advantage. China, therefore, is not to blame for the actions of those British officials who, the interests of their country notwithstanding, continue to pursue a policy of undermining and disrupting trade relations with the Chinese People's Republic.

G. GRIGORYEV—INTRA-GERMAN COMMERCE

The German problem is of tremendous international importance. Upon its proper solution depends the guarantee of a lasting peace in Europe and the whole world. The progressive forces in all countries are waging a persistent campaign for a democratic solution of this problem. Determined efforts to establish a united, independent, democratic and peace-loving Germany are being made by the entire German people and by the Government of the German Democratic Republic. They are consistently campaigning for speediest eradication of the remnants of fascism; for the democratization and demilitarization of Western Germany; for an end to the country's artificial disunity; for the independence of Germany; for peace and the unification of Germany on a peace-loving and democratic basis.

Of immense significance in the struggle for democratic unity of the German state is achievement of political and economic unification of Western Germany and the German Democratic Republic, adjustment of normal commercial and other economic relations between them. The decisions of the Potsdam Conference of the U.S.S.R., the United States and Great Britain, to which France subsequently subscribed, stipulate that "during the period of occupation Germany shall be treated as a single economic whole"[*] and that to this end a common policy should be established, in particular, concerning import and export programs for the whole of Germany. The Potsdam decisions also pointed to the necessity of "equitable distribution of essential commodities between the several zones so as to produce a balanced economy throughout Germany and reduce the need for imports."[**]

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[*] *The Soviet Union and the Question of the Unity of Germany and the German Peace Treaty*, Ministry of Foreign Affairs of the U.S.S.R., 1952, p. 14.

[**] *Ibid.,* p. 15.

The economic relations between the various parts of Germany have developed over the course of centuries. The economy of the Western provinces has always been integrally linked with the economy of the Eastern provinces. Before the Second World War trade to a value of approximately 4,000 million marks annually was conducted between the Eastern and Western sections of Germany.

It was after the Second World War that the problem of intra-German commerce arose, as a result of the separatist policy pursued. by the Western Powers, who, acting counter to the Potsdam Agreement, split Germany economically and politically, and set up a separate West-German state. Their splitting policy and the separate monetary reform put through in the Western zones of occupation in the middle of 1948 have greatly hindered. Germany's economic unification. The separate monetary reform resulted in the dual currency and price systems now existing m Germany. Thereby unhindered commercial relations between all the provinces and zones of Germany, as well as traffic of goods and free movement of the population, were disrupted. The existence of different currencies virtually changed the interzonal commerce within a single state into commerce between foreign countries. The volume of intra-German trade declined to 600 million marks in 1949 and 200 million marks in 1951.*

The separate monetary reform, the inclusion of Western Germany in the Marshall plan system, the conversion to a war economy, and the rupture of Western Germany's trade relations with the U.S.S.R., the People's Democracies and the German Democratic Republic, have brought the West-German civilian industries to the brink of catastrophe. Thus, in 1950 the output of the West-German tanning industry was 27 per cent less than in 1936, and in July-August 1951 it was 45 per cent

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* *Pravda*, February 11, 1952.

less. The decline in shoe production was 22 per cent and 46 per cent respectively.[**] The food and textile industries are curtailing output. In 1951 the output per capita of the West-German civilian industries was no more than three-fourths of the prewar level (allowing for the fact that at the end of 1951 the population of that part of the country was approximately nine to ten million more than on the eve of the Second World War).

Simultaneously with the curtailment of civilian production, Western Germany is rapidly increasing the output of the chief strategic industries. For example, production of crude oil in 1950 was 152 per cent, and in the first nine months of 1951, 197 per cent higher than in 1936; the output of motor vehicles was correspondingly 54 per cent and 82.7 per cent higher, respectively. In 1950 the West-German machine industry topped the 1936 output level by 21 per cent, and in the first nine months of 1951 by 55.6 per cent; in the electric industry the corresponding figures were 136 per cent and 227 per cent. In consequence, the general index of industrial production in Western Germany is higher than before the war.

The increase in Western Germany's war production in 1950 and 1951 was won at the cost of a tremendous growth in her foreign debt and financial dependence upon the Western Powers. By the end of 19f50 her postwar foreign debt had increased to approximately 16,000 million marks.

To a considerable degree this huge foreign debt is the result of Western Germany's having ruptured commercial relations with the Soviet Union, the People's Democracies and the German Democratic Republic. Normal trade with these countries would allow Western Germany to sharply reduce imports from the countries of the West, the United States first and foremost, and thereby lower her foreign debt. Suffice it to

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[**] *Wirtschaft und Statistik*, Nr. 10, 1951, S. 1069.

say that many of these import items are produced in large quantities inside Germany herself, in the German Democratic Republic, and could be made available on mutually advantageous terms to West-German enterprises, which are acutely in need of them.

Western Germany and the German Democratic Republic are parts of a single state and their economy is interconnected and interdependent. Hence, development of commerce between them is a matter of vita) concern to both. Western Germany needs textile machinery, lignite, pit props, sugar, potatoes and other commodities produced by the German Democratic Republic. In turn, the German Democratic Republic needs, to develop her peaceful economy, many goods that are produced in Western Germany, in particular, coal, iron and steel, machines, etc. Western Germany's dependence on foreign countries could be reduced if unhindered trade with the Eastern part of the country were restored and a balanced economy established for the whole of Germany, as stipulated by the Potsdam Agreement.

A point to be borne in mind in this connection is that the foreign trade of the German Democratic Republic differs fundamentally from that of Western Germany. Western Germany exports largely raw materials, and imports mainly foodstuffs and manufactured goods. Three-fourths of the exports of the German Democratic Republic, on the other hand, are manufactured goods and only one-fourth raw materials, while industrial raw materials and foodstuffs account for the chief part of her imports.

The shortage of many types of raw materials and other items which are used in war production or are exported has forced a substantial number, of West-German civilian industry factories to switch over to a shortened working week or to close down altogether. Numerous small and medium manufacturing and commercial enterprises of the West-German civilian industries, and large enterprises too, are going bankrupt; the number of wholly and part-time unemployed in Western Germany is increasing rapidly. All this is the inevitable result of the imprudent policy of disrupting economic relations with the Eastern part of Germany, of the virtual cessation of intra-German commerce and commerce with the U.S.S.R. and the countries of Central and Southeast Europe.

At the beginning of 1952 the number of wholly unemployed in Western Germany (not to mention partly unemployed) was more than 1,800,000[*] according to official, minimized, figures. Yet If there were unhindered interzonal trade, the German Democratic Republic, according to figures published in the German press, could immediately place orders to the value of 1,000 million marks in Western Germany. Besides, orders running into an additional sizable sum could be placed in Western Germany by the other democratic countries. This would give work to no less than 500,000 of Western Germany's unemployed.

In the Western sectors of Berlin the economic situation is very grave. Notwithstanding the aid rendered from Western Germany, industrial output in Western Berlin has not even attained half of the 1936 level. During the past few years more than 300,000 able-bodied persons, among them upwards of 70,000 young men and women, have been permanently unemployed. The ex-burgomeister of Berlin, Friedensburg, a member of the Christian Democratic Union, has admitted that Western Berlin has become a community which has lost the greater part of its vitality; during the past year it was unable to pay with its own means for even half of its imports, and almost a third of the able-bodied population lacks jobs."[**]

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[*] *Tägliche Rundschau*, February 9, 1952.

[**] *Die Deutsche Demokratische Republik im Kampf um die Einheit Deutschlands*, S. 171.

The rupture of intra-German commerce is disastrously affecting the economy of Western Berlin, which cannot exist without commodity deliveries from the German Democratic Republic. The Western part of the German capital could receive from the German Democratic Republic potatoes, sugar and firewood for the needs of its population, and Diesel oil, gasoline, lignite briquettes, timber and other materials badly needed by its industry. Even if Western Germany had these commodities it could not supply the Western sectors of Berlin with a steady flow of them owing to lack of transport facilities. Moreover, it is incapable of supplying the Western sectors of Berlin with electric power, which they receive from the German Democratic Republic. In its turn, the German Democratic Republic could place sizable orders for manufactured goods with firms in Western Berlin. This would give employment and a livelihood to scores of thousands of Berliners residing in the Western part of the city.

Extensive commerce with the German Democratic Republic, development of which is based on planned economy, would promote in Western Germany and the Western sectors of Berlin: economic normalization; expansion of civilian industries; reduction of unemployment; an improvement in the living standard of the wide masses of the population. As for the discriminatory measures against trade between Western Germany and her natural partners in the East—measures which are applied on orders from the High Commissioners of the Western Powers—they boomerang at the economy of Western Germany itself.

By these discriminatory measures the West-German authorities are trying, but without success, to check the progress of the German Democratic Republic's peaceful economy and hinder fulfilment of the five-year plan for the development of its national economy. Herr Otto Grotewohl, the

Prime Minister of the German Democratic Republic, has stated that the Republic is in a position to produce herself, or receive from the countries of the democratic camp, all those commodities which she imports from Western Germany and capitalist countries.

The Soviet Union and the People's Democracies are the chief trade partners of the German Democratic Republic. In the middle of 1951 they accounted for 80.5 per cent of the republic's foreign trade. By expanding commercial relations with the German Democratic Republic on the foundation of mutual advantage, equality and respect of sovereignty, the Soviet Union and the People's Democracies are in every way promoting steady progress of the republic's peaceful economy and improvement of the material and cultural standard of her population.

The German Democratic Republic has registered important achievements in peaceful economic and cultural construction. Already in the first quarter of 1950 industrial output regained the prewar level and is continuing to grow steadily. The material and cultural standards of the East-German population are rising. Economic recovery and further development in the German Democratic Republic has been and continues to be based primarily on internal measures and national efforts, on internal resources.

All questions pertaining to her foreign and interzonal commerce are settled independently by the Government of the German Democratic Republic. Announcing, on November 11, 1949, the transfer of administrative functions to the corresponding ministries and other governmental bodies of the German Democratic Republic, Army General V. I. Chuikov, Chairman of the Soviet Control Commission, declared: "The Soviet Government proceeds from the fact that the foreign relations and foreign trade of the German Democratic Republic will be under the jurisdiction of German authorities."* The Soviet Control Commission also transferred all exchange operations connected with foreign trade to appropriate governmental agencies of the German Democratic Republic.

In its first statement on foreign policy the Government of the German Democratic Republic stressed that it considered it desirable and necessary to establish normal diplomatic, economic and other relations between the German Democratic Republic and "every state which is ready to establish such relations on the basis of mutual respect and equality."** The swift expansion of trade with the U.S.S.R. and the People's Democracies is satisfying the basic requirements of the economy of the German Democratic Republic. Nevertheless, the Government of the Republic has repeatedly stated that it by no means rejects extension of intra-German commerce or commerce with the countries of the West. It is doing its utmost to remove the banners placed in the way of expansion of intra-German trade.

In its efforts to expand interzonal trade the Government of the German Democratic Republic is motivated not only by, its own economic requirements but also by the interests of Western Germany's economy. It aims to help the population of Western Germany raise its living standard. . "The German Democratic Republic, with its broad foreign" trade potentialities, reflects the interests of the German economy as a whole, says Herr Otto Grotewohl. "It is fully possible at any time to give the West-German economy a broad share in our foreign trade."*

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* *Formation of the German Democratic Republic, Documents and Materials*, Gospolitizdat 1950, p. 164.

** *Pravda*, October 25, 1949.

* *Neues Deutschland,* September 4, 1951.

As a result of the obstacles put in the way of interzonal economic relations, there was achieved less than 50 per cent of the volume of trade stipulated in the agreement on intra-German commerce for 1950 which was concluded in Frankfort on the Main on October 8, 1949, between the Bonn Federal Republic and the German Democratic Republic. On September 7, 1950, the negotiations of a new agreement were begun. In the course of these talks, which lasted about a year, the representatives of the German Democratic Republic proposed fixing the volume of intra-German trade for 1951 at 1,000 million marks from each side and submitted lists of commodities the exchange of which would conform to the interests of both parts of Germany. In compiling these lists they proceeded from the premise that commodities which are produced in sufficient quantities within Germany should not be imported from abroad. The proposals submitted by the West-German representatives provided for deliveries to the German Democratic Republic of 250 million marks' worth of such goods as champagne, beer, mineral water and the like. Such goods, it stands to reason, could in no measure compensate for the high-grade industrial goods which the West-German representatives wished to receive from the German Democratic Republic. On numerous occasions the West-German representatives adjourned the talks for long periods under the pretext that preliminary solution was necessary first of the Berlin problem and then of the problem of payment for railway transportation, etc.

However, under pressure exerted by German public opinion and the West-German population, which realizes that every infringement on intra-German commerce further worsens its material well-being, the talks were resumed. On July 6, 1951, an agreement on intra-German commerce was initiated by the representatives of Eastern and Western Germany, who thereby expressed their full approval of it. The representatives then submitted the agreement to their governments for confirmation. Six days later, on July 12, 1951, the Government of the German Democratic Republic authorized its representatives to sign the agreement. The High Commissioners of the Western Powers, however forbade the Government of Western Germany to sign. Speaking of the Western Powers' interference in the interzonal and foreign trade of Western Germany, the West-German newspaper *Düsseldorfer Nachrichten* stated (April 15, 1951): "At every step we feel how the occupation authorities are keeping their eye on us. Our commerce with the East is also suffering as a result of this annoying control. . . . Virtually not a single screw can be shipped across the Elbe from Western Germany without the consent of the occupation authorities."

The High Commissioners of the Western Powers linked the ban on Intra-German trade with "obstacles" allegedly put by Soviet authorities to the shipment of goods from the Western sectors of Berlin to Western Germany, although during the past five years no changes have been made with regard to the way such goods are transported. The rules in force were established back in 1946, that is, before the split of Berlin by the Western Powers, and there was no talk of any obstacles to the transportation of goods from Western Berlin to Western Germany. These rules were established in conformity with a decision of the Control Council of January 16, 1946, and were sanctioned by other decisions of the occupation powers. In June 1951, in violation of these agreements, which had been in force for several years, the heads of the West Berlin Senate forbade the commercial firms of Western Berlin to submit to the Soviet control bodies information concerning the origin of such goods, which information is necessary for the registration of goods shipments between the Western sectors of Berlin and Western Germany, and demanded that the air lift be resumed.

At the beginning of August 1951 the Bonn authorities issued an order barring the delivery of goods to the German Democratic Republic, thereby rupturing intra-German trade relations. Moreover, the Bonn authorities set up a customs barrier along the interzonal border, which further aggravated the split of Germany.

West-German government experts drew up a black list of West-German firms doing business with the German Democratic Republic. The West Berlin firms which maintained trade relations with the German Democratic Republic were threatened with financial and other sanctions. In the autumn of 1951 twenty-five representatives of heavy industry enterprises in Western Germany and Western Berlin—from the Berlin Iron and Steel Company, the Rhine Pipe Works, and the transport firm of Schenker and Co.—were tried in a West Berlin court on the charge that in 1949 and 1950 they had conducted illegal trade by selling steel to the German Democratic Republic or had helped effect such sales. The purpose of this trial was to intimidate West-German manufacturing circles and frustrate intra-German economic cooperation.

In his reply to the High Commissioners of the three Western Powers on October 4, 1951, the Chairman of the Soviet Control Commission pointed out that "the measures of the American, British and French occupation authorities contradict not only the interests of West-German commercial and manufacturing circles, but also the interests of the overwhelming majority of the German population and constitute a gross violation of the agreements concerning the elimination of obstacles to and the expansion of economic relations between Eastern and Western Germany which were reached in 1949 at the Paris and New York conferences by representatives of the Governments of the U.S.S.R., Great Britain, the United States and France."

Interested in the development of trade with the German Democratic Republic, many West-German manufacturing and merchant circles have remonstrated against the rupture of this trade and against the ban on signing an agreement on intra-German trade. That there is a strong group in the Ruhr merchant and manufacturing circles which insists on broad trade between Western and Eastern Germany was admitted by the *New York Times* on July 20, 1951. The Employers' Association of Western Germany adopted a resolution on June 26, 1951, stating: "German industry considers it absolutely essential to encourage in every way legal trade with the East. It therefore demands an end to all discrimination in trade with the East."* On July 16, 1951, West-German manufacturers carne out with a protest against interference by the High Commissioners of the Western Powers in intra-German trade. The Employers' Association of Western Germany sent Herr Ehrhardt, the Bonn government's Minister of Economy, a letter declaring that the Association saw no economic grounds for restricting intra-German trade, and demanding an expansion of commercial relations with the German Democratic Republic.

Societies for the promotion of intra-German trade and trade with the countries of Eastern Europe have been formed in many cities and provinces of Western Germany and in Western Berlin. In Hamburg there is the Society for Trade with the East, with a membership of some 250 firms, in Württemberg-Baden, the West-East Trade Association, and so on. All these societies, as well as individual businessmen, are against interference by the Western Powers in intra-German trade, and stand for utmost expansion of economic relations between the various parts of Germany. The Hamburg Society for Trade with the East, for example, has sent out a circular letter protesting against the actions of the Adenauer government and the Western occupation authorities, and demanding the formation of an all-German economic council or economic committee

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* *Die Wirtschaft*, Nr. 26, 1951.

representing Western Germany and the German Democratic Republic, to settle the cardinal problems of intra-German trade.

Pressure by West-German manufacturing and commercial circles finally forced the federal authorities to sign an intra-German commercial agreement on September 20, 1951, providing for a volume of trade to the value of 550 million marks on each side. Under the agreement Western Germany was to have supplied the German Democratic Republic with 35,000 tons of pig iron, valued at 7,500,000 marks, and an additional 11,000 tons that were non-delivered under the preceding trade agreement. The amount of pig iron stipulated by the agreement is approximately the equivalent of Western Germany's output for one day. The rolled steel shipments from Western Germany to the German Democratic Republic which were provided for by the agreement totalled 68,000,000 marks, which is approximately the equivalent of Western Germany's output for two days. The representatives of both parts of Germany also established the volume of reciprocal deliveries for each quarter of the year. Under the agreement, in the fourth quarter of 1951 the German Democratic Republic was to have received 15,000 tons of pig iron and between 32,000 and 35,000 tons of rolled steel from Western Germany.[*]

However, immediately after signing this agreement the Western side began to seek pretexts for breaking it. As one such pretext it again raised the question of transport communications between Western Berlin and Western Germany. Also, the West-German authorities refused to keep to the dates fixed for the pig iron and steel deliveries, and did not ship to the German Democratic Republic machines ordered and partly paid for.

Violation of the new agreement on intra-German commerce has aggravated Western Germany's economic

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[*] *Deutsche Demokratische Republik, Intormationsdienst*, Nr. 10, 1951.

difficulties. At the Leipzig Fair in the autumn of 1951 West-German firms received orders to the value of 100,000,000 marks from the German Democratic Republic. The orders were filled, but the goods are lying in warehouses: they cannot be sent off to their buyers owing to the trade boycott on the German Democratic Republic. This has naturally caused severe financial difficulties for many West-German firms.

The fishing fleet of Western Germany is compelled to turn over its catch to be processed into fish meal because the West-German cold storehouses are overstocked with fish. The products of the fish canning industry cannot find a market in Western Germany; meanwhile 20,000,000 marks' worth of tinned goods designated for delivery to the German Democratic Republic are lying in the warehouses. In Bavaria a considerable number of factories have been forced to close down or operate part time since they lack lignite and briquettes which they used to receive from Eastern Germany. It is not to be wondered at that in two short months (December 1951 and January 1952) the army of unemployed in Western Germany increased by 522,000.

In the Western sectors of Berlin the situation is even worse. Owing to lack of orders, and the shortage and higher prices of materials, 60 per cent of the capacities of the printing industry there are standing idle; the output of this industry has declined by 83 per cent as compared with 1936. Since March 1951 90 per cent of the capacities of the West-Berlin soap industry have been idle; in the cosmetic products industry, 85 per cent, and so on. While in the Eastern sector of Berlin the number of workers in the building trades has doubled since 1949, in Western Berlin 55,000 of the 86,000 building trades workers are unemployed.[*]

Quite naturally, West-German manufacturing and

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[*] *Die Wirtschaft*, Nr. 48, 1951.

commercial circles are protesting more and more vigorously against the rupture of the interzonal trade agreement of September 20, 1951. “The West Berlin economic newspaper *Berliner Wirtschattsblatt* has stated: “The constant interference by the Americans in the commercial agreements between Eastern and Western Germany has gradually aroused in West-German economic and commercial circles the suspicion that the American representatives in the Supreme Allied Commission of the Western Powers have no desire whatsoever to see the intra-German trade developing. “On November 3, 1951, a conference of Hamburg businessmen adopted a resolution which notes: “Western Germany’s vital economic interests especially. West-German trade, insistently demand rapid and all-embracing stabilization of the intra-German situation. Describing the situation in Western Berlin, the *Handelsblatt*, mouthpiece of big West-German manufacturers, said in its issue of November 5, 1951: “The present situation, after the ban on interzonal trade, is arousing much uneasiness in Berlin. . . . Berlin’s coal stocks are patently insufficient for the winter; the stocks of lignite are so insignificant that there can be no question of supplying the population adequately.”

The Council of Ministers of the German Democratic Republic, stressing that the republic intends and is able fully to carry out all the types of merchandise deliveries to Western Germany that are stipulated by the intra-German commercial agreement of September 20, 1951, has declared that the West-German authorities, acting in accordance with American instructions, are deliberately creating “obstacles to trade between Eastern and Western Germany, to the detriment of the economic interests of the whole of Germany, in order to paralyze the steadily growing will of the German people toward unity of our fatherland. The Government of the German Democratic Republic will continue to bend all efforts for the development of intra German trade in the interests of Germany as a whole.[**]

In connection with the International Economic Conference opening in Moscow on April 3, 1952, West-German manufacturing and commercial circles are devoting considerable attention to the restoration and development of trade relations with the Soviet Union and the People's Democracies, and to the normalization of intra-German economic relations. The *Chemische Industrie*, a journal published in Dusseldorf, has demanded activization of trade between Western Germany and the East. The journal calls the ban on trade agreements with the East "intolerable discrimination" against the German nation. It notes that cessation of interzonal commercial relations has greatly damaged the West-German chemical industry, since for several decades it had been closely connected with big sources of chemical raw materials on the territory of the German Democratic Republic and for which it is difficult to find substitutes somewhere else. On January 1 and 9, 1952, the *Handelsblatt* came out against unilateral control and rupture of West-German trade with the U.S.S.R., the People's Democracies and the German Democratic Republic. The newspaper states that matters have now come to such a pass in Western Germany that everyone who supports trade with the East is under the danger of political victimization. "The development of East-West trade," says the *Handelsblatt*, "is a better guarantee of peace than the armaments drive." According to a report from Freiburg by the West-German DPA agency, on January 19, 1952 Dr. Wirth, the ex-Reichs Chancellor of Germany made a statement in which he expressed his firm intention of "urging economic circles of the federal republic to take part in the International Economic Conference which will be held in April of this year in

[**] *Neues Deutschland*, November 3, 1951.

Moscow."

Broader and broader circles of the West-German population, including manufacturers and commercial men, economists, and representatives of trade unions and cooperatives are coming to realize that the establishment and development of close economic relations with the Soviet Union and the People's Democracies and unhindered trade with the German Democratic Republic, would help to considerably reduce unemployment in Western Germany, would ensure employment to hundreds of thousands of workers; that it would promote an upswing in the civilian industries and a rise in the living standard of the broadest strata of the population of that part of the country. Development and consolidation of economic relations between Eastern and Western Germany would be an important step toward restoration of political and economic unity and unification of Germany on a democratic, peaceful basis. Not only the German people but the peoples of the whole world are vitally interested in this.

INTERNATIONAL ECONOMIC CONFERENCE (WORLD PRESS ROUNDUP)

A number of articles and items that have appeared in the world press in connection with the forthcoming International

Economic Conference in Moscow, as well as the utterances of many statesmen and prominent public figures, reflect the desire of trade and industrial circles and the public at large in various countries to restore and expand economic cooperation between the nations and to normalize trade relations between all countries, regardless of the difference in their political systems.

BRITAIN

The former minister of the Labour Government Harold Wilson recently contributed an article to the cooperative *Reynolds News*, in which he pointed out that to avert a crisis Britain should resume its freedom to develop its trade with Eastern Europe and other parts of the world which can send it goods it needs and will take goods it can sell.

Reuter reports that speaking at a Labour Party meeting, Arthur Bottomley, former Secretary for Overseas Trade in the Labour Government, said that the most natural markets for Britain and the British Empire countries were in the East and that "we must not allow political expediency to damage our long-term interests." The same idea was expressed by Arthur Bottomley at the annual rally of the Kent Labour League of Youth.

The January issue of the *New Central European Observer* carried an article by Gordon Schaffer under the heading "Trade Bar Deepens Crisis." In this article Gordon Schaffer writes: "I suggest that we in Britain have now reached a stage in our postwar story when the condition of the 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 examines 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, emphasizing the vast development of the national resources in the U.S.S.R., the People's Democracies and the Chinese People's Republic.

"Western Europe-and Britain in particular-cannot live," he writes, "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...." "The fundamental question emerges," Schaffer adds, "that only by reducing expenditure on armaments and by securing markets in the eastern world for British goods can there be any radical change" that would put a stop to the steady lowering of the standards of the British people.

Schaffer concludes: "As the crisis grows deeper (and it will grow deeper), as the 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."

CZECHOSLOVAKIA

O. Pol, Chairman of the Czechoslovak Arrangements Committee for the International Economic Conference in Moscow and Director-General of the Czechoslovak State Bank, writes in the Rudé Právo that the extensive scale of the world-wide preparations for the Moscow Conference is proof that economic cooperation between countries with different economic systems is in the interests of the overwhelming majority of people, irrespective of their political or economic views. The International Economic Conference in Moscow will consider the question of the resumption of normal economic relations between countries which is a means of improving living standards, expanding international co-operation and removing world tension.

Touching upon the policy conducted by certain countries in the West, a policy of discrimination and of creating artificial barriers to international trade, Pol points out that such a policy has unfavourable effect primarily on the countries that conduct it.

Pol subjects to a detailed examination the present state of trade between the West-European countries, particularly Britain, on the one hand, and the Soviet Union and the People's Democracies, on the other, and points to the sharp decline in the trade turnover between them. As a result of this the countries of Western Europe are experiencing grave economic difficulties, a steady rise in unemployment and a drastic fall in the living standards of the population.

The author points out that the attempts to organize a blockade of so gigantic a part of the world as the U.S.S.R., China and the countries of South-east and Central Europe, although heightening international tension, cannot in any measure hamper construction in the Soviet Union and the People's Democracies, whose economy is developing according to plan. However, continues Pol, economic cooperation between all the countries of the world on a basis of equal rights benefits the countries of both social and economic systems.

The dislocation of world trade by discrimination and by the erection of artificial barriers in a number of Western countries, and the continuous decline in peaceful production, are leading to a substantial dislocation, and in some cases to a considerable worsening, of the relations between the Western countries themselves, thereby turning the question of the restoration and development of normal economic relations between countries into a problem concerning all the countries of the world.

The author notes that the restoration and development of international trade are of particular importance to the underdeveloped countries, which require assistance in their industrialization and in advancing their national economy.

Pol underscores that guided by the principle expressed by the great teachers Lenin and Stalin that the two different social and economic systems can coexist in peace side by side, the Soviet Union and the People's Democracies are ready to develop peaceful economic relations and their trade with other countries on the basis of equal rights, mutual advantage and non-interference in domestic affairs.

The Czechoslovak trade union paper *Práce* in an editorial "Prospects of Economic Conference in Moscow" quotes the views of various circles in Western countries who welcome the calling of the Conference.

In its concluding part the article poses the question: Can the Moscow Conference really cope with its task? The *Práce* answers this in the affirmative. The Conference will be attended by economists from all over the world, workers in the practical field and scientists, who—given good will—can find the basis for mutual understanding in the field of economic cooperation. Mutual understanding is possible. The basis for it is the principle of equal rights in negotiations, as well as the efforts to find ways and means of improving the living standards of the nations through peaceful cooperation and the development of economic relations between all countries.

The Slovak newspaper *Pravda* in an article on the forthcoming conference expresses the conviction that international economic cooperation will contribute to strengthening peace.

CHINESE PEOPLE'S REPUBLIC

Professor Chiang Hsueh-mo of the People's University, in his article "The International Economic Conference" printed in the Chinese journal *Shitse Chihshi*, stresses the tremendous importance of the Conference in establishing normal international economic relations and removing the obstacles to the establishment of normal ties between countries with different social and economic systems.

He reminds his readers that Joseph Stalin, the teacher of all progressive mankind, has pointed to the possibility of peaceful coexistence and peaceful competition between the socialist and the capitalist system.

Chiang Hsueh-mo writes that the Soviet Union's firm and consistent stand in establishing political and economic relations with all the countries of the world has always been based on equal rights and mutual respect for sovereignty and independence. The author points to the fact that there have never been any instances of unequal treaties in the history of Soviet foreign trade.

Economic and technical cooperation on a planned basis has been established between the socialist Soviet Union with its powerful industrial productive forces and great technical experience, and the People's Democracies, rich in natural resources and labour power.

Soviet industrial equipment and technical experience are helping the countries of Central and Eastern Europe to repair the ravages of the war and to build up a powerful industry of their own in a short space of time. Economic and technical cooperation between the Soviet Union and the Chinese People's Republic is of great help to the new China in its efforts to overcome the difficulties in restoring and developing its national economy and is contributing to the brilliant achievements of the Chinese People's Republic in the field of industry, transport and agriculture. The tremendous development of economic construction in the Soviet Union and the People's Democracies leads to an improvement in the economic and cultural standards of the population.

The author further writes that trade discrimination against the U.S.S.R. and the People's Democracies is causing enormous damage above all to the capitalist world itself. He quotes a number of industrialists in the Western countries, specifically in Britain and Japan, who have openly expressed their dissatisfaction with such a policy conducted by their governments.

Noting that the arms drive has brought with it an economic decline and the impoverishment of the working people in the Western countries Chiang Hsueh-mo points out that this policy is meeting with a resolute protest from the peoples of the whole world, who are opposed to war and to trade discrimination against the U.S.S.R. and the People's Democracies, and who demand an improvement in the conditions of life and the restoration of peaceful economic cooperation between countries.

In conclusion the author writes: "The calling of the International Economic Conference in Moscow is an important step towards the restoration of normal international trade relations. The Conference will contribute to removing international tension."

ITALY

An article on the coming International Economic Conference in Moscow appeared on February 23, 1952, in the Milan newspaper *Ventiquattro Ore*, published by influential circles in the General Federation of Italian Industry ("Confindustria"). The paper quotes excerpts from an article by the director of the Pans newspaper *Le Monde*, who on January 20 called for the participation of businessmen and economists in the Moscow Conference, and censured American intimidation and interference in this matter. The *Ventiquattro Ore* declares that it fully agrees with the French paper, provided there will really be no political propaganda at the

Moscow Conference and that it will become a genuine “scene of business transactions. “

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.

It resolutely demands that the Italian Government openly voice its attitude to the Moscow Conference. Needless to say, adds the paper, such a statement must be based on weighty and serious arguments, and not consist of the usual flowery phrases or abuse with a political lining, which can only give false to suspicion as to the scrupulousness of those from whom it comes.

UNITED STATES OF AMERICA

The *Wall Street Journal* in a front-page article about the sharply diminished trade between the United States and the Soviet Union declares that some American businessmen privately admit that they would like to attend the forthcoming International Economic Conference in Moscow.

The paper credits a prominent shipping company executive with having said: “We are making a mistake by not keeping open the few links to the Russians that remain to us.”

The *New York Herald Tribune* columnist Walter Lippmann acknowledges that the United States effort to organize a Western trade embargo against the Soviet Union and the countries friendly to it damages America’s “weak and stricken allies” more than it hurts the Soviet Union and the People’s Democracies.

Lippmann writes that the position of the Western Powers throughout the world has deteriorated. It is difficult, he says, to describe this deterioration, but its nature becomes apparent from the fact that three powers—Britain, West Germany and Japan—are now deprived of access to their former sources of raw materials.

Lippmann points out that the policy of the American Administration of using part of the exportable American surplus as a political subsidy cannot promote a solution of the problem, for it is not in the nature of things that deep and ancient connections of empires should be broken and then quickly replaced. Lippmann refutes the assertions of American Congressmen that the embargo "hurts the Communists more than it hurts" America's "weak and stricken allies." "That," he says, "is not true and we shall be learning more and more, but in the hard way, how untrue it is. Most certainly We shall be learning it in Japan."

The *New York Times* printed an article from its Geneva correspondent Hoffmann about the coming International Economic Conference in Moscow. The paper is clearly alarmed by the fact that many "non-Communist European economists and businessmen" have expressed the wish to take part in the Conference. The paper names Professor Zeuthen of "the older generation of the Danish academic economists," who will head the Danish delegation, Erik Lundberg, head of the Swedish Institute for the Study of Business Cycles, who will head the Swedish delegation, which will include several Swedish businessmen, and Raimondo Craveri, an official of the Banca Commerciale Italiana, one of Italy's largest commercial banks.

SWITZERLAND

The newspaper *Vorwärts* on January 26, 1952, printed an editorial under the heading "It Is Necessary to Act Before It Is Too Late."

Informing its readers of the International Economic Conference which is to be held in Moscow in April, the paper says that “the Conference will not be political, as may have been assumed by biased persons on account of the place chosen for the Conference. Its sponsors and, above all, U.S.S.R. spokesmen have repeatedly pointed out that it is not being called to discuss which political or economic system is better. The question on the agenda is the possibility of international trade.”

Attaching great importance to the coming conference, which is to be attended by delegations from many different countries, including a French delegation, the paper says: “For us, Swiss, there can be nothing more dangerous than to have blind faith in the permanent nature of favourable market conditions.” Pointing to certain symptoms of an approaching economic crisis in the Swiss textile, food and other industries, the paper goes on to say: “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.” “We repeat,” continues the paper, “that this is not a political conference. If the Soviet Union has announced its readiness to provide its territory for the Conference, it is only because international economic cooperation is a prerequisite for lasting peace.... The Soviet Union is ready to cooperate.”

“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 non-recognition 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. A far-sighted policy requires—and this is in our interests—that Switzerland should be represented at a conference which sets itself the aim of ascertaining the possibilities of reviving international trade relations. These are the genuine problems of our times, and Switzerland must be present where these problems are being solved."

In connection with the preparations for the International Economic Conference in Moscow, the Swiss Board for the Study of Economic Problems in Geneva has published a bulletin, which adduces facts in support of an expansion of trade between the capitalist countries on the one hand, and the Soviet Union and the People's Democracies, on the other.

An article printed in this bulletin under the heading "Switzerland and East-West Trade" contains the following passage: "It would seem that the Swiss economy is on the upgrade: the volume of production and foreign trade is increasing. Exports account for a very considerable share of the marketing of our production; in 1951 exports exceeded 4,000 million francs, which is roughly 35 per cent of the cost of our total production."

However, continues the article, these economic conditions in Switzerland are being maintained artificially. They are the result of the Korean events and of the policy of an arms race, which exert a definite influence on the Swiss economy.

The article quotes a report on the Swiss Association of Employers, which speaks of a certain economic recession in the first quarter of 1950 and then points out that "the economic situation altered completely with the beginning of the Korean events.... These causes of an artificial boom in the Swiss economy are very dangerous for our country. For one thing, they increase the war danger. To maintain the present international tension by pushing the rearmament program would mean to be playing with fire. It would be more prudent to find another solution of economic problems of our day."

The article quotes the communiqué to the effect that an International Economic Conference will be held in Moscow in April and that it will be attended by representatives of economic circles in different countries. The article then gives the following figures concerning trade turnover between Switzerland and the Soviet Union and the People's Democracies: total exports to the countries of Eastern Europe and China in 1948 amounted to 301,800,000 francs, i.e., accounted for 8.8 per cent of Switzerland's total exports; in 1949 they amounted to 298,400,000 francs, i.e., 8.6 per cent of the total exports; in 1950, 323,700,000 francs, i.e., 8.4 per cent of the total exports.

In conclusion the article says: "The orientation of Swiss foreign trade on markets controlled by the United States threatens to make our extremely vulnerable economic life dependent on the sudden ups and downs of the American market."

WESTERN GERMANY

There is considerable interest in the International Economic Conference among West-German economic circles, which raise the question of establishing normal trade relations with the Soviet Union, the German Democratic Republic and the People's Democracies. Voicing the demand of these circles, the Düsseldorf *Handelsblatt* in an editorial on January 9 called for trade with the East. The paper pointed out that deliveries of raw materials from the Soviet Union and the People's Democracies to Western Germany would substantially contribute to eliminating the shortage of raw materials on many

Western markets and would at least weaken the "undesirable monopoly position" of Western suppliers of raw materials, The article says that the Soviet Union has trade relations and is conducting trade negotiations with many countries of the globe on mutually advantageous terms.

Numerous comments were also aroused by the statement of Dr. Joseph Wirth, ex-Reichs Chancellor, 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, "would serve to strengthen economic relations between nations and, hence, the cause of world peace." Replying to questions, he spoke in favour of establishing close, friendly relations between Germany and the Soviet Union, this being "fully in accord with the wishes and will of the German people."

The DPA news agency reports from Freiburg that on January 19 Dr. Wirth made another statement, in which he expressed the firm intention to "appeal to economic circles in the Federal Republic to take part in the International Economic Conference which is to be held in April in Moscow."

The Düsseldorf journal *Chemische Industrie* in a special New Year issue, 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 lively trade with the East can place the West-German balance of trade on a sounder basis in the new year. In a big article on the same subject the Düsseldorf *Handelsblatt* 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 the things had reached the stage in Western Germany that anyone who called for trade with the East was in danger of political persecution.

HUNGARY

The public in Hungary is displaying a great interest in the forthcoming International Economic Conference in Moscow.

The entire world, writes the newspaper *Népszava*, is with mounting interest awaiting the International Economic Conference in Moscow. The world economy, is in urgent need of this Conference. This is borne out both by the steady rise in the number of countries wishing to take part in the Conference and by comment in the Western countries. The Conference is highly necessary to revive East-West trade.

The Hungarian working people, the article concludes, are clearly aware that the Moscow Conference will serve the cause of peace, the cause of strengthening international economic cooperation. That is why they gladly support this important initiative, a fact which is confirmed by the setting up in Hungary of an Arrangements Committee for the Conference.

FINLAND

The newspaper *SNS* published by the Finland-U.S.S.R. Society has printed an editorial about the coming conference. The paper stresses the fact that the main purpose of the Conference is to find ways and means of improving the living standards of humanity by strengthening economic relations between countries, irrespective of their state structure. Noting that large-scale preparations for the Conference are under way in many countries, the paper says:

"There is reason to hope that economic circles in our country will also give the most serious attention to the

Conference. It is in the interests of the Finnish people to develop and strengthen relations in every way with the forces now operating throughout the world in order to expand peaceful cooperation and strengthen trust between nations. These forces will ensure peace for Finland, too.”

Interest among Finnish industrial and commercial circles in the forthcoming Moscow Conference is increasing in connection with the difficulties that Finland is now experiencing in selling her cellulose on Western markets.

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, and they expressed their approval of the wish of the Chinese People’s Republic to purchase goods turned out by Finland’s woodworking industry.

Sakari Tuomioja adduced facts to show that Finland derived great advantage from tripartite agreements concluded through the agency of the Soviet Union such as the trade agreements with Poland and Czechoslovakia. 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. Klaus Wans likewise stressed how important it was for Finland to be adequately represented at the Conference in Moscow.

RUMANIA

The Rumanian newspaper *Universul* writes that the problem of expanding and in every way developing the trade turnover between countries has gripped world public opinion as a problem of adjusting international relations.

In the capitalist countries saddled with American "aid" and armament-building the standard of living of the working people is becoming worse with every passing day. At the same time, despite all, sorts of restrictive measures towards them the Soviet Union and the People's Democracies are actively cooperating with one another and, as a result of this, are swiftly advancing their economy.

The countries of the West are likewise interested in normal economic relations. Therefore the International Economic Conference in Moscow will be a notable step towards strengthening international cooperation and, consequently, towards consolidating peace throughout the world.

BELGIUM

The newspaper *Le Drapeau Rouge* has printed an article by Pierre Joye under the heading "On the Eve of the Economic Conference in Moscow. The article says that the trade turnover between Belgium and the countries of the East is at present extremely insignificant. There would be, however, enormous possibilities in this field, were it not for the fact that the Belgian-Soviet trade agreement concluded in February 1948 is being systematically sabotaged by Belgian ruling circles.

This agreement fixed the deliveries of goods by each side for the first year at 5,000 million francs, which is nearly ten times the amount that Belgium sold to the U.S.S.R. the previous year.

In another article *Le Drapeau Rouge* points out that the textile, footwear and rolling stock industries, which have been seriously affected by the crisis, can find markets in the countries of the East.

AUSTRIA

Austrian trade circles are displaying a great interest in the coming conference.

The newspaper *Die Union* published by the Austrian Democratic Union has devoted a special article to the subject.

Stressing that the purpose of the Conference is to discuss, on a purely businesslike basis, the possibilities of improving trade relations between various countries, the paper notes the great interest felt in Austrian economic circles in restoring trade relations with the countries of Eastern and South-eastern 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 great 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.

The Austrian newspaper *Mödlinger Nachrichten* says that the difference in economic systems must not in any measure influence the establishment and consolidation of economic ties between the East and the West. "Boycotting trade with the East," the paper says, "would mean economic destruction for Austria."

The Carinthian newspaper *Volkswille* has printed an article noting that the convening of the International Economic Conference in Moscow has evoked a world-wide response. The purpose of the Conference is to put aside all political issues and help to develop international trade and improve living standards. This need is becoming all the more pressing for the economy of most capitalist countries, since it is becoming clearer and clearer that armaments are not a cure-all, but, on the contrary, the cause of still greater ills. Inflafion, the curtailment of foreign trade, the shortage of raw materials, the closing down of whole industries and mass unemployment—such are the consequences of the armament drive in the capitalist world. This profound crisis is being further aggravated by the curtailment of trade with the Soviet Union and the People's Democracies. However, to blockade half the globe—the gigantic Soviet Union, China and the People's Democracies—means to blockade oneself.

In conclusion the *Volkswille* stresses that every forward stride in removing artificial barriers and the "iron curtain" created by the U.S.A. would improve the living standards of the masses in the Western countries and be conducive to an improvement in the international situation.

HOLLAND

"For Holland," writes the newspaper *Vrede* published in Amsterdam, "it is extremely important to establish the closest possible relations with the Soviet Union, the People's Democracies and the Chinese People's Republic."

The newspaper *Algemeen Handelsblad*, a mouthpiece of influential Dutch business circles, wrote in an article of January 6 that "if the West-European countries are desirous of advantageously selling their goods, including the manufactures of German industry, they must establish trade relations with Eastern Europe and the Chinese People's Republic." The paper writes that "not only China, but the other countries of Asia, as well as the countries of Eastern Europe, can become good customers and at the same time suppliers of raw materials."

BULGARIA

Dwelling on the forthcoming International Economic

Conference in Moscow, the newspaper *Rabotnichesko Dielo* writes:

The world press carries more and more reports which show that the Economic Conference is regarded with keen interest by circles of capitalists, who cannot be suspected of sympathizing either with the struggle of the working class and the working people in general for Socialism or with the organization of the world-wide movement in defence of peace. The interest of these business circles in the Conference is not accidental. It shows that the policy of the capitalist countries of discontinuing economic relations with the Soviet Union and the People's Democracies is causing anxiety among broad sections of middle and small capitalists who see in this policy nothing promising for themselves.

The development of international trade, continues the *Rabotnichesko Dielo*, is also in the interests of the Soviet Union and the People's Democracies, Bulgaria included, even though the planned economy of these countries and the close fraternal cooperation between them have reduced to naught the consequences of the American economic blockade. The policy of the socialist country in the field of foreign trade, which has been clearly and definitely outlined by Lenin and Stalin, is proof that the Soviet Union and the People's Democracies are prepared to trade with every capitalist country which sincerely desires this, naturally, on a basis of complete equality.

SWEDEN

The editor-in-chief of the newspaper *Norrskens-Flamman* Helmer Holmberg, in an editorial on the coming International Economic Conference in Moscow, points out that it has evoked great interest throughout the world, including Sweden, where a considerable group of representatives of the Swedish economic circles are getting ready to go to Moscow.

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."

ALBANIA

Albanian newspapers carry numerous articles about the coming conference. The *Zeri i Popullit* writes that it will be a most important event. Economic cooperation between countries, regard less of their social systems, is one of the most important conditions for defending peace. The article points out that the Soviet Union, proceeding on the assumption that the two systems—the socialist and the capitalist—can coexist in peace, supports the expansion and consolidation of international economic relations, provided they are based on the principle of equality, respect of national sovereignty, and mutual advantage.

The Albanian people, who desire peace and the extension of economic cooperation between countries, welcome the International Economic Conference, concludes the paper.

The *Puna* writes that now, more than ever before, all the peoples feel the need for economic cooperation, because it helps to strengthen peace all over the world.

The paper emphasizes that these relations must rest on an equal and fair basis. The brilliant achievements of the Soviet Union and the People's Democracies are an illustration of how fruitful and advantageous economic relations can be, when they are founded on equality, mutual respect and cooperation.

IRAN

A correspondent of the Italian newspaper *Avanti* reports from Teheran that the idea of calling an International Economic Conference in Moscow has been, supported by Kashani, a well-known figure in Iran. He expressed his conviction that the Conference would make a valuable contribution to developing 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 its 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 shopworn goods. Today we are resolved to make the Anglo-Americans give up their selfish trade policy towards Iran."

AUSTRALIA

According to the Telepress news agency, the Melbourne Guardian recently wrote that "with a 157 million pound sterling trade deficit in the five months from July to November last year, Australia's future is vitally bound up with the opening of trade with China, the Soviet Union and the People's Democracies." The paper points out that "the coming world economic Conference in Moscow cannot but arouse interest and support among progressive Australians," and adds that "undoubtedly many Australian businessmen" will welcome the opportunity for trade with the socialist sector of the world.

The paper declares that "the success of the Conference would be a tremendous step forward on the road to world peace and economic stability."

CANADA

"Employment, security and the standard of living depend on trade with all countries"—this principle forms the basis of the program of action drawn up in Hamilton on February 16-17 at a conference of the United Electrical Radio and Machine Workers, which has a membership of 27,000. Stressing that "peace means trade, and trade means work," the participants in the conference spoke of their. firm intention to work for the people's support of the demand that the Canadian Government take a really independent stand in world affairs and support great-power negotiations for the settlement of disputed issues.

The report of the leading body of the Federation of Labour in Ontario points out that far from promoting employment, the armaments drive creates unemployment.

The progressive press in Canada has printed a number of articles about the preparations for the International Economic Conference.

URUGUAY

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 million dollars. 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....'" 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.

CUBA

In an article which appeared on February 10 in the Cuban newspaper *Naticias de Hoy* the Cuban economist Jacinto Torras writes that an International Economic Conference is to open in Moscow on April 3, and that the aims of the Conference have been clearly defined and are very timely. The Conference shall not touch upon or discuss any problems relating to the different economic and social systems existing in the world; the agenda and work of the Conference shall be confined exclusively to a discussion of problems pertaining to the development of world trade and economy, as well as the problems of improving living standards in all countries through the peaceful cooperation of all the nations.

It is to a conference of this nature that the initiating Committee, which is in Denmark, and the Arrangements Committees which have been set up in every country have invited the most prominent representatives of industry, trade and engineering in every country.

Not one of the delegates has been asked about his mode of thought or where he comes from—no conditions of any kind have been attached to participation in the Conference. The only condition for participation is work in some economic field. Thus, although the Conference will be held in Moscow, for the Soviet Union is the only Great Power that from the very outset guaranteed visas to everyone invited by the initiating Committee, most of the people present will be capitalists.

None of the delegates will be obliged to submit to any decisions of the Conference; his name will not be associated with any decision or agreement that he does not himself subscribe to without any reservations. In addition to the delegates, observers will also have the chance to be present at the Conference.

The International Economic Conference in Moscow will concentrate on studying the present situation in the field of trade, employment, the living standards of the population and the economy as a whole in all countries, without being guided in this either by an academic or a speculative motive,. but seeking to find a practical solution to the complicated problems engendered by this abnormal situation so as to improve the well-being of the peoples and promote peaceful cooperation between all the nations.

The Conference has aroused world-wide interest, which is borne out not only by the support of prominent public figures, representatives of the business world, professors and economists, but also by the comments in the capitalist press.

For Cuba the Conference will afford a splendid opportunity of extending and diversifying its trade, as well as taking precautions against an acute crisis and the shrinkage of the sugar trade.

A great deal has been said by the Government of President Dr. Carlos Prío Socarrás about a policy of extending trade in new markets. We ask the government in the direction of what new markets can our foreign trade develop, if not in the direction of the vast and rich markets of the countries with a population of 800 million and a steadily advancing and crisis-immune economy, the markets we are offered by the Soviet Union, China, Poland, Hungary, Rumania, Bulgaria, Czechoslovakia and Eastern Germany.

The present moment affords an invaluable opportunity of putting into practice this policy which has been proclaimed in theory.

In general, there emerges an opportunity for the representatives of our industrial, agricultural and commercial world to operate on this vast market which the world is being offered, and this can be of great significance to the Cuban economy.

This opportunity must be appraised not from the viewpoint of our former trade with these parts of the world, but from the viewpoint that it is a splendid reality at the present time and holds out great prospect for the future. A country which is offered the chance of selling a considerable part of its national produce for ready cash on a basis of absolute equality and which gives up such an opportunity can be considered just as foolish as the merchant who chooses his clients according to their ideas and refuses to sell to a person who belongs to a different political party. Such a trade policy in a private undertaking leads to collapse. For Cuba and for its industrialists, merchants, peasants and workers, for its economy as a whole the Moscow Economic Conference affords a matchless opportunity of selling many goods in large quantities. No opportunity must be neglected, when it is a question of selling sugar, tobacco fibre tinned fruit, hides, honey and many other goods. There are some who may regard this with suspicion, but such suspicion is unfounded: it should be explained or discarded on the basis of facts at this very conference. On returning from the Conference, but not earlier, our industrialists, merchants and specialists will be in a position to know exactly whether it offers great opportunities of selling the country's goods on advantageous terms or not.

In an equal measure they will be able to procure raw materials, machinery, equipment and other goods, of which there is a shortage of this part of the world and which are being offered on advantageous terms from the standpoint of both their price and their quality, and will thus help to strengthen national industry and trade.

The Moscow Conference offers our country, just as all the other countries, a splendid chance of extending our trade and contributing to the development of world trade, and of establishing economic relations between all countries on a basis of peaceful cooperation which would replace plans of armament production by production in the interests of improving the living standards of the nations and promoting the progress of humanity as a whole. This chance must not be missed, for in the future we may badly suffer for not having taken sufficient advantage of it."

BRAZIL

According to the Rio de Janeiro radio-station, 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."