

A. OSIPOV

THE RESUMPTION
AND DEVELOPMENT
OF INTERNATIONAL
ECONOMIC RELATIONS

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

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AND DEVELOPMENT
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THE INTERNATIONAL ECONOMIC CONFERENCE AND ITS AIMS

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

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

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

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

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

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

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

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

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

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

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

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

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

THE PRESENT STATE OF INTERNATIONAL TRADE

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

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

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

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

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

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

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

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

** *Ibid.*, p. 44.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mention should be made in the first place of the fact

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

on the exports of certain vital raw materials and metals.

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

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

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

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

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

WHAT IS PREVENTING INTERNATIONAL ECONOMIC COOPERATION

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

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

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

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

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

* *Pravda*, May 8, 1947.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the deterioration of economic relations among the nations.

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

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

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

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

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

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

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

The Soviet Union, the Chinese People's Republic and the European People's Democracies are invulnerable to economic blockade; they are a combination of countries that 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 economy of these countries, which know neither crises nor unemployment, is not dependent on periodic fluctuations and upheavals of the capitalist market and is immune to the disastrous influence of economic blockade. The facts prove that these countries depend on economic relations with the West to an incomparably smaller extent than the West depends on trade with them.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* *Financial Times*, August 9, 1951.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* *Pravda*, April 13, 1948.

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

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

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

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

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

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

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

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

INTERNATIONAL TRADE AND THE IMPROVEMENT OF THE STANDARD OF LIVING

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

* *Ibid.*, p. 630.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trade with the U.S.S.R. and the countries friendly to it would not only assure the population of the capitalist countries the foodstuffs they need and many types of raw materials for industry, but would also provide their industries with mutually advantageous orders. It is generally known that the Soviet Union always honestly and undeviatingly fulfils its commitments, including payments for goods ordered and received. Correct and conscientious fulfilment of international obligations is one of the basic principles of the foreign policy of the U.S.S.R., including its foreign trade policy; this is also true of the People's Democracies. In the autumn of 1951 Maurice Webb, then British Food Minister, commented: "I want to make it clear that the Russians do carry out their contracts—

and that cannot be said about everybody with whom we are trading." All this is of great importance for increasing employment in the Western countries, in most of which unemployment has acquired menacing proportions, exceeding 45,000,000 people (fully and partly unemployed) for the whole capitalist world.

Facts utterly refute the ideas of those economists who assert that unemployment can be eliminated or diminished by stepping up the output of armaments. However paradoxical it may seem, the situation in the world today shows clearly that in spite of the conversion of industry to war production the number of unemployed in the Western countries is actually increasing. One has not far to seek for an explanation: In the first place it is due to the whole or partial closing down of a large number of civil industrial enterprises, and, secondly, to the fact that the increase in production for war purposes is achieved not by means of introducing new contingents of workers into industry but mainly by intensifying the labour of the workers already employed, speeding up conveyer belts, accelerating metal working, etc. According to the American newspaper *Union*, organ of the International Union of Mine, Mill and Smelter Workers, for every worker taken on in war industry, one or even two remain unemployed in the civilian branches of industry. That is why employment in the capitalist countries, in spite of mobilization of industry, is not increasing but decreasing even further.

The attraction of huge masses of people into industry to eliminate unemployment can be achieved not by economic militarization but by the restoration

and development of international economic relations, and above all by trade between West and East. To prove this it is enough to recall only a few facts from the past.

Between 1929-33, when the world economic crisis gripped not only the industry and agriculture of the capitalist states, but also extended to the sphere of trade, credit and money circulation, upsetting accepted credit and currency relations between countries, only the U.S.S.R. stood apart, like a rock, continuing its work of peaceful construction and the struggle for maintaining peace. At that time, in 1931, the Soviet Union bought nearly a third, and in 1932 nearly half, of the whole world export of machines.

It is a well-known fact that during those years of crisis the machine-tool enterprises of the West-European countries were only able to continue functioning thanks to orders received from the U.S.S.R. Britain's export to the U.S.S.R. increased from £4,800,000 in 1928 to £10,600,000 in 1932, that is, more than double, and let it be remembered that the bulk of this export was produced by the machine-tool industry. The Soviet Union's share in British machine-tool export for 1932, according to British customs statistics, exceeded 25%, in the export of lathes was 80%, in the export of coal cutters and mining equipment reached 70%, and so on. In Germany 35% of the production of lathes and over 20% of electrical goods was exported to the U.S.S.R. in 1931.

The Soviet Union was likewise the only country which during that period not only did not reduce

but even increased its volume of trade with the United States of America. In 1930 the Soviet Union held second place in American exports of industrial equipment, and in 1931 advanced to first place. In that year the United States, according to official U.S. statistics, shipped to the Soviet Union 74% of its total foundry equipment exports, 70% of crushing mills, 68% of forging and stamping equipment, 67% of agricultural machinery, 65% of its machine-tool exports, etc. In those years of economic crisis millions of workers in the U.S.A., Britain, Germany and many other countries were provided with work thanks to the Soviet orders. In Germany alone over 300,000 workers were saved from unemployment and its resultant hardships, because they were occupied in producing supplies for the U.S.S.R.

Not only during 1929-33, the period of world economic crisis, but also during its aftermath, as well as in the postwar period until international trade was paralyzed by restrictions, fulfilment of orders for the Soviet Union gave work to a large number of workers in the countries of the West. Trade with the U.S.S.R. becomes particularly important for improving living conditions in these countries at the present time, when the civilian industries of the Western world are shrinking for lack of consignments, factory owners in the peaceful branches of industry going bankrupt and masses of workers being thrown out onto the streets without means of subsistence. The development of normal trade relations with the U.S.S.R., the Chinese People's Republic and the European countries of People's Democracy would give work to civilian

branches of industry in Britain, France, Belgium, Western Germany, the U.S.A., Japan and many other countries, thus reducing the army of unemployed. The American weekly *National Guardian* wrote that the American embargo on trade with Russia, Eastern Europe and new China means the loss of jobs for 3,000,000 American workers who would have employment if trade between the West and the East were resumed.

One could quote a host of statements to this effect made by representatives of trade and industrial circles, trade union and cooperative organizations, and also the economic and general press in the countries of the West. Let us confine ourselves only to a few. When in December 1947 the Anglo-Soviet trade agreement was concluded, the *Daily Herald* wrote that the carrying out of this agreement could ensure "steady employment for at least three or four years for large numbers of British engineering workers." In its turn the newspaper of the Belgian Catholic trade unions *Cité* announced that, just as a few years ago, when Belgian artificial fibre factories in Zwijnaerde were saved by Soviet orders, so now, when the sale of artificial fibre is encountering considerable obstacles, Soviet orders are providing work for several shops of the big Belgian firm Fabelta.

It should also be emphasized that purchases of raw materials made by the U.S.S.R. and the countries friendly to it supply their vigorously developing industry, increase employment in the underdeveloped countries, particularly in agriculture and the mining industry, and thus help to raise the exceptionally

low standard of living of the population in these less advanced regions.

The disruption of international trade is having a disastrous effect on the economy of many countries. Some countries are suffering from shortages of essential goods and consequent rise of prices; others are having extreme difficulty in selling their products, having to close down factories and whole branches of civilian industry and suffering from an increase of unemployment, as well as stagnation and paralysis of trade. It goes without saying that the primary result of both processes is to lower the living standards of the broad masses of the population, whereas even restoration of international trade in civilian commodities to the maximum level attained in the period between the First and the Second World War would bring a considerable employment increase in the Western countries, improve food and general consumption of the masses, increase their ability to buy essential goods.

What can be of greater importance than this task, when in many states the working people whose labour creates immense material wealth endure a beggarly half-starved existence and have not the wherewithal to clothe themselves, when on the boundless territories of India and other economically underdeveloped countries millions of people are dying a slow, agonizing death from hunger?

* * *

There is yet another aspect, and an extremely important one, to the development of economic cooperation among all countries on the basis of equality

and mutual benefit. We have in mind the role and significance of this cooperation in normalizing the international situation, for relieving the present international tension. It is generally recognized that the discord and differences which have divided the world are one of the major factors impeding normal economic cooperation among the nations. But economic cooperation and consolidation of peaceful relations among countries are interdependent. In their turn, international economic relations have a big influence on the international atmosphere. The expansion of trade, economic rapprochement of the nations, without distinction as to their social system, would undoubtedly contribute much to strengthening the postwar peace. On this point the views of representatives of the most diverse circles of society are coming more and more to coincide.

The development of international economic cooperation could, of course, be furthered to a considerable extent by the United Nations Organization and its various specialized institutions. As a matter of fact, that is what such U.N. organs as the Social and Economic Council, the Economic Commission for Europe, the Economic Commission for Asia and Far East, as well as economic institutions attached to UNO—the Food and Agricultural Organization, the International Organization of Labour, the International Bank of Reconstruction and Development, the International Monetary Fund, etc.—were created for. Not justifying the hopes that attended their foundation, these organs and institutions have turned out to be ineffective in strengthening international

economic cooperation and raising the standard of living of the population.

It is this that lends special significance to the International Economic Conference in Moscow. Even those opposed to calling such a conference at present, as for example, the British *Economist*, cannot help acknowledging that it will serve a noble and extremely important and useful aim. Thus, on February 29, 1952, *The Economist* wrote that the Conference could perform a miracle. It could unite the businessmen, trade union leaders and economists of all countries freely elected by various organizations, and who have obtained visas to the Soviet Union irrespective of their political views. They could discuss the question of developing international trade in order to utilize all available resources and raise the standard of living everywhere.

It may be said without fear of exaggeration that the attention of hundreds of millions of men and women in all countries is focussed on this Conference. From it the peoples eagerly await solution of urgent problems of our times, and, above all, improvement in their conditions of life by developing international economic cooperation. People all over the world wish the International Economic Conference success in achieving its noble aims.

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