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Review Of "Communist Trade With Developing Countries: 1955-65" By C. A. Sawyer, "U.S. And U.S.S.R. Aid To Developing Countries: A Comparative Study Of India, Turkey, And The U.A.R." By A. Tansky, And "Soviet Foreign Aid" By M. I. Goldman

Frederic L. Pryor

Swarthmore College, fpryor1@swarthmore.edu

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Review

Reviewed Work(s): Communist Trade with Developing Countries: 1955-65 by Carole A. Sawyer; U.S. and U.S.S.R. Aid to Developing Countries: A Comparative Study of India, Turkey, and the U.A.R. by Leo Tansky; Soviet Foreign Aid by Marshall I. Goldman

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be the only possible trade strategy for developing countries in pursuing free trade among themselves and, at the same time, retaining whatever trade obstacles are deemed essential against advanced countries. This defense of discrimination in favor of one group of countries, combined with unilateral trade concessions on the part of other groups of countries, is very much in line with the position of the 77 developing countries so forcefully presented to the UNCTAD. Economists in their economic theory will be well advised to give full consideration to the theoretical justification of such policy demands.

HIROSHI KITAMURA

United Nations Economic Commission for Asia and the Far East

Communist Trade with Developing Countries: 1955-65. By CAROLE A. SAWYER. New York: F. A. Praeger, 1966. Pp. x, 126. \$10.00.

U.S. and U.S.S.R. Aid to Developing Countries: A Comparative Study of India, Turkey, and the U.A.R. By LEO TANSKY. New York: F. A. Praeger, 1967. Pp. xvii, 192. \$15.00.

Soviet Foreign Aid. By MARSHALL I. GOLDMAN. New York: F. A. Praeger, 1967. Pp. xiv, 265. \$8.50.

After years of virtual neglect by Western economists, studies of the foreign economic relations of centrally planned economies have begun recently to reach boom proportions. And the Frederick A. Praeger Publishing Co. is apparently attempting to corner the market on those dealing with Western developing countries.

Carole Sawyer's monograph is a short, well executed and useful study. Her major contribution is to present the most important data on trade between the developing nations and the communist bloc and to draw from these data a number of conclusions that hitherto have unfortunately been neglected in the public discussion of these matters. Her unpretentious and straightforward analysis will be of considerable use, not only to economists but to the general public interested in these questions as well.

After some remarks on the Marxist doctrinal background for trade with developing nations, Dr. Sawyer presents a concise but thorough review of the volume and direction of trade from 1955 to 1965 between the communist countries and the developing nations, the balance of this trade, and its commodity pattern. Her data are drawn from trade sources of both groups of nations and are presented in a convenient manner to illustrate the most important trends. Her major conclusions center around the heavy geographical concentration of this trade in relatively few commodity categories. Of particular interest is her demonstration of the relatively unchanging commodity pattern of this trade over the entire period. From these commodity data and from information on trade and investment in the long-range plans of the communist nations, she draws a number of tentative and pessimistic predictions about the future trade volume.

In other chapters Dr. Sawyer contrasts the important relation between trade and foreign aid of the Soviet Union with the developing nations to the situation in the rest of the bloc where such a relation is quantitatively much less

important. From conflicting statements of various Communist political leaders about the future of this aid, she is able to underscore some of the policy dilemmas facing these aid givers. Again such topics are handled in a concise, authoritative manner.

The remainder of the book covers a variety of topics such as the economic rationale of this trade, problems arising from bilateralism, instability of trade, and re-exports. To such topics, which have been widely discussed by others, Dr. Sawyer adds little that is new. Indeed, she makes a number of quite questionable *obiter dicta* on the basis of very slim evidence. For instance, her remarks on Soviet bloc price discrimination against the developing nations might have been different if she had based her generalizations on a study of unit price trade data from the plentiful statistical materials of some of the developing nations.

In spite of other objections that can be raised against her conclusions, Dr. Sawyer's short but highly readable study fills a need in our knowledge and provides an excellent starting place for more detailed studies in the future.

Leo Tansky had the misfortune to write a monograph which costs almost twice as much and which contains only a small fraction of the materials in another book on the subject which is reviewed below. The core of Tansky's book is a set of case studies of U.S. foreign aid to Turkey and India and Soviet foreign aid to India and the U.A.R. Unfortunately, more than half of the 124 pages devoted to these case studies are taken up by thumbnail descriptions of the economies of the aid-receiving nations. Although he demonstrates that the two aid givers are trying to accomplish different aims in different ways, one is left wondering how general his conclusions are in regard to other aid-receiving nations. Furthermore, in his background information on the aid programs of the Soviet Union, he relies almost completely on materials drawn from secondary sources, so that few new insights are presented on the comparative differences in U.S. and Soviet aid programs. The author does raise a number of interesting questions about the relative economic impacts of the U.S. and U.S.S.R. aid programs on the aid-receiving nations, but the primary comparative purpose of the study is not very successfully realized.

Professor Goldman has written a remarkable book which will remain the standard source on Soviet foreign aid for many years. He has drawn extensively not only from the economic and political literature of the nations receiving aid but also from a wide number of Soviet sources. In addition he has supplemented these sources with firsthand inspection of Soviet projects and extensive interviews with American and Soviet aid officials and with some high-level personnel in the aid-receiving nations.

The book begins with a review of Soviet economic relations with East European and Asian communist nations. On the debit side he covers the whole sordid story of reparations, juggled foreign-trade prices, and exploitative joint stock companies. On the credit side he examines various Soviet aid programs to these nations, particularly in their changing political context. These chapters, as well as all others in the book, are buttressed by many highly useful statistical tables and estimates.

Four case studies on Soviet aid to the U.A.R., India, Afganistan, and Indonesia follow. For the U.A.R. he presents some extremely valuable materials

on how the Soviets administer their various aid programs and the problems resulting from Egyptian difficulties in repaying. For India, the author makes a highly revealing comparative study of the Soviet steel mill at Bhilar, the U.K. steel mill at Durgapur, and the West German steel mill at Roukela, which highlights the different ways in which the three countries have tried to resolve various problems in these aid projects. For Afghanistan, Soviet successes are contrasted with American failures, particularly those that he traces to administrative inflexibilities. And for Indonesia, which provides a spectacular case of Soviet failures, his summary of mistakes and errors provides a useful guide to policies which aid givers must avoid.

The subsequent four chapters, each devoted to a particular area, outline in briefer fashion Soviet programs to other countries. The chapter on Asia details particularly the intense rivalry of Soviet and Chinese aid programs. The chapter on the Middle East presents some of the intricacies of using aid to influence domestic political events. The chapter devoted to Latin America demonstrates the pragmatic way in which the Soviets have dealt with this area. And the chapter on Africa focuses particularly on repayment problems and the difficulties of dealing with the touchy new nations.

Many of the successes of Soviet aid programs are due to a knack for selecting spectacular projects and maintaining the generated enthusiasm through skillful public relations work. In addition their workmanship on many projects is impressive and their training programs deserve, on the whole, praise. Goldman underlines the efficiency and flexibility of many of the Soviet administrative procedures and, in addition, he emphasizes their success in making neutralism a practical political alternative. The Soviet Union has not, however, been able to turn aid receivers into satellites, has disenchanted a number of nations, and has been plagued by some costly mistakes. Among the economic faults, Goldman feels that many projects are much too large for the market they must serve, while other projects have quite frivolous economic purposes (e.g., luxury hotels, stadiums, etc.).

Among the lessons for American policy makers, he continually emphasizes the need for a shelf of turn-key projects that can be quickly given to nations requesting factories producing particular goods. He further urges foreign aid for several "flagship projects" that will serve the same purpose for the United States as the Bhilar steel mill and the Aswan dam for the Soviet Union. He also has a number of suggestions to increase the flexibility of American aid administration.

The book has several shortcomings which deserve brief mention. Most of the evaluation of the economic impact of aid projects seems to be based on quite casual evidence. Of course, an adequate evaluation of such projects is extremely difficult, but the author gives little indication that he is aware of the many pitfalls. Further, although he presents a great deal of useful data on the types of projects and the industrial sectors to which such aid is given, at no time does he summarize these data for the entire Soviet aid program. On these matters the reader is left swimming in a sea of specific examples without any overall orientation. Finally, the many gems of observation scattered throughout

the book are nowhere drawn together in compact form. The concluding chapter focuses on only a few of the highly critical and relevant issues that are raised in this important book. But all of these are minor faults. Marshall Goldman's book is a far-ranging study which is an extremely valuable contribution to our understanding of not only Soviet foreign economic relations, but also of the various types of policy problems that accompany our own foreign aid program.

FREDERIC L. PRYOR

Swarthmore College

Foreign Ownership of Canadian Industry. By A. E. SAFARIAN. New York and Toronto: McGraw-Hill Company of Canada Ltd., 1966. Pp. xiv, 346. \$8.95; paper, \$3.95.

The growth of direct foreign investment by U.S. firms in recent years has raised many questions about the net economic impact of foreign-owned subsidiaries in the host country. In Europe particularly the "American economic invasion" has been widely criticized. Debate on this topic, however, rarely refers to the experience in Canada, where the concern about the dominance of U.S. firms antedates the present European interest by at least a decade.

Thanks to the painstaking work of Professor Safarian, we now have a much better basis for evaluating Canadian complaints about foreign subsidiaries there. The core of the study is the analysis of 280 usable questionnaires returned from about 1500 firms solicited in 1960. Although this is only about a 20 per cent return, the respondents represented some 40 per cent in nonresident owned petroleum and natural gas companies, and over 25 per cent in nonresident owned mining companies. This response rate was quite good, considering the length and complexity of the questionnaire, but one wonders with the author whether those who responded did so because they had a better story to tell than those who did not respond.

Although the study deals with all foreign ownership and control, U.S. ownership and control dominate. As of 1959, 52 per cent of the capital in petroleum and natural gas, mining and manufacturing was controlled by U.S. residents, and another 10 per cent by other nonresidents. This U.S. domination has been criticized because Canadians are discriminated against in appointments to senior management positions; exports are limited because the parent wants certain foreign markets to be served by itself directly or by its non-Canadian subsidiaries; research and development is not likely to be handled by the Canadian subsidiary, but rather by the parent; the Canadian subsidiary is biased in its purchasing toward the United States rather than toward Canadian firms; thus the development of the country's economy is hampered.

Safarian's study lends only moderate support to these charges. On balance, however, he finds that other factors, particularly those affecting Canadian costs of production, are much more significant in limiting economic growth. Thus market-sharing within the international firm does limit exports to some extent, but the inefficient structure of industry and the consequently higher unit costs