Planned Industry and Development in Socialist-oriented Developing Countries: Hindrances and Reforms

Wladimir Andreff*

The so-called planned industrializing model, geared towards an economic development based on heavy industry, spread to several Third World countries in the sixties and the seventies. It was often considered as a symbol of economic self-sufficiency and of political liberation. Between 1960 and 1976, 1,369 affiliates of transnational corporations were nationalized in the Third World, mainly in those countries which were implementing a Socialist-oriented strategy of development.

In this period, the model was regarded as a one way avenue to a warranted genuine economic development, and in addition to Socialism. Planning and building a heavy industry ceased to be fashionable in the eighties, even in some Socialist-oriented developing countries, if we look at their present practice instead of listening to the rhetoric of their political leaders. Some U-turns might well appear in the future as has already been the case in the past with Ghana, Egypt and Somalia. At least the one way avenue does not seem straight. It has even been suggested that Socialist-oriented developing countries (SODCs) have lost their illusions and their faith in Soviet-type development (Laidi, 1984).

However, we must be careful about the charm associated nowadays with a simple-minded anti-Soviet or anti-Socialist trend of thought. This is the reason why we intend in this text to assess the economic performance of the SODCs on a more objective ground, which has turned out to be a hard task because the lack of published data plagues all research on this topic. Help could be found by scrutinizing some environmental factors of the planned industrializing model if we want to explain its supposed decline in the Third World.

I. The Model of Socialist Industrializing Development.

We must now define precisely what we shall go on to call the "model".

* Department of Economics, University of Social Sciences at Grenoble, Grenoble, France

It is normal practice to give a definition resting on six features of the economic system and on one characteristic of the political regime. Let us list them:

1. An agrarian reform leading more or less to land collectivization and to setting up cooperative or even State farms.

2. Nationalization of the major part of industry and of the whole banking system.

3. A centralized and directive planning of economic development.

4. The highest priority given to industry in medium-term plans, and within industry a faster planned rate of growth scheduled for the more "industrializing" sectors. Usually associated with the production of heavy capital goods and of no less heavy intermediate goods (steel, etc...), these industrializing sectors are uneasily located in the industrial structure, even when working out an input-output table (Andreff, Hayab, 1978).

5. A decrease in the amount, or at least in the share, of foreign trade with the former parent State, linked with a diversification of trade partners including Comecon countries and sometimes China.

6. The introduction of legal obstacles to new direct foreign investment, which may go as far as prohibition, and a new and more monitored deal between the State and those transnational corporations the affiliates of which are not already nationalized.

7. A political regime claiming its Socialist or Marxist-Leninist ideology, resting on a single Party system and on leaders who are convinced (and try to convince the people) that they are promoting general welfare, public interest, equality and solidarity between the poor and the rich, between the oppressed and their former oppressors. A centralized power trying to control each individual is not unusual in the SODCs as the major outcome of such a regime.

The mix of these seven systemic features enables us to distinguish the SODCs from among the developing countries as a whole. In some SODCs such or such feature is more a will (or a wish) than a real fact; even then we include these countries in our sample because the leaders' will pushes the economy closer to the model of Socialist industrializing development. This remains true whatever difference may exist among the SODCs with respect to their endowment in capital, labour, raw materials, energy, or with respect to their level of economic development. Indeed, there are systemic similarities between the economic organization or between the misdoings of a poor Socialist-oriented country such as Ethiopia and of a semi-industrialized Socialist country such as Algeria, and even of most Comecon countries. Hence the reader must be aware that the word "model" is not used here to mean somothing exemplary, but to specify the common pattern of SODCs whose economic performance is to be appraised.

II. The Sample of Socialist-oriented Developing Countries.

The Hungarian economist, Janos Kornaī has suggested that: "in the world, twenty-seven countries are headed by a Marxist-Leninist Party, are based on a State sector in industry, transport and banking, and are economies subjected to centralized planning and management" (Kornaī, Richet, 1986). If we except the U.S.S.R. and the six European members of the Comecon, who are the remaining countries that Kornaī had in mind? No precise answer can be found in the economic literature dealing with the Third World.

Among sovietologists, some have tried to determine the borders of the so-called "New Communist Third World". Wiles (1982) ranged Socialist countries into four groups. In the first group one finds all Comecon members, i.e. seven developed countries plus Cuba, Mongolia and Viet Nam. The second group includes Socialist countries which are not Comecon members: Albania, China, North Korea and Yugoslavia. In the third one, the true "New Communist Third World", Wiles ranged at the time of his study Afghanistan, Angola, Ethiopia, Mozambique and South Yemen. Here the criterion is political: these five countries voted the Soviet motion on Afghanistan at the United Nations in January 1980 (notice that Grenada and Laos also voted it). A fourth group comprises supposed Socialist countries such as Benin, Congo, Guyana, Madagascar, and a country which gave up the model, i.e. Somalia. Interesting indeed, Wiles' listing is now however outdated. Tiraspolsky (1983) listed almost the same sample while adding to the previously mentioned countries Nicaragua and Seychelles considered as having reached the margin of the Socialist model of development.

With a glance at the Soviet ranking of developing countries, as it is analyzed by several French sovietologists (Lavigne, 1986a), we can update the sample. The Soviet Union regards as Socialist countries, and not as developing countries: Cuba, Mongolia, Viet Nam within the Comecon and Albania, China, Kampuchea, Laos, North Korea, Yugoslavia outside. The Soviets then distinguish in the Third World six developing countries with a confirmed orientation towards Socialism and nine developing countries with an asserted orientation towards Socialism. Under the label "confirmed", one discovers that all countries are observers at the Comecon sessions; under the label "asserted", the political Party in power is not Marxist-Leninist in the orthodox Soviet sense.

So, an updated and full range of the SODCs in 1987 might be the following:

1. Developing countries in the Comecon: Cuba, Mongolia, Viet Nam.

2. Developing countries outside the Comecon considered (by the Soviet Union) as Socialist countries; among the six countries of this kind we shall keep only three in the sample: Kampuchea, Laos, North Korea. Albania, China and Yugoslavia are too specific because of the still authentic Stalinism of the first, post cultural revolution in the second and self-management in the third (each would imply a special case study).

3. Developing countries with a confirmed Socialist orientation: Afghanistan, Angola, Ethiopia, Mozambique, Nicaragua (since 1984) and South Yemen.

4. Developing countries with an asserted Socialist orientation: Algeria, Benin, Burma, Congo, Guinea (up to 1984), Iraq, Madagascar, Syria and Tanzania.

Some readers could question why several countries are not ranged in our sample, such as the Cap Verde Islands, Grenada, Guinea-Bissau, Guyana, Lybia, Sao Tome and Principe, Seychelles, Zambia or Zimbabwe. Almost all of them proclaim that they are on the path of planned industrializing development and are convinced of building a Socialist economy, though in a pragmatic way. Nevertheless, we exclude them from-the sample of SODCs because they are too heterogeneous: small insular countries stand beside semi-industrialized economies such as Zimbabwe or Libya. From this motley crew of non classical Socialist developing countries we shall only mention here and there some experiments. Hence our sample includes twenty-one countries ranged in the four groups quoted above.

Classifying the SODCs is an operational method for determining the area where the model is implemented. This ought not to hide that the twenty-one selected SODCs are diversified. According to Western standards, they are distributed among the three categories of least developed countries, new industrializing countries and middle-income countries.

— Ranked by increasing GNP per capita, Kampuchea, Laos, Ethiopia, Burma, Afghanistan, Tanzania, Viet Nam, Guinea, Benin, Madagascar and Mozambique belong to the set of least developed countries (less than 400 dollars of GNP per capita in 1981).

— Are ranged among middle-income countries (400 to 1,600 dollars of GNP per capita in 1981) in increasing order: South Yemen, Angola, Nicaragua, Cuba, Congo, Mongolia, North Korea and Syria.

— Only iraq and Algeria can be assimilated to new industrializing coun-

Table 1. The Economic Growth in Nine Socialist-oriented Developing Countries

Rate of growth of the national product (in constant prices)					GNP per capita	Rate of inflation		
	Index	1983	1984	1985	1984	1983	1984	1985
Algeria	GNP	0.1	0	6.0	2,410	5.7	6.6	8.5
Burma	GDP	5.6	6.1	6.6	180	7.1	8.5	4.2
Congo PR	GDP	n.a.	−3.0	n.a.	1,140	9.2	14.7	n.a.
Cuba	TSP	5.2	7.4	4.8	2,930(+)	1.1	−0.7	n.a.
Ethiopia	GDP	7.4	−7.0	n.a.	110	2.3	8.4	19.0
Madagascar	GDP	0.9	1.6	−1.5	260	14.2	11.8	14.0
Nicaragua	GDP	5.1	0.5	−2.5	860	32.9	53.2	334.4
Syria	GDP	5.8	n.a.	−1.0	1,620	8.2	16.6	22.2
Tanzania	GDP	−1.2	2.5	n.a.	210	26.5	38.4	6.5

(+) TSP per capita
GNP: Gross National Product; GDP: Gross Domestic Product; TSP: Total Social Product
Sources: World Bank and United Nations.

tries (over 1,600 dollars of GNP per capita).

The model of planned industrializing development appears obviously to be at work mainly in poor countries.

III. An Assessment of Economic Performance in Socialist-oriented Developing Countries

An overall view provides a first assessment of SODCs' economic performance. A glance at the rate of growth in nine SODCs (Table 1) does not lead to so impressive a picture. If we stress the fact the TSP is inadequate to assess the real value added in Cuba and that Burmese data is well known for being not beyond doubt, then the rate of economic growth looks moderate when it is not negative, as has been the case in the Congo, Ethiopia, Madagascar, Nicaragua, Syria and Tanzania.

As to the rate of inflation, it is on par with the rest of Third World countries, if we except Cuba where the price index probably does not reveal the whole inflationary pressure, just as in other Comecon countries. It even reaches the Latin American rhythm in Nicaragua with a tremendous 334.4% in 1985.

Another assessment consists in looking at the position occupied by our twenty-one countries in the ranking of the World Bank according to the GNP per capita. If from one year to another the growth of the GNP per capita in a given country is faster than the growth of the same index in neighbouring countries in the ranking (i.e. countries of about the same level of development by the World Bank standard), its rank must improve. If its GNP per capita grows mere slowly than the average of its neighbours, a country must regress in the ranking. With this in mind, let us look at the changes in the ranking of the SODCs, for instance between 1976 and 1983. Eight countries improved their ranking, eight regressed and three remained steady. The growth of the GNP per capita was over the average (of the neighbours in the ranking) in Algeria, Angola, Benin, Burma, Congo, Ethiopia, Guinea, Mozambique, Syria and above all in North Korea which overtook twenty countries within eight years. Growth was below the average in Afghanistan, Cuba, Iraq, Kamouchea, Laos, Mongolia, Nicaragua and Tanzania (Nicaragua has been implementing the model only since 1979). Growth was around the average in Madagascar, Viet Nam and South Yemen.

Of course, it would be more relevant to appraise economic performance of the SODCs country by country. Taking into account the scarcity of data published by the SODCs, this would involve twenty-one detailed case studies. Such a project is on the tracks and a first piece of work is already available (Andreff, 1987). Here we will be summarizing the main findings and illustrating them with a few examples. Before doing so, a last general assessment of recent SODCs' experiments may be based on the foreign trade balance and external indebtedness (Table 2). From 1983 to 1985, the trade balance is negative everywhere in the SODCs except in three oil-exporting countries — Algeria, Angola, Congo —, in an exporter of bauxite, gold and diamonds (Guinea), and in Burma. For the latter, published statistics are internationally recognized as inaccurate: for example, in 1982, the International Monetary Fund estimated that only one half of Burmese imports were registered by the customs; and nothing can be said about exports when one knows that a major export from Burma is opium. So, the foreign trade deficit seems to be a widespread phenomenon among the SODCs in the recent years.

It is therefore not surprising to see a growing gross foreign debt in all the SODCs, even in the oil-exporting countries. Except Algeria and Iraq,[(1)] the SODCs could not be compared with the main Third World debtors such as Brazil, Mexico, Indonesia or even South Korea, because the amount of the gross debt is much lower. However, the actual position might be regarded to some extent as worse than that of the major debtors. Indeed, the ratio between the gross foreign debt and national product is higher in the

(1) With military expenditure financed by foreign borrowing the Iraqi debt is estimated at 50 billion dollars in 1985 instead of 12 (Table 2).

Table 2. Foreign Trade Balance and Foreign Debt of the Socialist-oriented Developing Countries

(million dollars)

	Foreign Trade Balance 1982	Foreign Trade Balance 1984	Foreign Trade Balance 1985	Gross Foreign Debt (GFD) 1984	Gross Foreign Debt (GFD) 1985	Estimated ratio of the GFD to National Production (+)	
Afghanistan	− 407	n.a.	− 410	1,329	1.434	47 %	(×)
Algeria	+ 2.400	+2,800	+2,700	19.115	24,013	44 %	
Angola	+ 840	+ 695	n.a.	1,024	1,403	55 %	(×)
Benin	− 855	− 52	− 338	643	777	61 %	
Burma	+ 132	+ 56	+ 21	2,977	3,873	46%	
Congo PR	+ 260	+ 506	+ 482	2,254	2,756	110 %	
Cuba	− 800	−1,042	n.a.	5,957	7,035	20 %	(×)
Ethiopia	− 458	− 401	− 550	1,698	2,008	37 %	
Guinea	+ 143	+ 144	+ 95	1,274	1,432	65 %	
Iraq	−10,151	− 479	+2,007	8,106	11,632	19 %	(×)
Kampuchea	− 264	n.a.	n.a.	490	522	n.a.	
Korea DR	− 272	− 203	n.a.	851	1,128	5 %	
Laos PDR	− 180	− 37	n.a.	433	528	n.a.	
Madagascar	− 184	− 76	− 83	2,220	2,590	104 %	
Mongolia	− 47	− 245	n.a.	3,982	4,397	n.a.	
Mozambique	− 498	− 444	n.a.	1,231	1,442	62 %	(×)
Nicaragua	− 320	− 415	− 515	4,539	5,405	165 %	
Syria	−1,500	−2,216	−2,085	3,575	4,201	22 %	
Tanzania	− 409	− 326	− 744	3,047	3,374	67 %	
Viet Nam	− 1,409	−1,413	n.a.	4,849	5,477	n.a.	
Yemen PDR	− 559	− 446	− 446	1,210	1,708	111 %	

(+) The last year available, either 1984 or 1985; usually the ratio is GFD/GNP.
(×) The ratio is GFD/GDP.

Notes: For Iraq, figures do not include trade and debt for military purposes. The data is for 1982 instead of 1983 in the case of the trade balance of Benin, Guinea, Iraq and Nicaragua; n.a. = non available.

Sources: IMF International Financial Statistics for trade balances; OECD Foreign Debt Statistics for debts.

SODCs. If this ratio is moderate for North Korea, Cuba, and Syria, it reaches an incredible peak (by world standards) of 165% in Nicaragua, but also more than 100% in Congo, Madagascar and South Yemen. Needless to say, these four countries can only survive today thanks to foreign finance.

A slowdown in economic growth, inflationary pressures, a foreign trade deficit, a growing foreign debt and an unbearable level of indebtedness, all this is not specific to the SODCs, but appears to be a kind of common law in the Third World today, with the exception of the South-East Asian countries. Nevertheless, the data shows that the model of planned industrializing development has not managed to protect the SODCs from what it was intended to prevent: slow development and economic reliance on foreign capital.(2) To these common features of underdevelopment the model seems to add specific misdoings linked with overcentralization of planning and economic power, with the incentive problem for producers in the State sector, with peasant unrest sometimes aimed against collectivization, and with the "gigantomania" arising from the priority given to heavy industry. This is what emerges from case studies. From the point of view of their economic performance, the SODCs come into six subsets of economic situations.

1. The model has appeared to be practically unworkable.

This may be because of a low endowment in natural resources, or because of the small size of the economy, or because of a lack of manpower. Then the model is only a wish, but it does not start working really in economies which are too poor and too agrarian. This leads us to a first conclusion: some economic environments are clearly uncongenial to the implementation of planned industrializing development.

The examples which could be given of this situation are Benin, Ethiopia, Kampuchea, Laos, Madagascar and Tanzania. Let us elaborate on the latter case. Tanzania has sometimes been taken a as "perfect failure" of the model (Weaver, Kronemer, 1981). Even J. Nyerere, the former Tanzanian leader, admitted the failure of his strategy of development when he gave up voluntarily the power in 1985 (a rare occurence in the Third World). This strategy was based on creating "ujamaa" villages where villagers would be allowed to farm private plots, but would also be expected to work together on communal farms to produce a marketable

(2) It should be noted that in the SODCs the so-called reliance on transnational corporations was clearly substituted by reliance on foreign borrowing from public agencies, Comecon countries, and sometimes private banks.

crop. The second aim of the strategy was to create an industry producing basic goods, especially after the third plan (1976-1981).

Though the share of the State sector increased in Tanzanian industry, the weight of industrial output in the GNP decreased from 10% in 1974 to less than 8% in 1980 (Tiberghien, 1983). This occured despite the building of new factories after 1976: factories preparing cashew nuts, cement plants, and industrial units in textiles, steel, chemical products, wood and paper (Kuuya, 1983). In 1980, all units were working under their capacity: they were working at 70% in the tobacco industry, at 50% in the steel industry, at 45% in cement plants and at 15% in the bicycle factory. In 1984, all the factories were working between 20% and 40% of their capacity. Low productivity and mismanagement of State enterprises induced large deficits in the State budget. In spite of "ujamaa villages", the growth of food was not much higher than the growth of the population. The major part of the crop is sold on the parallel market by what could be called "kulaks" who hire and pay manpower. So, after so many hopes, the Tanzanian experience had disappointed all its supporters already some years back (Hirschbein, 1981).

2. The model was not implemented or only after dilution.

Here there is no convincing proof that the model is not workable because it was reformed almost from the beginning. This leads to the question: does the model work only after being reformed? The corresponding cases are Burma (Fenichel, Azfar Khan, 1981), Iraq, Mozambique, Nicaragua and Syria (Gottheil, 1981).

A short glance at Mozambique will illustrate this. In 1977, Mozambican leaders decided that "agriculture comes first to service local food requirements and industrial development, and that industry is to become the dynamizing factor" (Saul, 1979). Between 1977 and 1980 heavy industry however regressed in the priorities of development, and indeed the share of industrial output in the GNP fell from 9.4% in 1975 to 8.8% in 1981. Communal villages were created very quickly after 1977, but the agricultural output steadily decreased up to 1984. Food shortages, rationing, black market and price increases on food products made life more difficult for the people. Even more so after the 1984 drought and cyclone. So that, as early as 1980, Mozambique embarked on an economic reform, privatizing some industrial plants and on a monetary reform: the overvalued escudo was replaced by the low-valued metical. Mozambique seems to be geared towards a mixed economy, with plan and market coexisting in the long run (Kofi, 1981). The share of Comecon countries in Mozambican foreign trade remains low. Mozambique's attempt to join the Comecon was rejected by other members in July 1981. Under the pressure of its growing foreign debt, Mozambique finally joined the World Bank and the International Monetary Fund, signed the Lomé agreement with the EEC and obtained economic aid from the United States. The Club de Paris rescheduled the Mozambican debt in June 1987.

3. The model was rather successfully implemented with the help of rent.

This rent is provided by extracting and selling unprocessed minerals or crude oil in a period when prices are high on the world market for these products. Here a factor exogenous to the model boosts economic performance. We notice that among the SODCs those countries which have a rent at their disposal, Iraq excepted, are ranged in the group characterized by an over-average growth in GNP per capita. Namely they are Algeria, Angola, Congo, Guinea, Iraq and Syria. None of them is among the least developed countries.

The best and most well-known example is probably Algeria. The share of industry in the GNP has increased steadily. Oil and gas reach 98.5% of total exports, other mineral products 1.1%. With the downturn of world oil prices in 1982, Algeria has striven to prepare itself for the post-oil era, changing the usual priorities of medium-term plans. The plan (1985-1989) no longer gives the first rank to "industrializing" heavy industries. On the agenda, high priority is given to agriculture, food self-reliance, health and other social activities, and also to decentralizing the economy. After 1980, State trusts were dismantled. The private sector is more and more officially supported. In the budget for 1986, incentives to export were voted and in December 1986 an austerity program was passed. Hence it appears that the model did work in Algeria as long as oil prices and the associated rent were high. After the turning point on the world market, it seems clear that the Algerian experience is at least as dependent on a rent as on the model we discuss here.

4. The model is wholly dependent on foreign aid.

Of course, the case in point is the aid flowing from Comecon countries to the SODCs. This aid is an external and exogenous factor, as the rent was in the previous case. Four countries are concerned: Cuba, Mongolia, Viet Nam, but also Afghanistan. In 1981, Viet Nam benefited from 35% of the Comecon total aid allocated to the Third World countries; Cuba obtained 26%, Afghanistan 10% and hence the three countries together obtained 71% of the Socialist economic aid to the Third World. Moreover their foreign trade is concentrated on exchange with Comecon countries (Table 3).

Table 3. Foreign Trade between Comecon Countries and Afghanistan, Cuba, Mongolia and Viet Nam in 1982 (+)

	Afghanistan	Cuba	Mongolia	Viet Nam
Exports to the Comecon / Total exports (%)	48.5	78.1	96.6	51.1
Imports from the Comecon / Total imports (%)	21.0	84.5	98.4	81.8
Balance with the Comecon (in million rubles)	+197 (×)	−1,160	−150	−598
Main export to the Comecon,	gas	sugar	raw materials	handicraft products
in % total exports	52.5	73.7	48.0	52.6

(+) For Afghanistan and viet Nam, trade with the U.S.S.R. only; for Cuba and Mongolia, trade with the seven developed countries of the Comecon.
(×) In million dollars.
Sources: G. Graziani (1985) and H. Brezinski (1986).

A good share of this trade is subsidized by the Soviet Union and the six European Comecon countries. Cuba sells sugar and nickel to Comecon countries over the world prices and buys oil below the world prices.[3] From 1961 to 1978, such subsidies reached 1% of total Comecon aid to Cuba. The same kind of subsidization is at work in Soviet-Vietnamese trade (Theriot, Matheson, 1979). Comecon aid is complemented with common investment localized in the four countries we deal with. In 1981, more than 50% of the Afghan national product was accounted for factories built with Soviet assistance. Up to 1982, the Soviet Union cooperated in 565 Cuban plants out of which 264 were industrial plants. In Mongolia, 100% of wood production, 90% of copper mining, 70% of energy production are provided by factories built with the Soviet aid (Kahn, 1984); this latter has topped 35% of the Mongolian GNP in some years. The Soviet Union has financed 60% of all investment in Viet Nam between 1976 and 1980. In Afghanistan, Soviet funds reached 91% of all foreign finance between 1980 and 1982 (Mathonnat, 1985).

In spite of Comecon aid the four countries are indebted towards Western countries. Cuban debt towards the Soviet Union was rescheduled several times, but moreover Cuba accumulated a 3.4 billion dollar debt with Western creditors and was constrained to reschedule after 1982 (Acciaris, 1984). Viet Nam is in debt to the sum of 3.2 billion dollars to Comecon and

(3) At least up to 1985. Since then Soviet oil has been no cheaper than Western oil because of the intra-Comecon formula of pricing foreign exchange among members.

of 1.7 billion dollars in hard currencies (in 1984). Since 1983, Viet Nam has been compelled to negociate rescheduling with Japan, Algeria and Libya. On the advice of the Interntional Monetary Fund, the dong has been devaluated several times since 1985.

Let us conclude that the model has actually been implemented in the four countries, probably at a high cost and doubtless leading to greater, albeit Socialist reliance on foreign countries.

5. The model is paradoxically implemented with the help of a private sector, of foreign investment and transnational corporations.

Of course, no question of economic self-reliance in the Socialist and nationalist sense of the word. Zimbabwe and Zambia are the best cases in point. This is probably the reason why the Soviet Union does not include them in the official listing of SODCs. In Zambia, foreign companies kept a 49% share in the capital of "Zambianized" enterprises; this was decided because leaders feared that their country would otherwise be cut off from flows of modern technology and of new capital. Concerning Zimbabwe, political leaders have married Socialist rhetoric with a strong economic pragmatism. Key sectors of the economy are in the hands of transnational corporations such as Turner & Newall, Union Carbide, Lonrho, Anglo-American and Heinz. The Zimbabwean plan (1982-1985) was welcome by businessmen of the private sector (Bobo, 1983).

To some extent, we could find foreign interests diluting the model in other more orthodox SODCs. Viet Nam passed an investment law welcoming direct foreign investment as early as 1977. It was a flop. A new law passed in 1987 is among the most liberal in the world. Burma published in 1973 the first list of sectors open to private investment, and in 1974 the State rehabilitated 68 former owners in their property rights over enterprises. The Tanzanian National Agricultural Policy now provides incentives for creating private plantations, namely with foreign shares. Benin welcomes direct foreign investment. In Cabinda, oil is still extracted by Gulf Oil, but the Angolan State has attracted Texaco, Total, Elf, Petrobras, Nafta, Agip and Mobil, since political independence.

All in all, more than one half of the twenty-one SODCs based the model of planned industrializing development on external or exogenous factors. To finish with the more curious case, let us mention South Yemen: this country combines Comecon aid (Al Khadat, 1985) with repatriated incomes of Yemenite migrant workers (Cigar, 1985). Indeed, a third of the Yemenite labour force is occupied abroad bringing home incomes in hard currencies which cover 50 to 75% of the foreign trade deficit.

6. The remaining case: North Korea

We could not say that everything is going for the best in this country. Nevertheless, compared with the other SODCs, it performs better. The planned industrializing model has been implemented in an orthodox manner, much resembling Eastern European experiences before economic reforms. Of course, in 1945, North Korea inherited an industrial base set up by Japanese interests in the pre-war period. However, the share of industrial output in the national product grew from 28% in 1946 to 74% in 1969 (Brillouet, 1975). North Korea is also well endowed in raw materials and energy, but not really dependent on a rent. Self reliant for 92% of its energy consumption (Kokoloff, 1984) and for its food, the country has developed rather well in heavy production as well a production of electricity, coal mining, steel, cement, fertilizers, and even textiles (Breidenstein, 1975). On the other hand, compared with South Korea, since the end of the sixties, North Korea saw the gap widening as far as the production of consumer durables, electronical appliances (and later on other products) is concerned.

Sometimes negociating Soviet aid, sometimes Chinese aid, North Korea is probably the least dependent of the SODCs. Its foreign trade in 1979 was distributed between Socialist countries with a 51% share, developed market economies with 24% and developing countries with 25% (Brillouet, 1983). However North Korea foreign debt grew and reached 2.4 billion dollars in 1984, which is an alarming amount for a country which is member of neither the Comecon nor Western international organizations. Since 1977, North Korea has been obliged to negociate a rescheduling, beginning with Japan.

In addition the North Korean economy is plagued with the usual misdoings of centrally planned systems: bottlenecks, labour shortage, overconsumption of energy,lack of hard currencies. All that has hindered the successful fulfilment of the plan (1978-1984) which ended on a zero growth path; according to the CIA, the rate of growth of the GNP was 0% in 1982 and 1983. The question of economic reform is now open. Probably the main failure of the North Korean pattern lies elsewhere. Kim Il Sung always wanted to show that the development of his country was exemplary for the rest of the Third World (Chung, 1977). Now North Korea is frequently criticized among Third World thinkers, not mainly on the ground of its economic performance, but because of its socio-political values and of the dynastic behaviour of its leaders. It does not matter for many Third World thinkers whether this dynasty is Socialist or not, once it is a dynasty!

IV. Environmental Factors of the Planned Industrializing Model

Now we are able to argue one reason why the model has less fans than before is based on economic performance which on the whole is not so impressive. This reason is complemented with three environmental factors.

1. The model does not protect developed Socialist countries from the crisis.

One of the claims to fame of the Soviet model was its supposed effectiveness in avoiding economic crises and in protecting Socialist countries from crises generated elsewhere, i.e. in the capitalist world economy. Unfortunately, Comecon developed countries did experience a slowdown in their economic growth. The slump was tremendous in 1981 and 1982 in Eastern Europe (Andreff, 1985). Moreover Comecon countries, excepted the U.S.S.R., had to cope with a so-called external constraint. They are now compelled to search a way out of the economic crisis starting with a tough management of their foreign debt (Andreff, Lavigne, 1986). It appears clearly then that centralized planning and heavy industry are no longer warrants against economic crisis and external constraint. By its very nature, this real fact dims the picture of the Socialist-oriented model of development in the third World.

2. Adjustment policies and economic reforms in Comecon countries also affect the image projeted by the model.

East European economies reacted to foreign trade imbalance and to an increasing debt by implementing adjustment policies. To put it in a nutshell, these policies included a brake on imports, an incentive to exports and, if a net export surplus was achieved, a negative difference would occur between the distributed national income and the produced national income.[4] This latter difference means obviously an austerity policy for either consumers or enterprises. It has been for both, the question of how to share to austerity being answered in various ways in Comecon countries. The austerity policy was accompanied by industrial modernization after 1983. The purpose is to modernize industry through a change in priorities among sectors. The development of new technologies (computers, robots, biotechnologies, etc...) has taken the place of traditional heavy industries (steel and so on) at the first rank of the plan priorities, all around the Comecon.

Adjustment policies were to some extent successful inasmuch as the

(4) In the sense which is given to these aggregates in the Socialist national accounting.

foreign trade deficit was turned into a surplus in the most of East European countries since 1983. The foreign debt stopped growing, excepted in Poland and in Romania, and even decreased for some Comecon countries (Andreff, Graziani, 1985).

To finish, in recent years Comecon countries opened a new phase of economic reforms, which we could summarize with the word "Gorbachevism", meaning a less centralized economic system, more autonomous enterprises, a decrease in the State monopoly over foreign trade, more rights for a small private sector, and an economy more open to foreign capital.

Adjustment policies implemented in Comecon countries do not correspond to what many SODCs are ready to agree on for themselves. And with new economic reforms a cold sense of economic efficiency seems to be chasing voluntarism and "revolutionary" enthusiasm out off the planned system. This also may explain its decreasing impact in the Third World, including among the SODCs.

3. Euphoria about Comecon-SODC economic relations come to an end.

In coping with the external constraint, Comecon countries are now obliged to rationalize their economic relations with Third World countries, behind the official talk about the mutual advantage in foreign trade (Lavigne, 1986b). Even Soviet economists now recognize that something has changed in East-South relations. At least one thing is sure: no country in the Third World, even a SODC, can now expect to receive Soviet products and Soviet aid without delivering commodities of interest to the Soviet Union and without reimbursing its debt to the U.S.S.R. in the long run. This is even more the case with other East European partners.

Though risky for their economic independence, some SODC leaders could have dreamed of benefiting from the same aid as Cuba, Viet Nam and Mongolia. It is now demonstrated that this can only be wishful thinking. At the entrance to the Comecon the SODC leaders now find a single world: closed! When Mozambique,but also Laos, applied to join Comecon and were rejected, the proof was given that the borders of the Soviet industrializing model are stabilized for a while.

More and more Third World countries, even if Socialist-oriented, become aware that East-South trade, when it is subsidized as in the case of Cuba, Mongolia and Viet Nam, destroys the South-South trade which they are fond of. For instance, 98% of the Mongolian trade being accounted for by the Comecon, there remains 1% for Mongolia-West trade and 1% for Mongolia-South trade. The share of Cuban and Vietnamese trade with other developing countries has been decreasing and now even tends towards zero (Graziani, 1985).

Last but not least, because expanding the planned industrializing model to a developing country has turned out to be expensive, the Soviet Union is more and more reluctant to advertise its own experience. Of course Soviet experts still advise the SODC decision makers to carry on planning and State ownership. However referring to the NEP and to present day economic reforms, they are now known to advocate the need for a private sector in the SODCs (Zamostny, 1984) and a space for market economy alongside the plan.

To conclude, in the SODCs many leaders are now disappointed with the dimmed picture of the model. They are frustrated in their expectations of forever obtaining more aid, free of charge of at a low (and scarcely paid) cost, from the Comecon.

V. Towards Adjustment Policies and Reforms in the "Socialist Third World"

Among the twenty-one SODCs we have studied, eleven rely on exogenous factors for implementing the planned industralizing model, and eight are practically unable to implement it. Economic performance, which sometimes inspired hope in the seventies, has deteriorated in the eighties. Even North Korea, the assessment of which is the less mitigated, put the question of an economic reform on the agenda.

In the twenty other SODCs the trend is nowadays to implement adjustment programs, austerity policies or economic reforms. Now four countries are regulated by an IMF program: Benin, Congo, Tanzania and Madagascar, the latter being labelled a "good pupil". Five countries decided by themselves to implement austerity policies: Iraq since 1983, Ethiopia since 1985, Syria since 1986 and to a lesser extent Algeria and Cuba.

In nine SODCs an economic reform is on the tracks. Often it is not actually named reform for ideological reasons. Such is the situation in Algeria with incentives to export and to develop the private sector. A deeper reform is not inconceivable for the near future. Burmese economic reform has been under way since 1977: restoring the private sector, rehabilitating market economy, reinforcing exports and trusting on joint ventures with foreign companies since 1985. North Korea has adopted a policy promoting exports since 1979 and passed a law welcoming foreign investment in 1984. The Guinean economy has been radically reformed since the political change of 1984. Private trading of agricultural products has been reestablished in Laos. In Madagascar, the privatization process is going on and the call for foreign capital as well, since 1986. The Mozambican reform started in 1980 what was called a "mini-NEP" and has gone as far as joining the IMF. Since 1984 Tanzania has been denationalizing the so-called "parastatales", i.e. State enterprises, and providing incentives to private investment. In Viet Nam, the reform was launched in August 1979. Since then processing the reform has consisted in: widening the free market and private ownership, increasing prices, restoring piecework, profit criterion for management and bonuses, issuing State bonds, encouraging exports, welcoming foreign investment and even making some workers redundant.

Although they escape both an auterity policy and an economic reform, countries such as Angola, Kampuchea and Nicaragua may be described without doubt as "economies in crisis". Not to speak of the war. This latter adds to the disorganization of the Afgan economy. In South Yemen the regime has been destabilized by a restructuring within the Party in power.

Then only Mongolia has overcome the obstacles and seems undamaged in this hard period of economic crisis. Why not quote Mongolia as the exemplary pattern of Socialist development in the Third World? We guess it would be uneasy to convince the rest of the developing countries that the planned industrializing model is beneficial and that it warrants economic independence with a slogan like "let us all be Mongolian". Moreover, it would be incredible if Mongolia were not soon to be affected by an economic reform stamped with the seal of Gorbachevism.

VI. Conclusion

As a consequence of obstacles and problems which the SODCs at present have to cope with, the model of planned industrializing development seems outdated. At least in its unadjusted and unreformed pattern. Going further, several developing countries now contest the model as well as Soviet aid or the structure of East-South foreign trade, even at the UNCTAD meetings. The Third World is slowly changing its position towrds planning industry in a Soviet style. The late Mozambican leader, Samora Machel, is known to have said: "Africans must use Marxism, but Marxism ought not to use Africans". To use a stock phrase, we could say that developing countries may use the planned industrializing model, but the model ought not to use developing countries. To say the least, it is now demonstrated that this model is not a magic formula or the philisopher's stone able to change underdevelopment into a developed Socialist economy.

References

Acciaris, R.

1984 "La dette cubaine envers l'Ouest". *Le Courrier des Pays de l'Est*, n. 284, mai.

Al Khadat, D.

1985 "The Role of Foreign Financial Aid in the Financing of Capital Investments in People's Republic of Yemen". *Soviet and Eastern European Foreign Trade*, vol. XXI, n. 1-2-3, Spring-Summer-Fall.

Andreff, W.

1985 "The External Constraint in the Economic Crisis of East European Countries", in *Research in Political Economy*, edited by Paul Zarembka and Thomas Ferguson. Greenwich, Connecticut: Jai Press.

1987 "Le modèle d'industrialisation soviètique: quelles leçons pour le Tiers-Monde?". *Revue Tiers-Monde*, t. XXVIII, n. 110, avril-juin.

Andreff, W. and Graziani, G.

1985 "Contrainte extèrieure et politiques d'adaptation", in *La rèaliet socialiste*, edited by Marie Lavigne and Wladimir Andreff. Paris: Editions Economica.

Andreff, W. and Hayab, A.

1978 "Les priorités industrielles de la planification algérienne sont-elles vraiment industrialisantes?". *Revue Tiers-Monde*, t. XIX, n. 76, octobre-décembre.

Andreff, W. and Lavigne, M.

1986 "Quelle sortie de crise dans les économies du CAEM?" *Cahiers de la Faculté des Sciences Economiques de Grenoble*. n. 5.

Bobo, N.

1983 "The Zimbabwe Lesson". *Monthly Review*, vol. 35, september.

Breidenstein G.

1975 "Economic Comparison of North and South Korea". *Internationales Asienforum*, April.

Brezinski, H.

1986 "Economic Relations between European and Less-developed CMEA Countries", in *East European Economies: Slow Growth in the 1980's*, edited by the Joint Economic Committee, U.S. Congress, vol. 2, March 28.

Brillouet, A.

1975 "Economic de la République populaire démocratique de Corée". *Revue d'Etudes comparatives Est-Öuest*, vol. 6, n° 4.

1983 "Le commerce extérieur comme illustration de l'insertion de la République populaire démocratique de Corée dans le concert mondial". *Revue d'Etudes comparatives Est-Öuest*, vol. 14, n. 2.

Chung, S.

1977 "Le bilan coréen: idéologie, politique, économie et développement, réunification et relations extérieures". *Revue d'Etudes comparatives Est-Öuest*, vol. 8, n° 4.

Cigar, N.

1985 "State and Society in South Yemen". *Problems of Communism*, vol. XXXIV, n. 3, May-June.

Fenichel, A and Azfar Khan.

1981 "The Burmese Way to Socialism". *World Development*, vol. 9, n. 9-10.

Gottheil, F.

1981 "Iraqi and Syrian Socialism: an Economic Appraisal". *World Development*, vol. 9, n. 9-10.

Graziani, G.

1985 "The Non-European Members of Comecon: a Model for Developing Countries", III World Congress for Soviet and East European Studies, Washington, November, unpublished paper.

Hirschbein, S.

1981 "Tanzania: the Non-Marxist Path to Socialism?". *Monthly Review*, vol. 32, January.

Kahn, M.

1984 "La situation économique de la Mongolie". *Le Courrier des Pays de l'Est*, n. 286, juillet-août.

Koft, T. A.

1981 "Prospects and Problems of the Transition from Agrarianism to Socialism: the Case of Angola, Guinea-Bissau and Mozambique". *World Development*, vol. 9, n. 9-10.

Kornaī, J. and Richet, X.

1986 *La voie hongroise*, Paris: Editions Calmann-Lévy.

Kuuya, P. M.

1983 "Transfer of Technology: an Overview of the Tanzanian Case", in *Technologie et industria-lisation en Afrique*, edited by Fayçal Yachir. Alger: OPU.

Laīdi, Z.

1984 *L'URSS vue du Tiers-Monde*. Paris: Editions Karthala.

Lavigne, M.

1986a "Eastern Europe — LDC Economic Relations in the Eighties", in *East European Economics: Slow Growth in the 1980's*, edited by the Joint Economic Committee, US Congress, vol. 2, March 28.

1986b *Les relations Est-Sud dans l'économie mondiale*. Paris: Editions Economica.

Mathonnat, J.

1985 "Financement extérieur, planification de la production et des échanges: le cas de l'Afghanistan". *Mondes en Développement*, n. 50-51.

Saul, J.

1979 *The State and Revolution in Eastern Africa.* New York: Monthly Review Press.

Sokoloff, G.

1984 "L'autre Corée". *Economie Prospective Internationale,* n. 19.

Theriot, L. H. and Matheson, J. N.

1979 "Soviet Economic Relations with the Non-European CMEA: Cuba, Vietnam, Mongolia", in *Soviet Economy in a Time of Change,* edited by the Joint Economic Committee, US Congress, vol. 2, October 10.

Tiberghien, R.

1983 "Le développement industriel de la République Unie de Tanzanie". *Cahiers IREP-Développement* (Grenoble), n° 6.

Tiraspolsky, A.

1983 "Le CAEM et ses partenaires privilégiés du Tiers-Monde". *Le Courrier des Pays de l'Est,* n. 274, juin.