THE LEGAL TERMS OF SOVIET DEVELOPMENTAL CREDITS TO THE LAOTIAN PEOPLE'S DEMOCRATIC REPUBLIC

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An investigation of the legal framework within which the USSR has granted investment credits to the Laotian People's Democratic Republic following its promulgation in December 1975 can serve several purposes. A look at how a small and impoverished nation that recently gravitated into the Communist orbit has fared in obtaining economic succor from the senior member of the partnership for its industrial growth might be instructive for its own sake. A comparison of the Soviet record here with that of its chief bourgeois competitor, the United States, which in the past had been a major donor to the leftist regime's local predecessors would show where the two policies differ. An examination of the available data will also pinpoint possible divergences between Soviet theory and practice in these matters and perhaps allow one to correct the official script by reference to documented reality. While a considerable body of literature has by now accumulated on the political, economic and doctrinal aspects of the Soviet Union's foreign aid program to underdeveloped countries, relatively little has been written on the legal setting of the operation, i.e. the specific rules that apply to the procurement of such assistance. For all the above reasons, a modest case study should not be amiss and the example of post-revolutionary Laos during the first five years of its existence sounds sufficiently typical in this respect to be picked as the object of our analysis.

An initial caveat is in order, though. The picture we have of Soviet-Laotian dealings in this area is perforce incomplete and, in many instances, the principals have entered into arrangements where the outside observer feels morally certain that a financial subvention is an element of the bargain, but the few published facts do not confirm the suspicion which thus remains unverified. Let me then start out by listing those incidents that fall under the heading of probable situations of this sort where, on balance, the evidence still leaves some room for doubt.

1. In December 1975 and on 29 January 1976, agreements were signed on the supply by the Soviet Union of economic assistance to the Laotian People's Democratic Republic during 1976-1977.¹ No further details were released at the time concerning the nature, scope or manner of implementation of the aid
package. Recently, however, a secondary source has proved less reticent. Describing these pacts as a "first step" by Laos "to establish equal economic cooperation with foreign countries", the report goes on to tell how the Soviet Union promptly began purveying on preferential terms items crucial for the stabilization of production and the life of the Laotian population. Goods to the value of 10.6 million rubles were said to have been delivered in the course of 1976, with 70% of the shipments consisting of machinery and equipment. Aside from receiving from the USSR important stocks of foodstuffs and medicines in both of which the country was nearing a serious shortage, Laos was now able to acquire a significant quantity of motor vehicles which turned out to be essential given the absence of a local railroad system and the heavy dependence of internal traffic on means of highway transportation.2

2. In the joint statement marking the visit of a Party-Government delegation of the LPDR to the USSR in April 1976, the Soviet host reiterated its commitment to help Laos with the task of restoring and developing its national economy and training native cadres for various branches of the Laotian economy and culture.3 A series of treaties were concluded on that occasion: on cultural and scientific cooperation, commerce, trade and payments, and assistance to Laos in the organization of a geological service. Peripherally relevant in the context of the present inquiry is the clause of the agreement on trade and payments (Art.3) whereby the parties provided that payments for goods delivered pursuant to this accord as well as all other payments transacted between the two countries would be effected in rubles through the Foreign Trade Bank of the USSR and Laos, correspondingly. To that end, the aforementioned banks were instructed to open special accounts in rubles in each other's name and notify one another of all entries apropos these accounts. To maintain continuity of payments against these accounts, the respective banks were required to grant each other a technical, interest-free credit in the amount of 500,000 rubles. Overdrafts were charged interest at 2% per annum and if the total of the established technical credit was exceeded, the parties would take necessary steps to eliminate the deficit within a six-month period by medium of shipment of goods.4

This bookkeeping mechanism diverged considerably from the matching formula in the payment agreement of 1 December 1962, between the USSR and the late royal government of Laos and the sense of the changes is quite noteworthy.5 In the latter case, all the billing was to be done in French Francs or other convertible currency; henceforth, the ruble was the designated fiscal unit; whereas earlier the size of the technical, interest-free credit used to finance ongoing trade operations was not indicated, a 500,000 ruble maximum was set under the new procedure; no mentions was made in the 1962 version of a fee on overdrafts but, oddly enough, the "socialist" successor was warned about incurring a 2% annual surcharge for a similar "infraction". On the other hand, in 1962 a rigid limit was imposed on the trade imbalance that might subsequently arise in that once an excess of 3 million French Francs was posted in favor of either side, the indebtedness had to be