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P. ALAMPIEV, O. BOGOMOLOV, Y. SHIRYAEV

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**Approach  
to Economic  
Integration**



P. ALAMPIEV, O. BOGOMOLOV, Y. SHIRYAEV

# A New Approach to Economic Integration

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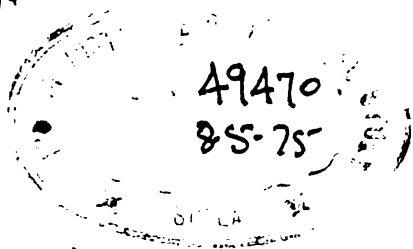
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## INTRODUCTION

International socialist integration implies intensive cooperation between the CMEA<sup>1</sup> countries in production, technology and trade, and the use of improved methods in the planned governance of their cooperation. Under integration, the old forms of their economic relations are enriched and filled with a new content, their every aspect being increased quantitatively and improved qualitatively in accordance with the requirements of the stage of socialist construction attained by the CMEA countries and the demands of the scientific and technical revolution.

“The economic integration of the socialist countries,” L. I. Brezhnev stressed in the Report to the 24th Congress of the Party, “is a new and complex process. It implies a new and broader approach to many economic questions, and the ability to find the most rational solutions, meeting the interests not only of the given country but of all the cooperating participants. It requires firm orientation on the latest scientific and technical achievements and the most profitable and technically advanced lines of production.”<sup>2</sup>

The Central Committee's Report and the Directives of the 24th Congress of the CPSU for the five-year plan of economic development from 1971 to 1975 stress the need to improve in every way and extend the Soviet Union's economic ties with the socialist countries so as further to strengthen their community and consistently to develop the CMEA countries' economic integration.

<sup>1</sup> Council for Mutual Economic Assistance.

<sup>2</sup> *24th Congress of the CPSU*, Moscow, 1971, p. 13.

The specific ways in which greater depth is to be given to integration processes in the current five-year period have also been determined. These are: balanced development of complex forms of cooperation covering the sphere of material production, science and technology, foreign trade and operations on the markets of third countries; development of international cooperation of production and efficient forms of specialisation in industry and agriculture; mutually advantageous pooling of resources by interested socialist countries to develop fuel, power and raw-material industries for the fullest satisfaction of the demand for their products; development and rationalisation of the means of transport and communications to cater for the growing volume of trade in the light of technical progress in these industries. Important tasks have also been set in providing internal back-up for the integration measures.

On the following pages we try to give an idea of the approach to integration and its economic mechanism in the decisions of the latest CMEA sessions, and of the major problems in production, science and technology that are to be tackled through integration. We have also tried to outline the issues that remain debatable for the time being, and the theoretical and practical difficulties arising in the course of socialist integration.

In accordance with the instructions of the 23rd CMEA session (1969) the Comprehensive Programme for the Further Deepening and Improvement of Cooperation and Development of Socialist Economic Integration was worked out, and subsequently adopted by the 25th session in July 1971. The 26th session held a year later, in July 1972, reaffirmed the line towards socialist economic integration and mapped out a number of concrete steps for implementing it. The 27th CMEA session, held in June 1973, examined the fulfilment of the Comprehensive Programme and noted achievements in different spheres of cooperation. The session emphasised that the implementation of the Programme had become the main content of economic, scientific and technical cooperation among CMEA member countries. The available experience already makes it possible to show the economic ways and means by which greater depth can consistently be given to socialist integration in present-day conditions.



## **CMEA COUNTRIES' WAY TO INTEGRATION**

### **Economic Cooperation System Takes Shape**

The transition to socialist integration at the turn of the 1960s was a natural outcome of the whole of the CMEA countries' earlier economic development and cooperation.

Up until the Second World War, the Soviet Union and the European countries which subsequently took the way of socialist construction had very tenuous economic ties with each other. In 1938, the capitalist states of the West accounted for 86 per cent of the foreign trade of Bulgaria, Czechoslovakia, Hungary, Poland and Rumania, and trade between them for 12-13 per cent, and trade with the USSR, for only 1 per cent.

In the early postwar years, powerful political and then also economic factors began to operate in welding into a solid community the countries which were remodelling their social life on socialist principles. Economically, these countries were brought even closer together by the Soviet Union's deliveries of raw materials, fuel and foodstuffs, as it helped the fraternal countries to restart their national economic mechanism, which had been virtually brought to a halt during the war. With the end of the rehabilitation period and transition to new industrial construction in 1948-49, a start was made on laying the foundations for more stable international economic ties between the socialist countries. The first long-term bilateral trade and payments agreements were concluded.

The socialist countries' growing interdependence in their economic development made it necessary for them to set up a special international agency to promote their economic

cooperation. This was the Council for Mutual Economic Assistance, which was established in 1949. Since then, this international body has had a central role to play in the shaping and development of the CMEA countries' economic cooperation system.<sup>1</sup>

In accordance with its Charter, the CMEA's main purpose is to promote, by pooling and coordinating the efforts of its members, the balanced development of their national economy, acceleration of their economic and technical progress, enhancement of the level of their industrialisation, uninterrupted growth of labour productivity and steady improvement of living standards. Socialist mutual assistance and fraternal cooperation are the two principles of the new type of international economic relations that have been built into the CMEA structure.

Cooperation between the CMEA members has had an important role to play in tackling the tasks of economic construction since the very early postwar years. It has helped the CMEA countries to build new industries which are basic to the industrial complex of the advanced modern state. In Bulgaria these are the engineering industry, ferrous and non-ferrous metallurgy, and the chemical industry; in Hungary—the bearing industry, instrument making, chemical engineering, machine-tool engineering and equipment for the mining and building industries; in Poland—shipbuilding and the electrical industry, oil refining, and the automobile, radioengineering and electronics industries; in Rumania—oil engineering, the automobile, tractor and aluminium industries, and ferrous metallurgy; in the GDR—the chemical, power and agricultural machine-building industries; in Czechoslovakia—the aluminium industry, the atomic-power industry, shipbuilding and the bearing industry. Today, engineering, the core of modern industry, yields from 25 to 40 per cent of the CMEA countries' industrial output, which is up to the level of the most advanced countries in the world. In 1970, the CMEA countries' share of the world's industrial output stood at 33 per cent as compared with 18 per cent in 1950.

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<sup>1</sup> Today, the CMEA has as its members Bulgaria, Cuba, Czechoslovakia, the GDR, Hungary, Mongolia, Poland, Rumania and the Soviet Union, with Yugoslavia taking part in the work of some CMEA agencies.

As the production structure in the CMEA countries gained in complexity and as their economic relations with each other were diversified the need arose to improve the forms and methods of regulating their cooperation. Coordination of their development only through coordination of foreign trade deliveries, the practice at the initial stage of their cooperation, became inadequate to their much more sophisticated economy. The need arose to go on to new and more efficient forms and methods of regulating the international socialist division of labour. The multilateral coordination of long-term national economic plans for 1956-60 within the CMEA framework and the formulation of recommendations on international specialisation and cooperation of production marked the start of a higher stage of their economic cooperation.

By then, the socialist countries' production potential had grown considerably, and they had built up a system of state economic planning. Alongside their five-year plans, many of these countries began to project their economic construction over a much longer term. Trade between them, involving a wider range of goods, had multiplied. All of this showed that the objective prerequisites were there not only for conscious regulation, through joint planning activity, of their trade with each other, but also for the formation of a sectoral economic structure, construction of new productive capacities, and development of science and technology. Indeed, this was necessary for the fullest use of the advantages offered by the international socialist division of labour. In 1962, the CMEA countries' leaders mapped out important practical measures towards that end and approved the basic principles governing the international socialist division of labour as a theoretical programme for their economic cooperation.

The 1960s was a period in which cooperation between the CMEA countries was considerably intensified and their international market expanded. Today, the European CMEA countries in effect satisfy their requirements in electric power, many types of raw materials, fuel, semi-finished products and other goods by producing these themselves or supplying them to each other.

In that period, the movement of these vast masses of goods between the CMEA countries took place increasingly not so

much under the impact of short-term needs and "surpluses", as of the deep-going, long-term and balanced division of labour. This was especially due to the coordination of many important national-economic plan targets for 1961-65 and 1966-70 and the collectively formulated recommendations for the CMEA countries' international specialisation in the manufacture of almost 4,500 types of machines and equipment and over 2,300 lines of chemical products. The conclusion of bilateral agreements providing for cooperation in the production of parts and components, joint R & D, joint investment into production and raw-material exports was also highly important.

In that period, the growing internationalisation of economic life in the CMEA area was expressed in the joint development of international transport facilities, the integration of their power grids and the activity of international sectoral agencies.

The bonds established between the CMEA countries' economic systems were epitomised in the large share of their trade with each other in their total foreign trade: by the end of the 1960s it stood at 62 per cent, which was much higher than the figure for the Common Market.

Cooperation within the CMEA framework has also helped to attain a high level of self-sufficiency for the area in the basic raw materials and fuels. Indeed, it is virtually 100 per cent for all fuels and electric power, atomic raw materials, pig iron, rolled ferrous stock, aluminium, sawn timber, paper and many other goods. For most non-ferrous metals, iron ore, fertilisers and pulp the figure comes to 80-90 per cent. The West European Common Market has nothing like these potentialities for meeting its requirements in raw materials and fuels from internal resources and mutual trade.

International-scale specialisation in the making of machinery, equipment, instruments, chemical products, consumer goods and foodstuffs is highly important in shaping the CMEA countries' cooperation system, as will be seen from shipbuilding, a highly complicated industry, whose development in Poland, the GDR and other CMEA countries has been materially advanced by international specialisation and fulfilment of Soviet contracts. Poland, for instance, has risen to first place in the world in the manufacture of fishing

trawlers, while ranking as a leading maker of freighters. The GDR has made some first-class ships of original design, including ocean-going passenger liners, giant floating laboratories and floating department stores.

The shipbuilding industry has been developing successfully with emphasis on specialisation in the other CMEA countries as well. Just over 20 years ago, Bulgaria turned out nothing but non-self-propelled ferro-concrete barges. By now it has started batch production of large tankers and freighters. Hungary and Rumania make ships capable of navigating sea and large-river routes. Czechoslovakia specialises in the building of river tugs and passenger boats. The specialisation of shipbuilding yards in the CMEA countries in making different types of vessels has helped to transform shipbuilding into an industry that no longer produces one ship after another but turns out ships in batches. This has helped considerably to cut costs and make exports much more effective.

Stable international division of labour has been the basis for establishing large-scale export production of railway freight cars in Poland, railway coaches and refrigerator trains in the GDR, and drugs in Poland and Hungary.

Evidence of the growing community of economic life in the CMEA countries comes from their intensive scientific and technical cooperation, which helps to accelerate technical progress in the sphere of production. In the 1960s, the Soviet Union handed over to other CMEA countries almost 8,000 capital construction projects, sets of machinery and equipment blueprints, and technological specifications, and received in return over 4,000 sets of such documents from its partners. Scientific and technical research findings are exchanged as intensively by the other CMEA countries. Their economists have estimated that designs and technological schemes exchanged in the course of their cooperation now make up 15-20 per cent of all the technical achievements applied in national production.

This kind of cooperation helps to save effort and resources and to concentrate these in the necessary sectors. Thus, over a period of two years, according to the Bulgarian economist E. Mateyev, technical documents received by Bulgaria from the Soviet Union cost her 175,000 leva, while the economic effect produced by the application of only a part of these

came to more than 4 million leva. The funds so saved went into other branches of the national economy and the sphere of consumption.

By tackling major national economic problems together, the CMEA countries are able to make up for the difference in the conditions of production arising from historical and other reasons, and so generally to improve these conditions. Overcoming the differences in the conditions of production in this way is based on the collective use of the economic, scientific and technical potential of the countries within the socialist community. They are not guided by any short-term considerations in setting themselves the task of concentrating their joint efforts on the technical re-equipment of the whole of their national economy with an eye to the achievements of the current scientific and technical revolution. The strategic line of their cooperation amounts to giving each CMEA country full scope for development, irrespective of its economic potential.

The deeper the division of labour between these countries, the broader their specialisation and cooperation of production, the more intensive their trade with each other. While the turnover of goods on the CMEA countries' market may be predetermined by the development of production and its international specialisation, it is in a sense detached and is governed by its own internal regularities. International trade and payments are independent forms of economic cooperation which have an important part to play in the CMEA countries' international economic relations. Whatever the form in which cooperation develops, its result is as a rule ultimately expressed in a growth of mutual trade and, as a consequence, in fuller satisfaction of these countries' requirements in raw materials, fuels, modern machinery and consumer goods.

International trade and payments within the framework of the socialist community have essential features and advantages as compared with trade and monetary relations between the capitalist countries. Within the socialist community, there has now taken shape a world socialist market, which is a special sphere of international commodity exchange. This market is an integral part of the world socialist economic system, and it differs from the world capitalist

market above all in that trade on this market tends to grow steadily and in a balanced manner, and also at a much faster rate. Thus, from 1951 to 1970, trade between the CMEA countries increased more than 7.5-fold, while trade between the advanced capitalist countries increased roughly 4.5-fold. The new world market is stable and is free from destructive marketing crises, trade wars and discriminatory restrictions. Trade on this market is equivalent and is mutually advantageous for its participants. The socialist countries trade with each other on the basis of long-term (usually five-year) trade agreements. The lists of goods earmarked by these agreements for mutual delivery with an indication of their quantity or value are in effect long-term trade plans which are annually brought up to date in special protocols. Because the countries involved strictly abide by the legal rules of their trade and fulfil their contractual obligations punctually and in good time there has been growing confidence among them in their joint effort aimed at giving greater depth to their cooperation.

The growing economic interaction of the socialist countries will be clearly seen in the steady development and improvement of the machinery of planning and direction of their international cooperation and in the growing role and importance of intensive forms and methods in this cooperation.

Dovetailing of national economic plans, together with a mutual tying in and coordination of economic policy, methods in planning and economic management, especially where these are designed to intensify international cooperation, has a leading role to play in developing the division of labour and production cooperation between the CMEA countries. The importance of plan coordination within the system of measures designed to give greater depth to economic integration springs from the status of the state plans in these countries as the principal instrument of economic guidance. Any changes in the sectoral structure of production, in the allocation of capital investments and finished products, as required by the consistent practice of the international division of labour, become possible only after these are provided for in the state plans. Plan coordination helps to pool efforts in developing the national economy with the common efforts to consolidate and expand the world socialist econo-

my. It helps to harmonise the development of allied and inter-related sectors of the economy in the individual states to balance out their payments relations and align their economic development levels.

Coordination on an international scale does not, of course range over all the plan targets and indicators fixed by the state. Only those sections of the plan and those targets are coordinated which have a direct or indirect bearing on mutual economic cooperation, and the broader the scope of cooperation, the more complicated and vast the tasks tackled together, the larger the problems being coordinated.

Plan coordination initially boiled down to a mutual dovetailing of lists of the goods to be delivered, that is, it was confined almost exclusively to the sphere of circulation. As time went on, the fullest use of the advantages of the international specialisation and cooperation of production called for coordination of projects for the whole cycle of extended reproduction in a given line, ranging from the build-up of an R & D stock to export or import deliveries. That is why among the indicators coordinated are also those for output and product mix, volume of international carriage, investments and credits.

Coordination of production programme on a bilateral basis in the course of consultations between national planning agencies before the start of the next planning period, is used most extensively. These consultations ultimately end with the signing of five-year trade agreements, providing for the volume and value of mutual commodity deliveries. This kind of procedure has justified itself only up to a point. When it comes to tackling complex problems in cooperation involving more than two countries there is need for multilateral consultations and collective planning, including joint technico-economic research, bilateral contacts between planning agencies, multilateral discussions of proposals for deepening cooperation and, finally, multilateral agreements formalising the understanding that has been reached.

From year to year, the CMEA countries' joint planning is becoming more complicated and diverse, and for that reason requires more and more assistance from international social bodies, which have been set up to carry on a regular exchange of information, digest the in-coming economic materi-



and jointly formulate methodological questions in plan coordination, and specialisation and cooperation of production. They also have the task to organise contacts between planning and other economic agencies of the socialist countries, to create the conditions for joint consideration of problems arising in cooperation, and to maintain the agreed procedures in collective work and mutual consultations. Depending on the arrangements made by the countries involved these bodies may have other and broader powers and functions in organising multilateral cooperation.

Other agencies, with more concrete practical tasks, are set up alongside the Council, which is the largest international organisation helping to create the most favourable political, economic and organisational prerequisites for the socialist countries' economic cooperation.

Past experience shows that effective regulation of multilateral specialisation and cooperation of production in individual industries and also of scientific and technical cooperation, and payments and credit operations requires the establishment of international sectoral organisations of the type of Intermetall, the Organisation for Cooperation in the Bearing Industry, or the International Bank for Economic Cooperation, which operate independently, outside the CMEA framework. In contrast to the CMEA, they are collective economic agencies with definite executive functions required for the most efficient advancement of the common cause.

International sectoral agencies are a form in which economic and technical measures are coordinated by similar-type enterprises in the countries concerned. Among their functions, for instance, are determination of standards, lines and lists of goods whose output is being cooperated, formulation of proposals for extending their product mix, unification of standards and terms of mutual deliveries, full use of productive capacity, and finally, coordination of research, test and development.

Bilateral inter-governmental commissions (committees) for economic, scientific and technical cooperation also have important functions to perform within the system of cooperation between the socialist countries. Many CMEA countries have also set up similar commissions with most of their part-

These commissions are guided by the same principles as is the CMEA itself, acting in the light of CMEA recommendations and bilateral economic treaties and agreements. The main task of these commissions is to bring out and make the fullest use of all the potentialities latent in the division of labour and economic cooperation between two given countries, and to help to bring them closer together in economic terms.

The CMEA, the international sectoral agencies and the bilateral commissions are all important and complementary institutions within the system of the balanced organisation of the international socialist division of labour. Each of these uses its own ways and means within its circumscribed sphere to promote the coordinated development of the socialist countries' economy and the use of the advantages of socialism as a world system.

### **Growth of Production and Start of Integration**

At every stage of the CMEA countries' economic cooperation the changes in its forms and lines have been most closely connected with the changes in the material basis of their cooperation, namely, the sphere of production, science and technology.

In the decade between 1961 and 1970, highly important changes took place in that sphere: in 1970, the CMEA countries' industrial output was roughly 120 per cent above the 1960 level. Its structure had changed substantially, with priority growth in the chemical industry, engineering and power industry. Agricultural output had markedly increased.

From 1966 to 1970, the CMEA countries' national income had grown by 37 per cent, industrial output by 47 per cent, and agricultural output by roughly 20 per cent over the preceding five-year period, and this meant the further consolidation of their positions in the world economy. In that period there was a marked acceleration in the rate of national-income growth in the CMEA countries, which was roughly double that of the industrialised capitalist countries.

Table 1

**CMEA Countries'**  
**Main Economic Growth Indices, 1961-70**

	Bulgar- ia	Czecho- slova- kia	GDR	Hun- gary	Mongo- lia	Po- land	Ruma- nia	USSR
	<b>National Income</b>							
1965 as per cent of 1960	138	110	118	124	114	135	154	137
1970 as per cent of 1965	152	140	129	139	121	135	145	145
	<b>Gross Industrial Output</b>							
1965 as per cent of 1960	174	129	132	147	164	150	191	151
1970 as per cent of 1965	168	139	137	134	159	150	175	150
	<b>Gross Agricultural Output</b>							
1965 as per cent of 1960	117	97	104	108	112	115	113	112
1966-70 average as per cent of 1961-65 average	126	119	119	116	about 100	115	124	121

By the end of the decade, the CMEA countries had become world leaders in the production of coal, steel, metal-cutting machine tools, tractors, railway rolling stock, mineral fertilisers, cement and many other key industrial products.

Characteristically, total growth went hand in hand with a high rate of growth per head of the population: here, the CMEA countries caught up with the Common Market countries in electric-power generation and pulled up close to them in ferrous metals.

There was a marked growth not only in the traditional industries but also in a number of new industries leading the

way in technical progress. Lines of production constituting the upper rungs in various industries were being built up at an accelerated pace. An example is provided by the doubling of production in plastics, synthetic resins and synthetic fibres, and the development of high-quality metallurgy. This marked the start of the final stage in the formation of a modern sectoral structure in industry in these countries.

In the five-year period from 1966 to 1970, there was a substantial increase in the rate of consumption by the population of the basic foodstuffs and consumer goods. The increased supply of consumer durables on the home markets was especially noticeable. For instance, the production of TV sets and refrigerators was doubled and that of furniture and many other items was considerably increased. Add to this the vast scale of housing construction: from 1966 to 1970, the annual average number of flats being built in the CMEA countries was greater than the total number of flats built in the Common Market countries.

Output in the CMEA countries was boosted through an absolute and relative increase of investments in the national economy, the number of workers employed in the sphere of material production, and the substantial growth in the productivity of social labour, with the growth rate in industry being several times higher than in the preceding five-year period.

Of course, it would be wrong to assume that the generally successful economic growth in the CMEA countries did not involve any problems, difficulties or contradictions. They have been faced with the need to tackle new and major technical tasks in production and in the social sphere and to overcome the difficulties involved. One of the main problems has been the taut supply of some important material resources because the growing efficiency of the economy and the accumulation of additional resources have failed to keep pace with the growing range of new tasks facing science and production, and bearing on culture and the people's welfare. To cope with this problem the CMEA countries have worked to accelerate scientific and technical progress, improve organisation and management in the economy, rationalise the sectoral structure, economise on raw and other materials and fuels, and improve the quality of goods.

Table 2

**CMEA Countries' Economic Development  
Basic Indicators for 1971-75  
(1975 as per cent of 1970)**

	National income	Industry	Agriculture*
Bulgaria	147-150	155-160	117-120
Czechoslovakia	128	134-136	114
GDR	126-128	134-136	. . .
Hungary	130-132	132-134	115-116
Mongolia	130-133	153-156	123-125**
Poland	138-139	148-150	118-121**
Rumania	168-182	168-178	136-149
USSR	137-140	142-146	120-122

\* Annual average for 1971-75 as per cent of annual average for 1966-70.

\*\* 1975 as per cent of 1970.

The five-year plans for 1971-75, which are being successfully implemented by the fraternal countries, make it possible not only to consolidate and advance the successes they have achieved but also to even up a number of sectors of their common national economic front and consistently to muster reserves in enhancing the economic efficiency of social production.

In many CMEA countries there is evidence of some re-grouping of resources for the purpose of improving national economic proportions like those between the production of the means of production and of the articles of consumption, effective demand and marketable stocks, development of power industry and the consumption of electric power, and also of increasing the share in industry as a whole of industries giving a lead in technical and economic progress: chemistry and petrochemistry, instrument-making, electrical engineering, radioelectronics, means of automation and progressive types of machine-tools, automobile-making, and the means of mechanising labour-intensive operations. It is im-

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manufacturing industries made the national economy of the European socialist countries much more dependent on large-scale deliveries of raw materials and fuels. At the same time, underestimation of the importance of the international socialist division of labour and the urge to produce everything at home increased unwarranted duplication in production, under which many enterprises in the various CMEA countries turned out the same types of products in inefficient batches. Uncoordinated fulfilment of investment programme also resulted in inadequate technical standards in the manufacture of a fairly broad range of goods, because resources thinly spread over a great number of industries and projects in each country in turn made for extensive instead of intensive research and development in selected areas of international specialisation.

The vital requirements arising from the development and intensification of material production made it necessary substantially to restructure the system of economic relations, which had taken shape by the end of the 1960s, and to transform it into an instrument for coordinated development of the CMEA countries' national economies as a condition for the use of the advantages arising out of large-scale socialist production and the world socialist system.

The CMEA's 23rd session, held in Moscow in April 1969, was attended by the leaders of these countries' Communist and Workers' parties and heads of government and was an important milestone in the development of their economic cooperation and an improvement of its forms and methods. This session was an especially important one because it established the need to go on to a qualitatively higher stage of cooperation, namely, *international socialist integration*. In his Report to the 24th Congress of the CPSU, L. I. Brezhnev said: "Practice has led us up to this common conclusion: it is necessary to deepen specialisation and cooperation of production, and to tie in our national economic plans more closely, that is, to advance along the way of the socialist countries' economic integration."<sup>1</sup>

The CMEA's 23rd session laid down the main lines in working out a complex, long-term programme for develop-

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<sup>1</sup> 24th Congress of the CPSU, Moscow, 1971, p. 13.

ing economic relations between the CMEA countries. This programme, approved by the CMEA's 25th session in July 1971, sets out the concrete goals in cooperation and the most important joint measures to be taken in the basic industries, in agriculture, building and transport. What makes it so important is that it envisages a greater pooling of the CMEA countries' efforts in tackling the key problems in material production and acceleration of technical progress, an improvement of the technical standards and quality of goods delivered to each other, satisfaction of requirements in scarce raw materials and equipment, and the starting of production of new lines of goods. It also envisages joint efforts in overcoming the objective difficulties in deepening economic cooperation between the socialist countries, and sets out the necessary organisational, economic and legal instruments for deepening cooperation and effective ways and means in regulating the process in which the national economies are to be brought closer together.

The CMEA's 26th session, which discussed implementation of the Comprehensive Programme for integration, put a high value on the initial results of the work being done to that end in the CMEA countries and CMEA agencies. However, the new approach to economic cooperation between the CMEA countries is one that it is not easy to realise in practice and that is bound to take a long time. The limited material and financial resources in some countries and the tautness of some of their material balances may push into the background the needs for extending the basis for a more active part in international cooperation. But lost opportunities in this area are bound to materialise as large-scale national economic losses, because as time goes on the international division of labour tends to exert a direct influence on the whole aggregation of the internal factors behind economic growth.

## **THE MAIN ASPECTS OF SOCIALIST ECONOMIC INTEGRATION**

### **The Concept of Socialist Integration**

The need for international socialist economic integration springs from an objective process—the internationalisation of economic life—which has been markedly accelerated under the impact of the scientific and technical revolution. The internationalisation of economic life is an objective process in which ever deeper and broader economic interrelations are established between various countries and regions of the world, a process running through the whole of the modern economy. Indeed, it is inherent in both world systems and is world-wide. This objective historical process of internationalisation of economic life is based on the growing concentration and specialisation of production, which springs from the development of the productive forces, improvement of machinery and technology, the growth of communications and the lower costs of transport, etc. Under the impact of this process the international division of labour has been gaining in depth.

In socialist society, favourable social conditions exist for the internationalisation of economic life and culture, because the socialist system is in its essence profoundly internationalist and offers such advantages as the balanced organisation of economic and social life.

The international socialist division of labour tends to intensify the interdependence of economic development in the individual socialist countries. More and more, their economic systems are coming to supplement each other, and this makes it necessary to maintain a balance between the



production and consumption of many goods on an international scale. More and more problems arise before the socialist countries which they find hard to tackle alone and which are more easily solved through joint effort. As a result, economic life in the socialist countries emerges as a community based on socialist economic laws and characterised, among other things, by the existence of their own international market, some common economic proportions, and common economic and production organisations and institutions.

The emergence of this community signifies the formation of a world socialist economy. It would be wrong to regard it as a mere aggregation of socialist national economies, as an aggregation which retains all the properties of the individual units and differs from them only in quantitative terms. Indeed, this is a special formation with new properties and institutions of its own.

But the beginnings in the development of the world socialist economy do not yet amount to the establishment of an integrated international economic organism all of whose basic elements are tied in with each other. This state, characterised by economic integration, is to be achieved at a definite stage in the development of the socialist countries' cooperation and not necessarily all at once throughout the socialist system but possibly in a smaller group of countries whose economic relations have been developing more intensively and have gradually led to a closer interlacing of their reproductive processes. This stage in the development of international economic relations will indicate the emergence of a new qualitative aspect to the cooperation of the socialist countries, or to be more precise, to the interaction of their economies.

*The economic integration of the socialist countries is an objective process, regulated in a balanced manner, in which their national economic structures are brought together, mutually adapted and optimised in an international economic complex, in which deep and stable cooperation ties are shaped in the leading sectors of production, science and technology, in which their international market is expanded and consolidated through the creation of the corresponding political, economic, technological and organisational conditions. This*

*process is connected with the scientific and technical revolution in the socialist countries and the tasks in enhancing the efficiency of social production.*

The integration process is regulated and directed consciously and in a balanced manner by the socialist countries involved on the basis of a knowledge of socialist economic laws. The changing role of economic cooperation under the CMEA countries' integration means above all that their ties with each other are transformed into an internal prerequisite for enhancing the efficiency of socialist production through the balanced formation of a structure that would increasingly result from a harmonisation of national and international optima. International socialist integration implies a considerable enrichment of the ways and means of cooperation, and a deepening of the present forms of cooperation in production, trade and other areas, and the taking of measures to bring the CMEA countries involved closer economically and politically, and consolidate the forces of world socialism.

The prospect of economic integration adds new and essential facets to international relations within the socialist community. More intense economic relations and the tackling of larger production and technical problems imply more intense joint foreign policy activity and the further development of inter-party and inter-governmental ties and consultations. In the sphere of material production, economic integration lays the foundation for raising the system of the new type of international relations to a higher level and allowing it to give full play to its inherent advantages.

Socialist integration increases the socialist countries' urge for unity, for it springs from their common tasks in developing the economy and scientific and technical progress, and their common need to unite in face of the imperialist states' attempts to confront the world socialist system with a united front of their own. As the socialist countries consult with each other on economic policy or coordinate their plans they become aware of the new possibilities and their common interest in making use of the ever new advantages of the international division of labour. They see better the advantages of pooling their economic efforts, and realise that integration would be instrumental in solving many vitally

important problems in economic construction. That is why the socialist countries have worked to strengthen their mutual trust and friendship and have sought to develop their political relations in such a way as to promote their economic cooperation to the utmost.

Because international socialist integration is a novel phenomenon, different views have been expressed of its objective basis, its substance and specific features, characterising it as a new stage in the development of the CMEA countries' economic cooperation. We shall here deal with only two essential aspects of integration: its spatial boundaries, and the novel and specific elements introduced by integration into the economic cooperation of the socialist countries.

Up to now, socialist integration has been developing on a regional basis. We feel that, theoretically speaking, this process could be conceived as a much broader one, involving all the socialist countries, without exception, because the planning of economic cooperation, which is inherent in the socialist mode of production, makes it possible in principle to ensure the coordinated economic development and use of any territories or production complexes. In this context, the open nature of socialist integration, as stressed in the decisions of the latest CMEA sessions, amounts to something more than merely the proclamation of a principle. However, it will be easily appreciated that this principle will be realised in practice as the necessary political, social and economic prerequisites mature for the extensive economic integration of the socialist countries.

This has produced the problem of the existence on the scale of the world socialist economy of "sub-types" of international economic relations which differ in nature and intensity: relations within the integrating community of CMEA countries, and relations which do not express the process of organised integration. While the general principles of cooperation may be similar, the concrete mechanisms in establishing international economic ties within and outside the integrating community will obviously be substantially differentiated on many counts. Assuming that the present territorial framework of socialist integration continues to exist over a long period, such differentiation may be sufficiently clear-cut.

It is no easy task to identify the distinct features of specific integration ties, and this for two main reasons. First, integration, growing out of the economic cooperation of earlier decades, continues to have all the basic marks of that cooperation in general. In addition, over the more than 20 years of economic cooperation between the socialist countries within the CMEA framework they have realised or projected many integration measures. Second, for the time being practical experience in organised integration is still less than adequate.

Nevertheless, it is possible to formulate the most characteristic specific features of international socialist integration which are inherent in it as an independent socio-economic phenomenon.

1. Socialist integration, an organised and consciously regulated process, emerges primarily as a product of coordinated economic policies pursued by a group of countries and having as its aim consistent use of the potentialities of regional cooperation in tackling large-scale national economic and political tasks (both internal and external to the region). It is realised on the basis of an agreed international programme which sets the intermediate and final aims, the stages and the concrete mechanism for realising a system of integration measures.

2. The objective basis of integration is the utmost use of the potentialities arising from the deepening of the tendency towards internationalisation of economic life, which is being accelerated by the advance of the current scientific and technical revolution. Accordingly, economic integration has the following features:

steadily growing extent of international pooling of production resources for accelerating technical development, finding the most efficient solution of the fuel and raw-materials problem, and forming optimal international production complexes in the manufacturing industry, and also a growing unification of an infrastructure catering for international ties;

gradual mutual adaptation of internal production structures of the countries and emergence of the elements of an international structure; growing role of concerted structural policies and, as a consequence, of the role of joint planned regulation of long-term economic processes on a multilateral basis.

3. Integration implies the rising importance of production and technical ties which increasingly predetermine the volume, structure and rate of growth of the international exchange in goods and services; it is characterised by the systems approach to the solution of major national economic tasks, implying an organic coalescence of mutual ties in the spheres of production, science and technology and also of circulation.

4. Realisation of an integration programme implies the formation of an economic mechanism of international co-operation adequate to its purposes and tasks. Among the distinctive features of such a mechanism are these:

development and diversification of the forms of joint planning activity by the integrating states, including improvement and complex use of forms of coordinated regulation of current, medium-term and long-term mutual relations and also of cooperation at the stage of national economic plan formulation (pre-planning activity);

growing role of commodity and monetary instruments as a means of implementing planned economic turnover on this market;

formation of an international institutional superstructure as a condition for effective direction of integration processes on the level of the whole national economy and of its individual spheres and sectors. Development of international organisations and associations as an integrated system.

5. A characteristic feature of international socialist integration is the coordinated improvement of the system of administration of external economic activity in the integrating countries for the purpose of closer interaction at various levels of planning and economic management.

Some of these features of international socialist integration were present in the socialist countries' cooperation in the past. Now they become predominant and determine its content at the new stage.

There is now a pronounced tendency for the existing forms of cooperation between the socialist countries to be supplemented by forms which imply (within definite limits) the need for direct joint economic activity in some branches of production, science and technology, the services and in the sphere of circulation. It would, of course, be premature to

claim that the dividing line between external economic and domestic economic activity or between the concrete methods of their regulation is already being obliterated within the socialist community or at any rate within the CMEA framework. But it would be wrong to underestimate the important changes in this area as the socialist countries increasingly move together in economic terms.

The substance of socialist integration does not in any sense boil down to a mere easing of the movement of goods and services across national-state boundaries, that is, to methods of indirect (and in many instances roundabout) influence on the internationalisation of the productive forces. In the world socialist economy (and at the present stage, within the framework of the community of the CMEA countries) integration processes are centred in the sphere of production, where the achievements of the current scientific and technical revolution are being applied.

A characteristic feature of international socialist integration is the purposeful formation of an international economic complex. This point needs to be specially stressed because for a number of reasons discussion of socialist integration problems has been frequently confined largely to a discussion of problems arising from an improvement of the CMEA countries' international market and active use of commodity and monetary instruments.

However, what must be borne in mind is that over the past decades world economic relations have not only been highly dynamic but have also revealed major qualitative changes in their very structure. Within the total aggregation of these relations, the role of purely commercial relations has been relatively declining while that of forms and methods in establishing long-term technical cooperation in production between partners from different countries has been growing. In these conditions, foreign trade has undergone considerable changes.

These tendencies have been fully in evidence in cooperation between the CMEA countries. Indeed, it is their production requirements that have ever more frequently directly dictated the choice of external economic approaches, thereby actively shaping their trade market and determining its dynamics, structure and volume.

### **The Difference Between Socialist and Capitalist Integration**

Integration is not a new word at all, for it has been applied to various phenomena in the capitalist world, most frequently to associations or blocs of capitalist states seeking to set up powerful state-monopoly economic alliances like the European Economic Community. Such international alliances are designed to cater for the interests of definite national groups of the financial oligarchy and the capitalist monopolies, and to secure the best conditions for the operation of monopoly capital in conditions of the scientific and technical revolution and the competition between the two world systems.<sup>1</sup> It would be wrong to equate socialist and capitalist integration, because here the same term is used to designate a qualitatively different content.

What then do capitalist and socialist integration have in common, and how do they differ?

The internationalisation of economic life (including production proper) and the integration processes which arise on its basis are in evidence throughout the world economy today. This is due to the scientific and technical revolution, the general properties of the modern productive forces, which are highly concentrated and require a scientific basis, the existence of great and reliable markets, vast raw-material and fuel resources, and extensive development of international economic relations. This is also due to the need to regulate economic life and external economic relations in modern conditions with the aid of state agencies, something that even the capitalist economy can no longer do without. Integration can produce a great economic effect.

The integration processes going forward in the capitalist world and in the world socialist system differ essentially in character and social content. Because the socialist and the capitalist systems differ radically in socio-economic terms, the tasks and purposes of socialist and capitalist integration are fundamentally different, and these integration processes

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<sup>1</sup> We deal here with the integration of developed capitalist countries, leaving aside the integration of developing countries, which has its own specific features.

have different historical prospects before them. That is why it is well to remember that the same term is used to designate two totally different things.

In the capitalist world, integration assumes the form of state-monopoly alliances like the EEC. But the content of capitalist integration is not at all limited to such associations of states. The Soviet economist I. A. Sokolov has compared capitalist integration with an iceberg, whose tip alone is visible. EEC-type associations may be compared to this tip, the visible part of the iceberg. But below the surface there is a great invisible part made up of hundreds of international corporate systems of production specialisation and cooperation and thousands of agreements between monopolies.

Capitalist integration is marked by rivalry both between members of state-monopoly associations and between numerous private capitalist monopolies. The leading monopolies seek to make the utmost use in their own interest of the benefits of the integrated international capitalist economy at the expense of the weaker partners in integration. That is why capitalist integration leads to a development of supra-national institutions, curbs on the limited sovereignty of its participants and constant breaches of the principles of equality and mutual advantage.

In capitalist integration, the economic effect is used by the monopoly bourgeoisie for its own further enrichment. Like any new way of increasing labour productivity and making production more efficient, integration in the capitalist world caters for the ruling classes and is used by some countries to exploit others, including their partners in the integrating community. The right of might is a principle operating within the capitalist integrating communities. As a rule, junior partners have no guaranteed protection of their interests. Capitalist integration above all serves the selfish interests of the monopolies of the economically more powerful countries taking part in integration.

One of the characteristic features of capitalist integration is the anti-socialist tenor of state-monopoly alliances. Imperialism seeks to make use of integration as a powerful economic and political weapon in its fight against the socialist world. In many instances, the leading capitalist



countries present a common front against the socialist countries.

In this policy, which is aimed at eroding the socialist community, nationalism acts as an ally of imperialism, adding grist to the imperialist mill by pursuing a policy of autarky, of so-called reliance on one's own strength, of resistance to the progressive tendencies in which the socialist countries are being brought closer together, on the plea that there is need to "protect national sovereignty" against an imaginary threat from the fraternal countries, while growing economic dependence on the imperialist countries is countenanced. The all-round development of the socialist countries can be ensured only by realising the economic and political potentialities and advantages latent in international integration and a practical effort to overcome nationalistic tendencies.

Naturally enough the advocates of capitalist integration say a great deal about the "lofty aims", "advantages" and "harmonious interests" of the countries involved, but the actual picture is very much different. There is good reason why capitalist integration has been sharply criticised by the working people's spokesmen in a number of countries. One need merely recall the struggle of some contingents of the British working class against Britain's entry into the Common Market, the results of the referendum in Norway, which showed that the bulk of the population was against entry, and the farmers' struggle in the EEC countries against the Community's agricultural policy. In all these cases, the working class and the peasantry have not resisted the progressive tendencies giving greater depth to the internationalisation of economic life but the capitalist forms of integration and the harm it has been doing to the working people.

Far from doing away with uneven development in the capitalist countries, integration under state-monopoly capitalism has in fact intensified it. The scientific and technical revolution brings in a number of new economic and political factors and helps some capitalist countries to grow stronger and become more competitive at the expense of the others. The changes in the arrangement of forces within capitalist integration systems lead to flare-ups of acute contradictions between them.

Socialist integration clearly reveals the specific features of socialism as the advanced social system. The community of socialist countries is being built up in the interests of the working people of all countries and the progressive development of the national economies. All the countries involved in integration measures are equal, and no country is forced to take part in any decisions or measures in which it is not interested or which it finds disadvantageous. Thus, in socio-economic terms socialist integration is a higher type than capitalist integration. It is based on the principles of equality of the countries involved, respect for their sovereignty, mutual advantage, socialist solidarity, and harmonisation of their national and international interests. In the broad historical plane, economic integration is by its very nature inherent in socialist society, where relations of production both inside the countries and between them are in accord with the character of the modern productive forces. The resolution adopted by the 24th Congress of the CPSU on the Central Committee's Report says that "the line of the member states of the Council for Mutual Economic Assistance towards interstate specialisation and cooperation of production, close co-ordination of national economic plans, and economic integration is an expression of the objective requirements of the development of world socialism".<sup>1</sup>

The balanced economic development in each socialist country and the possibility of carrying balanced development broadly and consistently into every type of international economic, scientific and technical cooperation enable the socialist countries to concentrate their efforts and resources on any sector of production, science and technology, to avoid spreading them out too thinly, prevent unwarranted duplication, etc., thereby opening up the prospect for faster and more economical solution of the problems facing the countries concerned. Balanced development makes for steady rates of growth in production and provides reliable outlets for the products. Even under state-monopoly regulation, the capitalist countries are unable to achieve balanced development in the economy as a whole, because they do not have at their disposal the efficient instruments for acting on the

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<sup>1</sup> *24th Congress of the CPSU*, p. 212.

economy which the socialist economic system provides. That is why the socialist countries can gain much more from integration than the capitalist countries.

An important advantage of socialist integration is that it helps to accelerate the alignment of the economic development levels of the countries involved, to harmonise their economic and political interests and to enhance mutual trust and unity.

The contradictions which arise in the course of capitalist and socialist integration also have their roots deep in the socio-economic distinctions between the two systems.

Capitalist integration leads to the establishment of closed groups of countries ranged against other countries, with antagonistic contradictions developing between monopoly groups. Contradictions between countries have been sharpened by the transition to state-monopoly capitalism, which is why there is also acute rivalry between the members of integration communities. Associations like the EEC have gone through many a crisis arising from the contradictions between its members. Let us recall, in this context, what Lenin said about the tendency towards the formation of a "single trust" in the capitalist world and the contradictions which explode this unity. He wrote: "There is no doubt that the trend of development is *towards* a single world trust absorbing all enterprises without exception and all states without exception. But this development proceeds in such circumstances, at such a pace, through such contradictions, conflicts and upheavals—not only economic but political, national, etc.—that inevitably imperialism will burst and capitalism will be transformed into its opposite *long before* one world trust materialises, before the 'ultra-imperialist', world-wide amalgamation of national finance capitals takes place."<sup>1</sup> Of course, integration communities fall far short of being a "single world trust" but even within them the centrifugal forces are very strong and there is no guarantee at all that sooner or later the forces of disintegration will not gain the upper hand and explode this or that integration community.

Socialist integration does not result in the establishment of closed groups. Any socialist country interested in integra-

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<sup>1</sup> V. I. Lenin, *Collected Works*, Vol. 22, p. 107.

tion is free to join in the process, where antagonistic internal contradictions are ruled out, because in substance the socialist system rules out hostility and rivalry between nations and countries. Socialist internationalism, the basic principle governing relations between socialist countries, creates an atmosphere in which antagonistic contradictions are impossible.

Of course, various differences may arise between countries on concrete issues or integration measures in the course of integration. The different stands taken by the various countries on prices for some goods, the terms on which various production, monetary, financial and other economic problems are solved are instances in which the interests of the countries concerned do not coincide. However, all these issues are resolved through joint effort in the course of integration.

The future is with socialist integration because it embodies to the fullest extent the most progressive tendencies and features in the development of international cooperation. Indeed, socialist integration paves the way to the establishment in the distant future of a world-wide socialist economy regulated by the working people under one general plan, a "world cooperative", as Lenin called it.

### **Socialist Integration and National Sovereignty**

Socialist economic integration is designed not only to yield definite economic advantages for the countries involved or to enhance the economic efficiency of the economy and accelerate economic growth, but also to bring about a general consolidation of socialist relations within the community of socialist countries. That is why economic matters here are closely connected with political ones, and the question of *national sovereignty* is one of the most important ones among the latter.

Socialist integration implies the close cohesion of the socialist countries, a growth of their economic ties and a gradual interlacing of their economies into a single whole. In jointly tackling the key economic problems, the socialist countries are faced by the very course of development with the need to cooperate and coordinate their activity. This

results in a growth of their mutual obligations in the sphere of production, science, technology, trade and the services.

Socialist economic integration is voluntary. Each country of the socialist community is free to take or not to take part in integration and in the individual integration measures. This guarantees the observance of the national interests of all the participants. The relations between the countries are based on the principle of mutual advantage, an approach which helps to keep within the socialist community's field of vision national economic interests, which are harmonised with the international interests of the socialist countries.

National sovereignty is a concept that cannot be considered outside its class context, as this would mean treating it as an absolute, as the advocates of bourgeois nationalism are in the habit of doing, and so departing from proletarian internationalism and Marxism-Leninism. Voluntary socialist integration does not in any way violate national sovereignty as the right of the nation to decide on its own future and freely to develop along the socialist path, as the socialist state's sovereignty on its territory and as independence from the capitalist powers, and political and legal independence in foreign relations. Socialist integration is based on the principles of complete equality and comradely mutual assistance, and does not entail the establishment of any supra-national agencies invading the prerogatives of the socialist states.

The socialist countries' integration inevitably enhances the role of closer forms of cooperation in tackling economic problems which require the pooling of efforts by the interested countries. New forms of cooperation which variously bear on the rights and duties of the countries also emerge quite naturally.

Those who oppose the close cohesion of the socialist countries put such a broad construction on the concept of sovereignty that they deem it to be violated even by the socialist countries' freely adopted mutual economic commitments. That is one way to kill the class content of the concept of sovereignty. There is no scientific basis to this kind of talk about infringements of the socialist countries' sovereignty. It implies either a failure to understand the substance of sovereignty,

to see the difference between the concept of sovereignty and of competence, or even attempts to divide the socialist community and to cover up nationalistic strivings with a semblance of international-law reasoning.

Socialist integration is not a way of eliminating or limiting the sovereignty of the socialist states but an effective means of safeguarding it against encroachments by the imperialist states, which present a real threat to the socialist countries' sovereignty. Close cooperation between the socialist countries helps to safeguard the independence and sovereignty of each.

The socialist countries' sovereign rights can be fully realised only with the support of the other fraternal socialist states in defence of encroachments by the imperialist countries. The economic and, consequently, the political independence of each individual socialist country can be safeguarded only by the joint forces of the socialist community. Every socialist country can acquire genuine sovereignty only in close alliance with other fraternal countries and ever deeper cooperation with them. The principle of national sovereignty is closely connected with the principle of socialist internationalism.

Sovereign states can, without any infringement of sovereignty, freely give up some of their economic rights where they find this advantageous for any reason whatsoever, be it political, military or economic, and where they receive in return new rights within the framework of the community. The interdependence of countries in developing cooperation of production, specialisation, construction of joint enterprises, and so on, does not in any sense clash with the country's national sovereignty.

In basing their economic relations on strict observance of the principles of complete equality and proletarian internationalism, the socialist countries display respect not only for national sovereignty as the exercise of supreme power by the working people within their country and its independence in external relations, but also for all the legitimate national interests of each individual country.

Every country's economic independence is based on full-fledged economic development, high scientific and technical standards in production, and the maximum economic effi-

ciency of the national economy. In present-day conditions, no small country is capable of securing this alone and has to pool efforts with other countries. The period of "isolated states" is a thing of the past. Deepening international cooperation is not only advantageous but has become vital for each country. The point is which partner the socialist state is to choose in tackling the economic tasks facing it. There is good reason why bourgeois theorists and propagandists insist on besmearing the close ties between the socialist countries while presenting in the best light the commercial, cooperative, scientific, technical and other relations between some socialist countries and developed capitalist countries. This means that the important thing is not the development of economic relations or of integration as such, but the lines on which integration and external economic relations in general run.

The experience of the past 25 years of economic cooperation between the socialist countries has proved beyond all doubt that their cooperation is a powerful instrument for tackling the problems arising in the development of the national economy and the economic potential of the countries involved and the strengthening of their economic and political independence. The growing economic relations between them have had the most beneficial effect on the development of all the nations actively participating in their cooperation. The growth of their economic relations has not in any way infringed the national sovereignty even of the economically weakest countries. On the contrary, it has always helped their national economy to grow and gain in strength. This means that in the process there was a growth and strengthening in all the socialist countries of the real economic basis of national independence and national sovereignty.

By contrast, the countries that have relaxed their economic relations with the fraternal countries have suffered considerable economic and political losses and have found their economic independence jeopardised.

There is, consequently, no ground at all for the talk about "infringement of national sovereignty" through the growing international socialist division of labour and the development of new and progressive forms in closer economic cooperation between the socialist countries.

Antal Apró, Deputy Chairman of the Council of Ministers of the Hungarian People's Republic, once said the following in this context: "Now and again we find allegations in the foreign press that closer economic cooperation tends to infringe national sovereignty. We Hungarians take a different view of this matter, we have no apprehensions about our national sovereignty in connection with closer economic cooperation. We believe that full cohesion and harmonisation of national and international interests is the way to ensure faster development, and that this does not clash with the sovereignty of the individual countries."<sup>1</sup>

Further deepening of this cooperation, based on the principles of socialist internationalism, free partnership, equality and mutual advantage will operate in the same direction, consolidating the economic basis of the socialist system in each country and in the community as a whole.

Integration is an effective way of tackling a number of national tasks. Cooperation, division of labour, and concentration of efforts and resources in definite sectors of production, technology and science enable the countries to find shorter, better and more economical solutions for the problems arising before them in applying the achievements of the scientific and technical revolution, boosting the productivity of social labour, and enhancing economic efficiency and, consequently, ensuring the most rapid rise in national living standards.

Deeper coordination of plans, involving not only five-year but also long-term plans, joint planning of various lines of production, and coordination of economic policy give the countries broader possibilities than ever before in pooling their efforts, sharing their duties, responsibilities and concentrating their efforts and resources, thereby ensuring faster and optimal solution of the economic problems before them. In the process, the interests of all the countries, and national and international interests are organically tied in and harmonised.

Thus, socialist economic integration helps to strengthen the national economy, making it much more efficient and so

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<sup>1</sup> *Magyar nemzet*, December 29, 1968.



providing a sound economic foundation for national sovereignty.

Integration also does much to strengthen the moral and political unity of the members of the socialist community. Growing economic relations between the socialist countries and extension of contacts between their peoples can and must promote the growth of internationalist awareness and help overcome the survivals of national narrow-mindedness and egoism. Integration is not confined to an improvement of the forms and economic mechanism of cooperation, for it also intensifies the cohesion of the working people in the countries working towards communism. For its part, this moral and political factor has a most beneficial effect on the development of cooperation and mutual assistance between the socialist countries and on their economic growth.

## **ECONOMIC AND TECHNICAL PRODUCTION PROBLEMS TACKLED THROUGH SOCIALIST INTEGRATION**

### **Deepening Cooperation in Decisive Sectors of the Modern Economy**

As a result of their economic development and cooperation, the CMEA countries have reached a frontier from which there is a clear view of the fresh prospects for accelerating their economic development through consistent use of the multiplied potentialities and reserves latent in international socialist production, and scientific and technical cooperation. At the same time, there has arisen an insistent need further to improve and work out new forms and methods of economic cooperation, and to bring these in line as an aggregate with the character and scale of the new tasks.

In these conditions, forecasting and methodological studies and formulations become especially pressing because they help to determine the long-term lines of structural policy and the optimal conditions for inclusion of the economy of the USSR and the other CMEA countries within a highly developed system of international socialist division of labour. Economic science has to project the volume and structure of the CMEA countries' external economic relations and show which sectors and lines of production are most prepared for inclusion within integration processes.

Among other things, this implies broad development of the multivariant approach to the solution of national economic problems and a painstaking account of the potentialities and resources not only in the individual socialist countries but in the whole community. Another task is to produce a fresh evaluation of all the reserves and potentialities latent in the various sectors of the economy of the cooperating coun-

tries, so as to put them at the service of their common economic needs.

The most responsible problem is to deepen the scientific and technical integration of the socialist countries. We feel that its principal instrument should be the formulation and realisation of various elements of a common technical policy through the joint determination of the decisive lines of scientific and technical progress, extensive cooperation in scientific research and development projects and also in the application of their results.

Extensive scientific and technical cooperation may be regarded over the long term as the central and crucial element of the whole aggregation of integration measures. Indeed, the basic lines both of structural change in the economy of individual countries and in the material structure and the very nature of external economic ties are now being predetermined in the sphere of science and technology, which, in effect, now begin to play the part of a new, "zero"<sup>1</sup> department of social production. The dynamics and efficiency of external economic ties already crucially depend on scientific and technical cooperation (in the direct form of exchanges of R & D results and technical experience or in the form of deliveries of goods embodying such results). Thus, the export of goods turned out by the science-intensive industries (chemistry and petrochemistry, aircraft construction, instrument-making and general engineering) accounts for 50 to 80 per cent of the total exports by advanced capitalist countries. Add to this the rapidly growing turnover of the "pure" products of science and technology: patents, licences, and so on.

For most countries, export earnings today no longer depend on the tonnage of machinery and equipment, semi-finished products and materials exported but on the technical level and the "specific scientific weight" of export products.<sup>2</sup> The fact that domestic costs for concrete projects may

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<sup>1</sup> There is ground for designating it as such because scientific and technological activity goes before any changes in the production basis and the character of production both in Department I and in Department II of social production.

<sup>2</sup> On the modern world market, some countries may earn as much as three times per ton of exported equipment as other countries, and this

now and again exceed the effect which may be obtained within the given country itself provides an important incentive for more extensive international exchanges in R & D results. In such instances, the export of technology, whether embodied or not, appears to be the only way of recouping one's expenditures and receiving a tangible profit.

As the current scientific and technological revolution gathers momentum the role of science and technology, as factors determining the structure and dynamics of external relations, is bound to grow. In these conditions, there arise the primary tasks of organically "integrating" scientific and technical cooperation with the whole range of forms oriented upon mutual economic ties between the socialist countries. Acceleration of scientific and technical progress should become the basic criterion of the efficiency of integration and a key instrument helping to realise, on the basis of the planned economy, the purposive function of the socialist countries' economic cooperation.

Under the impact of the scientific and technical revolution, industries requiring vast material and intellectual outlays by society acquire greater importance, while the CMEA countries' need to pool their productive efforts in the sectors of economic activity which determine the high degree of production efficiency becomes more urgent. Scientific and technical progress exerts a decisive influence on the whole structure of the economic ties between the socialist countries. It is becoming obvious that the development of cooperation along many unconnected and parallel lines no longer meets their present-day needs. They look towards complex economic cooperation to ensure the solution above all of the major national economic problems stemming from the rising technical levels of production and the re-equipment of the leading industries on a new technical basis.

The CMEA countries have at their disposal a vast scientific and technical potential. More than one million scientific workers, that is, roughly one-third of the world total, are employed in their ramified network of research and design institutions. The CMEA countries' outlays on scien-

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kind of ratio also holds good for chemical products and many other industrial goods.

tific research are estimated to range from 1.5 to 4 per cent of their national income. This potential is being realised in major technical achievements. One need merely recall the Soviet Union's leadership in many areas of energetics, the production of ferrous and non-ferrous metals, engineering, and the building materials industry. Science and technology in the other socialist countries of Europe yield an ever more tangible effect.

The concerted use of the CMEA countries' scientific and technical potential in the course of their economic integration will help them to obtain an even greater effect. Despite the extensive and fruitful cooperation in this sphere in the past, various scientific and technical problems were tackled in the individual CMEA countries without due coordination and cooperation of effort. Because the individual countries preferred to exchange the results of their R & D, they tended excessively to extend the range of their projects, and this led to unwarranted duplication and parallel effort, irrational use of large-scale resources, much longer periods in which projects were completed, and reduced results.

Coordination of the CMEA countries' long-term technical policies becomes a most important area of scientific and technical integration in present-day conditions. The use of available experience in coordinating work in this sphere<sup>1</sup> helps to take a fresh step forward and to go on to coordination on the basis of joint planning and prognostication activity of the main lines and ways of scientific and technical progress, the volume of investments and priority of the projects to be financed, and the rational forms for applying the results obtained to productive use. In organising this effort an important part belongs to the CMEA Committee for Scientific and Technical Cooperation, which was set up under a decision of the CMEA's 25th session. The 27th CMEA

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<sup>1</sup> Thus, realisation of the CMEA's first agreed consolidated plan for coordination of scientific research in 1964 and 1965 yielded for the participants over 500 concrete projects in basic and applied research. The consolidated plan for 1966-70 provided for joint research into an even broader range of subjects. Altogether, in the middle of the 1966-70 five-year period almost 140 major problems and 500 subjects of key national economic importance were being coordinated within the CMEA framework.

session noted that the measures for extending and deepening scientific and technical cooperation are successfully being applied in all sectors. The session participants outlined the main trends and cardinal problems of science and technology for cooperation among CMEA countries during 1976-1980 and a longer period.

The deepening of specialisation and cooperation in R & D is another equally important task whose growing urgency springs directly from the rapid growth of outlays on research, new technological development and new designs. In some basic industries, R & D outlays account for up to 10-15 per cent of the total cost of goods. The scientific and technical revolution, advancing over a broad front and ranging over the most diverse areas, requires the involvement of more and more scientists and researchers, of whom many socialist countries have an acute shortage. That is why international cooperation in the area of research and development is a vital task.

The CMEA's last few sessions have stressed the need for extensive joint research on a contractual basis, establishment of common coordinating centres, international research and design institutions. This maps out the concrete ways and organisational forms for developing scientific and technical cooperation, which are already being implemented. In the year since the adoption of the Comprehensive Programme agreements on scientific and technical cooperation have been signed for eighteen problems, while seven scientific coordination councils, twenty coordinating centres, two international groups of scientists and one scientific and production association have been set up.

Important indications of the socialist countries' developing scientific and technical integration come from their strengthening direct ties and cooperation on science and technology between sectoral ministries, departments, research organisations and industrial associations. A start has been made on the establishment of a common system of scientific and technical information of the CMEA countries with the establishment of the International Centre for Scientific and Technical Information in Moscow. Sectoral information organisations, like a permanent CMEA centre for scientific, technical and economic information for the chemical industry, are also to be set up.

The information aspect of scientific and technical integration deserves special attention because a fundamental improvement in mutual information can yield a tangible gain without any great increase in outlays. Foreign specialists have estimated that only about 15-30 per cent of potentially useful technology is being applied to production, the rest remains unused for various reasons (lack of productive capacity, financial resources, etc.). With well-organised information services, this efficiency indicator of scientific and technical research could very well be substantially increased. In many instances, inadequate information leads to duplicate research. The world's patenting practice shows that two-thirds, and frequently even more, of the applications for inventions turn out to be repetitions of earlier technical solutions.<sup>1</sup>

But mere information about technological innovations in other countries will, obviously, still fall short of ensuring actual use of the information received. There is also need for definite material, organisational and economic prerequisites, specifically the alignment of standards for inventions and copyright, greater cooperation and agreement of the CMEA countries' policy in the sphere of inventions, patenting, licencing and, finally, mutually advantageous approaches to the terms on which technical innovations are made available and assistance is extended in applying these to production.

At present, the most favourable prerequisites for giving greater depth to the CMEA countries' scientific and technical cooperation and for mutual exchange of information appear in connection with the organic tying in of cooperation in this area with various forms of ties in production, thereby producing cooperation right through from research and design projects to production and marketing of finished goods. Examples of this kind of complex cooperation are already to hand. Thus, the GDR and the USSR have concluded a number of complex inter-governmental agreements providing for scien-

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<sup>1</sup> Considering that at least one million applications for inventions are being filed throughout the world every year, and that each application costs society an average of 50,000 rubles, the price mankind has to pay for inadequate information in this area could amount to almost 33 thousand million rubles a year.

tific and technical cooperation, design development, erection of productive capacity to turn out a number of progressive lines of products in the chemical, electronic and electrotechnical industries and also in engineering, for the purpose of satisfying demand in both countries.

Such arrangements are especially urgent in the fabrication of the latest types of hardware, above all, technical development in such promising branches of engineering as electrical engineering and radio engineering, electronics, automation, control and measuring devices, computers and regulating equipment.

The need for arranging complex cooperation so as to accelerate scientific and technical progress has been clearly reflected in the functions and purposes of Interatominstrument, an international scientific and production association which was recently set up to operate in nuclear instrument-making: instruments for nuclear physics and nuclear apparatus for the medical industry and other types of instruments. Among its tasks is the arrangement of specialisation and cooperation in the production of the equipment concerned.

In the last few years, similar associations have been set up in other fields of science, technology and production, including Interkhimvolokno (chemical fibres), Interalmaz (diamonds), Interetalonpribor (standard instruments), the International Institute for Patent Research and Expertise, the international collective of scientists under the Institute of Management Problems (automation and telemechanics) in Moscow, the Council for Scientific Equipment, which, through the corresponding organisations, operating on a profit-and-loss basis, is to put through agreed measures on mutual deliveries, leasing and renting of scientific equipment and the settlement of accounts involved.

The all-round development and deepening of scientific and technical integration on the basis of forms and methods of scientific and technical cooperation which have already taken shape and have proved their worth in practice and also of broad use of new and more progressive forms will be an important instrument in accelerating scientific and technical progress in the socialist countries and an effective means of building up the scientific and technical potential of the socialist community. This is especially important in view of the



fact that the historic world-wide competition between socialism and capitalism tends increasingly to be centred in the sphere of science and technology.

*The fuel and raw material base* is one of the main objectives of the CMEA countries' economic integration. At first sight, the problem of making good the scarcity of many types of raw materials and fuels does not appear to be an especially novel one, but it has now become a totally different problem. From 1960 to 1970, the CMEA countries' mutual exchange of raw materials and fuels has multiplied many times over (for instance, deliveries of oil, oil products and natural gas have increased roughly 4.2-fold).

Because fuel and raw material resources are very unevenly distributed along the territory of the CMEA countries,<sup>1</sup> the economy of most socialist countries tends to be increasingly dependent on large deliveries of raw materials and fuels. This puts a heavy tax not only on their own balances of payments, but also on the investment balances of the countries exporting raw materials and fuels.<sup>2</sup>

If the CMEA countries' economy is to develop at a fast pace, the production of fuel and raw and other materials needs to be steadily built up. Under the scientific and technical revolution not only are more raw and other materials used, but these need to be of a higher standard. In particular, there is more extensive use of the most efficient types of fuels

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<sup>1</sup> For instance, the USSR and Poland account for 94 per cent of the hard coal extraction by all the CMEA countries (71 per cent and 23 per cent, respectively); the GDR and the USSR for 69 per cent of the soft and brown coal (45 per cent and 24 per cent); the USSR and Poland for 79 per cent of the coke (65 and 14 per cent); the USSR extracts 96 per cent of all the iron ore and 95 per cent of all the oil in the CMEA countries.

Non-ferrous metals resources and production are somewhat more evenly distributed. The CMEA countries' requirements in zinc are met mainly through exports from Poland, the USSR and Bulgaria (95 per cent), Hungary has large reserves of bauxites, Poland of copper, and Bulgaria of copper and lead. The GDR has sizable deposits of zinc and metal ores, which are poor in content.

<sup>2</sup> It has been estimated that the capital-intensiveness of raw materials and fuel exports in trade between the CMEA countries is at least 3-3.5 times higher than that of engineering exports. The CMEA countries allocate to the fuel and raw material industries 35-40 per cent of their investments in industry.

(oil and gas), and this results in major changes in the structure of the fuel-and-energy balance. Similar changes occur in the consumption balances for metals and other materials.

With the availability of large fuel and raw materials resources and their uneven distribution over the territory of the individual countries, the essence of the fuel and raw materials problem boils down to the need to concentrate and make rational use of the investments, material, financial and manpower resources put in by the CMEA countries to develop the extraction and primary processing of raw materials and fuels.

Past experience shows that the fuel and raw materials problem facing the CMEA countries cannot be completely solved through a mere extension of trade between them. With such an approach there is always bound to be a considerable gap between the practical requirements of importing countries and the potentialities of exporting countries. Accordingly, there arise the problems of pursuing a coordinated long-term structural policy aimed to optimise the productive structures of the cooperating countries (especially in the manufacturing industry); making joint use of investments allocated by the countries to develop the fuel and raw materials industries; implementing agreed measures for the rational and most efficient use of one's own and imported resources of raw materials, fuel and energy, extensive application of scientific and technical achievements in this sphere, etc.

Ferrous metallurgy is one area in which the CMEA countries have intensified their cooperation in extracting and processing raw materials. After the CMEA's 23rd session a proposal was put forward on a multilateral basis to set up a giant metallurgical combine on the territory of the Soviet Union to operate on the basis of the Kursk magnetic anomaly. Such a combine could smelt roughly 10-12 million tons of steel a year and provide each participating country with the type of rolled stock it needed. Bulgaria, Hungary, the GDR and Poland are to set up a plant to manufacture high-quality transformer sheet. There is a tentative arrangement to have this plant built on the territory of Poland. The Soviet Union is to make available its technology of steel production. A shop is to be built on the territory of the GDR by the joint efforts of the CMEA countries to turn out high-quality corro-

sion-proof sheet steel. The countries participating in Intermetall also intend to set up joint production of plastic-coated sheet steel, chromium steel, etc.

The CMEA countries in Europe are working together to consolidate their fuel industries and also a raw materials base to develop their chemical industry. Several countries are joining effort to build the second section of the Druzhba oil pipeline. Upon completion its carrying capacity will be more than doubled, reaching 50 million tons in 1975. Agreements have been concluded with the GDR and Czechoslovakia on participation in developing the oil and gas industry in the USSR. A gas pipeline is being laid between the USSR and Bulgaria to start operation in 1974. The pooling of efforts in geological prospecting is also highly important. Joint projects are provided for by an agreement between Poland and the USSR in exploratory drilling involving cooperation in developing Poland's oil and gas industry.

During the CMEA's 26th session a general agreement was signed on construction, by the joint efforts of Bulgaria, Hungary, the GDR, Poland, Rumania and the USSR, of a major pulp combine with a capacity of 500,000 tons a year in the Ust-Ilim area in the Soviet Union. When it is commissioned, the USSR will supply its products to other participants in the agreement.

In the course of the 27th CMEA session representatives of the central planning agencies of Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Rumania and the USSR, on behalf of their governments signed a general agreement on cooperation in building a combined asbestos mining and processing plant with an annual capacity of 500,000 tons.

All of this shows that under socialist integration it is possible to take a new approach to the fuel and raw materials problem as an essentially international one. This kind of approach calls for deeper planning and forecasting in every form, and thorough and consistent consideration of all the interrelated factors which determine the effectiveness of its solution. It also implies the use of more efficient economic instruments ensuring direct integration of resources by a number of countries in tackling an economic task which is common to them all.

Let us note, at the same time, that while the CMEA countries are well provided with mineral raw materials, the raw materials problem itself cannot be solved with the utmost effectiveness within the framework of this area alone. Calculations show that the cost of importing some types of fuel, ore and non-ferrous metals concentrates from the developing countries may be lower than the cost of extracting them in the CMEA countries (because of more favourable location of deposits and conditions of extraction). That is why, the socialist countries are prepared, provided there is a corresponding interest on the part of the young national states in developing their raw materials industries, to cooperate with them on the same mutually advantageous terms as they have adopted in cooperation with each other. This kind of cooperation is now more easily arranged with the establishment of the International Investment Bank, which has the task of accumulating funds for capital investments and acting as go-between in providing credits for specific projects in the countries concerned.

The advance of the CMEA countries' economic integration also makes it possible to reappraise the prospects for their cooperation in the various manufacturing industries. In this connection, special emphasis is being laid on giving greater depth to *international specialisation and cooperation of production*.

In the fifteen years in which the CMEA countries have developed their specialisation and cooperation, they have done much useful work and have gained some experience in this field. At the same time, the level of international specialisation and cooperation of production attained within the CMEA framework, considered in the light of the tasks which spring from the transition to economic integration, falls short of the long-term potentialities and requirements in developing the international socialist division of labour. This applies especially to cooperation in the production of parts and components, standard products used in various industries, etc.

Deliveries under cooperation agreements amount to 50-60 per cent of the value of finished goods in many industries of some countries, which is why extension of international cooperation, alongside scientific and technical exchanges, is

among the most dynamic factors behind the growth of the world's economic turnover. Consequently, there is here a major reserve for deepening mutually advantageous cooperation between the socialist countries in the course of their economic integration. Apart from yielding immediate economic effect, cooperation calls for the technological unification of enterprises and industries taking part in turning out the final product, thereby creating a sound basis for improving the CMEA countries' trade, monetary and financial relations.

The line of deepening technical and production cooperation is reflected in the day-to-day activities of the CMEA countries: in a broader coordination of their national economic plans for the 1971-75 period, in their desire to give prospect to their mutual cooperation, and in the strengthening of their relations in production, science and technology. An example is provided by the fundamentally new approach to the five-year inter-governmental agreements on cooperation.

Thus, the agreement between the USSR and the GDR for the 1971-75 period is largely based on 32 concrete agreements and contracts on economic, scientific and technical cooperation. Among these are 17 inter-governmental and 13 inter-ministerial agreements on specialisation and cooperation in individual branches of industry. These include agreements on cooperation to set up a system of automation for workshops, a common system of electronic computing facilities, equipment for atomic electric power stations, etc.

Soviet-Hungarian cooperation for the 1971-75 period is also being arranged in line with a number of major agreements, among them agreements on cooperation in developing the production of cardboard, asbestos and phosphorus-bearing raw materials, on cooperation in the production of olefins and side products and in a number of lines in engineering and instrument-making. One characteristic point is that in the current five-year period, up to 80 per cent of the mutual deliveries between the USSR and Hungary in the automobile industry consist of products turned out on the basis of international specialisation and cooperation of production. The USSR and Bulgaria have arranged specialisation and cooperation in the making of computing machines, automobiles and tractors, shipbuilding and other industries. Ties

between the Soviet Union and other CMEA countries have been developing along the same lines.<sup>1</sup>

One instance of effective technical and production cooperation is the agreement between the USSR and the GDR on mutual deliveries of electronic computing hardware. This is the largest agreement covering a complex of products the two countries have concluded up to now. It sets out in concrete terms the stages of the division of labour, ranging from research and development and production to specialisation of mutual deliveries, on the basis of the electronic computing system which has been adopted for the CMEA. This agreement is highly beneficial to both countries and helps to consolidate their scientific, technical and economic positions in the world economy.

From 1971 to 1975, mutually advantageous cooperation and specialisation between the USSR and Czechoslovakia will be further developed in setting up a common system of electronic computing hardware, in the chemical and other branches of industry. This kind of cooperation and specialisation helps to overcome some of the duplication which has been evident in the building of productive capacity, to make more efficient use of existing productive capacity and to set up optimal capacity with the highest technical standards. Special attention has been directed to defining the ways of cooperation in engineering, involving the production of goods with a long production cycle, something that helps to keep engineering works in Czechoslovakia running at full capacity over the entire five-year period. In the past few years, multilateral specialisation and cooperation between the CMEA countries has been making ever greater headway. Under a cooperation agreement, Bulgaria, Hungary and Poland have been delivering to the Volga Automobile Works in the USSR 41 types of parts and components constituting a total of 300,000 sets a year, a figure that is subsequently to be increased. In exchange, these countries are to receive from the USSR passenger cars made by the Volga works. Among other

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<sup>1</sup> The important thing to note is that many concrete agreements on economic cooperation to be implemented in the current five-year period go well beyond its framework and determine the prospects for the CMEA countries' cooperation over a period of 10-20 years ahead.

agreements that have come into force there is the multilateral agreement on international specialisation and cooperation in making equipment to produce glass and ceramics products, and certain types of synthetic rubber.

The 27th session pointed out that CMEA member countries had registered considerable achievements in developing the engineering industry and furthering their cooperation in this sector. A number of new agreements has been concluded on multilateral specialisation and cooperation of production. Reciprocal trade among CMEA countries in goods produced by the engineering industry rose by 28 per cent in 1971 and 1972. The session instructed the Standing CMEA Commission on Engineering to complete in the immediate future the elaboration of proposals for specialisation and cooperation in production and the satisfaction of the needs of CMEA countries in types of engineering output which determine the specialisation of the industry's branches and ensure the acceleration of technological progress so that the results of this work be taken into account in coordinating national economic plans for 1976-80 and be formalised in bilateral and multilateral specialisation and cooperation agreements. The Commission on Engineering was also instructed to pay more attention to the concentration of production and specialisation in the manufacture of parts and sub-assemblies.

Specialisation and cooperation of production can successfully develop if they are organised on an economic basis with greater legal and material responsibility and incentives for producers and consumers. International relations of cooperation require special forms of legal regulation making it possible to tackle technical, production, scientific and commercial matters as a complex and to guarantee stability in these relations. While it is important to regulate specialisation and cooperation at the state level, it is also very important to develop direct contacts and ties between ministries, trusts, associations of enterprises and individual enterprises, which have a better knowledge of the concrete technical and economic potentialities of cooperation.

The advance of socialist economic integration also requires a different approach to the *transport back-up* of growing cooperation. As a result of their coordinated approach to the solution of the fuel, energy and raw materials problem, the

CMEA countries have set up specialised international means of transport: an oil pipeline, a gas pipeline and electric-power transmission lines. But the carriage of goods between the CMEA countries has been steadily growing: from 112 million tons in 1965 to 150 million tons in 1970. The total cost of transport services in the carriage of goods between the fraternal countries is now estimated to be roughly three thousand million foreign-exchange rubles, or 10 per cent of the total value of their trade. The present highly intense freight flow between the CMEA countries is expected to increase by roughly 50 per cent in the forthcoming five-year period.

In these conditions, the existing international transport network can no longer meet their growing demands. There arises the need for joint formulation and realisation of complex measures designed to create a common CMEA international transport system which could become an economically effective and permanently operating mechanism for bridging space in economic terms.

This requires more than the mere modernisation of transport facilities. It requires a complex system of joint measures, namely: a switch of sizable quantities of bulk cargoes, whether in natural or transformed shape, to specialised types of transport, like international oil and gas pipelines and electric-power transmission lines; development of broad gauge main lines connecting the chief centres of consumption of raw materials and fuel in the fraternal countries; establishment of international transport and dispatch bases where raw and other materials are stored up and distributed at points where these are switched from narrow to broad gauge; introduction of an extensive container system, with the establishment of a common pool of standardised containers adapted for the carriage by virtually any type of transport. The first few steps have already been taken in this direction: in December 1971 an agreement was concluded between the CMEA countries on introducing a common container transport system based on the use, by all types of transport, of heavy duty (10-20-30 ton) universal and specialised containers under agreed technical, economic and organisational conditions. At the same time, a programme was adopted to introduce a common container transport system under which



ten international lines using such containers are to be started from 1972 to 1974.

Major complicated problems also arise in the development of agriculture, the boosting of consumer goods output, etc. All these objectively increase the need to switch from the existing forms of external ties to a system of forms based on the direct pooling of resources by the cooperating countries and various types of joint planning activity.

The measures envisaged by socialist integration, as is seen from the decisions of the CMEA's 23rd (special) session and the Comprehensive Programme, have as their ultimate aim consistently to use not only individual resources, however important, in deepening the international socialist division of labour, as all of these in their totality. Only this kind of systems approach to improving economic cooperation can help make the fullest use of all its advantages.

## THE ECONOMIC MECHANISM OF SOCIALIST INTEGRATION

Development of the socialist countries' economic integration implies the balanced formation of economic, organisational and legal conditions and prerequisites for consistent use of the advantages arising from their more active and organic participation in the international socialist division of labour. The formation of these conditions and prerequisites is connected both with an improvement of forms and methods of planning and organisation of economic activity within the individual countries and with an improvement of the whole system of their international economic cooperation.

The extent to which the socialist countries' system of external economic relations is developed depends not only on the existence of definite material prerequisites (a high level of economic development, gradual overcoming of the existing differences in the economic levels of the individual countries, the character of economic development itself, the technical level of the national economy, etc.), but also on the *economic mechanism of international cooperation* which exists at every given stage. This is the aggregation of economic methods, instruments and organisational and legal forms whose use in practice helps to realise the tasks ahead.

Any characteristic of the *methods of economic cooperation* used at every given stage should above all provide an answer to this question: how and on what basis is the regulation of the economic activity of individual national economies ensured in the international arena (for instance, the centralised setting of goals of economic cooperation, and the

modes and ways of achieving them, coordination of economic activity in the various forms, and the forms in which the physical and value aspects of international exchange are combined and the extent to which this is done, etc.)?

The second element of this international mechanism—*economic instruments*—is characterised by the aggregation of the economic levers and incentives used at the given stage in the international socialist division of labour. This implies not so much commodity-and-money categories (foreign trade prices, short and long-term credit, international payments instrument, etc.), as the extent to which these categories reveal their substance in the course of international exchange of activity.

Finally, the third element of the mechanism of the socialist countries' economic cooperation—*organisational and legal forms*—includes the aggregation of organisational principles underlying economic cooperation and the corresponding legal measures, the system of organisations catering for economic cooperation and also all manner of economic agreements, contracts, the terms of their fulfilment, etc.

The problems arising from the formation of an effective economic mechanism for international cooperation have always been highly important in the activity of the CMEA and its agencies, and the scientists and practitioners of the socialist countries. Since the 1950s, they have been working intensively to formulate the theoretical, methodological and practical questions connected with the solution of the key problems of economic cooperation (in the light of the conceptions prevailing in that period). Much attention, in particular, was given to finding reliable criteria for determining the efficiency of economic cooperation variants (above all in the light of the comparative costs theory, so as to arrange a rational territorial division of labour within the CMEA framework). One of the most important problems was the adoption in trade between the socialist countries of their own price base.

However, realisation of these proposals (or, at any rate, of most of these) turned out to be very difficult in practice. First, there was no clarity on the kind of economic mechanism that could be used to implement the proposed measures, so as to have the national economic interests of the cooperating countries fully observed and mutually harmonised.

Second, there was evidence of a selective approach to the solution of economic cooperation problems. There was evidence of an urge to solve *all* problems of cooperation chiefly through the solution of one or several *key* problems (for instance, through the introduction by the socialist countries of their own price base in trade with each other). No effort was made to analyse economic relations between the socialist countries as a system all of whose parts are inter-related. Concrete proposals for improving the mechanism of economic cooperation as a rule applied only to its individual, even if highly important, structural elements.

The decisions of the CMEA 23rd (special) session created favourable prerequisites for the complex solution of problems arising from the improvement of the economic mechanism of international cooperation. The work done in this area now makes it possible to answer this question: how, with the aid of which economic instruments is it possible to ensure, in the present conditions, practical realisation of integration measures aimed to deepen and qualitatively improve the whole aggregation of the forms and methods of economic inter-relations between the socialist countries, and to make these much more efficient?

It follows directly from the Comprehensive Programme that the ultimate aim in improving all the elements of the economic mechanism of the socialist countries' cooperation is to create the necessary conditions and prerequisites for intensifying their ties in the sphere of production, science and technology.

### **In-Depth Joint Planning Activity**

Under socialism the instruments of state economic policy are above all planning instruments, and, therefore, the market mechanism cannot be as important for the integration of the socialist countries as it is in the capitalist countries.<sup>1</sup>

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<sup>1</sup> Let us note that even bourgeois theorists of integration realise the limited possibilities of a mere lifting of trade barriers ("negative" integration) and urge the need for long-term international programmes of cooperation ("positive" integration). The Rome Treaty, which defines the structure and purposes of the EEC, could in a sense be regarded as such a programme.

Socialist ownership of the means of production makes it possible mutually to adapt the economic structures of the individual countries in more direct and effective ways, through the conscious and purposeful regulation by the state and the ruling parties of the countries embarking upon integration. The state plan is the most efficient instrument for macrostructural change and mutual adaptation of structures, and this constitutes the basic content of the integration process. The importance of joint planning activity, as the main element of the economic mechanism, which is to help implement integration measures, makes it necessary to improve it in every way and to extend its scale.

Because the socialist economy is regulated on a planned basis, improvement of the CMEA countries' joint planning activity directly involves improvement of internal state planning, as a result of which the role of mutual study and exchange of experience in the measures taken to improve planning and management of the national economy becomes ever more important. Regular exchanges of such experience are made at periodical consultations between planning agencies, agencies of sectoral administration and research institutions.

Coordination of national economic plans for five-year and even longer periods is the chief instrument of socialist economic integration. It helps to create a rational international economic complex in which each country will be able to concentrate its efforts on developing sectors of the economy which are the most efficient and which best accord with its national conditions. The CMEA countries are now faced with the task of coordinating not just the operation of the productive facilities set up but above all their new national economic investments, so as to avoid duplication and a scattering of the community's aggregate resources.

Alongside the already traditional coordination of five-year national economic plans their joint planning activity is supplemented by other forms of cooperation under the integration programme. These include mutual consultations on the key aspects of economic policy, cooperation in forecasting and exchanges of forecasting results in the sphere of the economy, science and technology, coordination of long-term sectoral plans, and, finally, joint planning of development of pro-

duction in selected subsectors. The use of these new forms of joint planning activity allows the fraternal countries, on the one hand, to extend the scope of planning solutions for the key national economic problems, and on the other, to work more thoroughly and in greater depth on some of these problems, which are of especial importance in further developing the international socialist division of labour.

Exchange of experience in forecasting and the results of national forecasts, and also joint forecasting in the economy, science and technology are becoming an important form of the CMEA countries' joint planning activity in the present conditions. The need for this form springs from the fact that the programme for socialist economic integration is designed for a long term, so that its implementation will require a considerable number of hypotheses, analytical forecasts and variant projects, which would give a rough picture of the development of various aspects of economic life in the socialist community over 15 to 30 years ahead. Their analysis could help to select the most acceptable variants which are to go into the plans for economic development and cooperation.

Joint forecasting in the development of the economy and economic cooperation creates the starting basis for plan co-ordination over the long term.

It is of exceptional importance to take account of the long-term prospects. The economic objective of the system of integration measures is to accelerate the development of modern highly efficient production and steadily to raise its technical standards. Understandably, this cannot be achieved merely through a balancing out of export resources and import requirements of the cooperating countries over a limited period of time, rational distribution of scarce resources, solution of the problem of marketing some lines of products, etc.

Long-term cooperation between the socialist countries opens up qualitatively new potentials in the use of the fundamental advantages of the balanced division of labour between the socialist countries. This kind of approach helps clearly to determine the most efficient ways of jointly tackling major national economic problems and bringing out the main projects of integration measures in the sphere of production. Among such projects in the first place are the large-

scale long-term programmes for developing sectors and lines of production, and the technical re-equipment of the leading sectors of the national economy.<sup>1</sup> The main criterion for the selection of these projects is not only their immediate economic effect, but above all the extent to which jointly realised cooperation programmes will influence the general technical level of the CMEA countries' national economy, help better satisfy production and individual requirements, and fundamentally increase the competitiveness of the products exported by the socialist countries on the world markets.

Coordination of long-term plans may be of especial importance for the rational use of resources allocated for the development of the fuel and raw materials base, and for determining the prospects of international specialisation and cooperation of production in the new industries which have a decisive role to play in accelerating scientific and technical progress. Most problems connected with the development of the fuel and raw materials base cannot, in practice, be tackled within the framework of five-year periods alone. Large-scale capital construction programmes in the extractive industry take many years, frequently one or two decades.

This is also true for a number of manufacturing industries where specialisation and cooperation of production involve preliminary development of some problems. Such problems are connected with the specification of long-term requirements in a given type of product in the light of technical progress both in the producing and the consuming industries, the formulation of proposals on the main lines of research and development and their coordination. They also involve the selection of variants of agreed technical policy in a given line of production, including questions of standardisation and unification, licencing policy, the formulation of proposals for the construction of new productive capacity with an eye to

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<sup>1</sup> In accordance with the Comprehensive Programme, CMEA agencies have adopted plans for work in forecasting and programmes for prognosticating development in the atomic power industry, requirements in fuel and electric power, development of the raw materials base for ferrous and non-ferrous metallurgy, and town planning projections. Work has been started on a forecast for the development of the world socialist market up to 1980, together with a forecast for the development of the national economy.

the necessary coordination of investments and building programmes.

In all these sectors, capital construction is highly complex. Prerequisites for such construction must take shape in industries and spheres of the national economy which are in many cases very remote from the industry in which joint planning activity directly takes place.

We feel that coordination of long-term plans will ultimately become an effective instrument of joint investment activity. This is supported by the availability of large reserves connected with long-term planning and agreed use of investments in the allied industries of a number of countries. One aspect of this problem is in essence to find efficient forms of long-term coordination of national investments. This would make it possible to rule out, as early as at the capital construction stage, any unreasonable duplication, and to use the funds to build productive capacity meeting jointly established criteria of optimality. Such coordination, initially bearing only on a limited share of the investments, would largely predetermine the volume and structure of mutual ties between the CMEA countries over two or three five-year periods ahead.<sup>1</sup>

But coordination of capital investments could boil down to a marking of time if resources should be used only within the national boundaries. The need for direct cooperation in investments and their joint direct use has been proved theoretically and in practice. The work now going on in the CMEA agencies in this area will undoubtedly lead in the near future to the joint implementation of large-scale capital construction programmes, and the establishment of the International Investment Bank helps to concentrate the necessary resources.

Joint planning of development in some allied industries and individual lines of production is also becoming a new element of the CMEA countries' joint planning activity. Such planning should, in particular, ensure in individual selected

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<sup>1</sup> Since total investment is often many times greater than direct inputs, the coordination of even relatively small sections of capital construction programmes could have a substantial effect on the formation of the national production structure towards a fuller consideration of the international socialist division of labour.



branches and lines of production concerted solution of research and development problems, resulting in the necessary unification and agreement of national standards and regulations. It should guarantee the coordination of the most rational use of the available productive capacity and the construction of new capacity, optimal allocation of production programmes on the basis of cooperation, and coordination of technical standards for mutually delivered products, and the volume and terms for mutual deliveries.

Joint planning will ensure the purposefulness and coordination of activities promoting international specialisation and cooperation of production, making it possible to achieve a high degree of concentration of effort by design groups, and of the material and financial resources of the group of interested countries for the specified, concrete approach to the solution of the problem.

The introduction of new forms of joint planning activity makes it possible not only to extend the period for which the economic development of the CMEA countries could be coordinated but also to create conditions for deeper elaboration of various problems. At the same time, coordination of five-year plans will apparently remain the basic form of joint planning activity, because it can best ensure the complex national economic approach. While other forms of joint planning activity are designed for various periods (depending on the problems being tackled), coordination of five-year plans creates conditions for tying in these problems with the tasks of the national economic plans as a whole. This explains why the coordination of national economic plans for the 1971-75 period is regarded as a most important instrument in tackling the basic tasks of the initial stage of socialist integration.

With the adoption of the Comprehensive Programme for integration, the coordination of five-year plans has been filled with a new content. A definite priority has been given to the solution of the most important problems in cooperation; their coordination will precede the approval of the national plans.<sup>1</sup> In addition, coordination of five-year plans will be

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<sup>1</sup> This approach was first used in the production of some types of metal-cutting machine-tools with digital programme control. In January 1972, Bulgaria, Czechoslovakia, the GDR, Hungary, Poland, Rumania and the USSR signed an agreement on cooperation in joint planning of

organically combined with coordination of long-term plans. The further development of this approach was expressed in the decisions of the CMEA's 26th session in July 1972, which recommended that the CMEA countries should carry out work from 1972 to 1974 to coordinate their plans for the following five-year period (1976-80) so as to ensure the timely conclusion of long-term economic agreements. Coordination of plans for 1976-80 is to be carried out bilaterally and multilaterally and in the light of the work being done to coordinate plans for the long term, until 1990.

The content of joint planning activity under socialist integration does not, of course, boil down to the brief characteristic given above, but what has been said shows that it involves not only an extension or diversification of its forms, making it possible to cover every aspect and line of economic relations between the CMEA countries. The basic function of the all-round joint planning activity clearly stands out: it is to serve as the basic instrument for the pursuit of an agreed structural policy by the integrating states.

Coordination of five-year plans provides only partial solution of this task. Up until recently, structural policy was aimed chiefly at establishing optimal proportions for the national economies of the individual countries. The long-term volumes of export-import ties for concrete groups of goods and services were frequently determined as desirable magnitudes not being dovetailed with similar projections by the other partners in cooperation.

It has happened now and again that the projected volume of exports of various goods by all the CMEA countries in a given planning period was many times greater than the total import requirements, while the projected imports were obviously out of line with the exporting countries' real potential. The mutual projections were corrected in the course of preliminary negotiations, but it was easier to balance out the

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this line of products. By 1975, once the agreement was realised, mutual deliveries will have increased five times over the 1971 figure, while economies through cooperation of R & D will amount to nearly seven million man/hours. In April 1972, the CMEA countries signed an agreement on joint planning of the material and technical base for a container transport system.

export and import deliveries than to "re-plan" the projected proportions, which, in addition, were frequently predetermined by the investments put in five or more years earlier.<sup>1</sup>

A combination of long and medium-term joint planning activity based on scientific forecasting gives the CMEA countries a reliable instrument of coordination, and over the long term of formulation, of a common structural policy.

### Development of the International Socialist Market

The main distinction between the international socialist market and the national markets of the individual countries is not its larger scale, but its qualitatively different internal structure. Within each individual country, the turnover of the main volume of material values occurs on the basis of one state property, but here such turnover occurs between sovereign states, which are relatively isolated property-owners. This determines the importance of the international socialist market as the connecting link between the cooperating countries. A study of the prospects of the CMEA countries' integration shows that in its course the international market and its commodity-money mechanism do not lose their role.

Let us bear in mind that Lenin said it was wrong to oversimplify things and to say that the "democratic state of victorious socialism will exist without frontiers. . . that frontiers will be delineated 'only' in accordance with the needs of production".<sup>2</sup> Lenin anticipated the development and strengthening of the socialist state and its economic basis, national-state property, and this points to the need for correct and consistent coordination of national economic interests, of which an essential expression are the value propor-

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<sup>1</sup> Let us note that such lack of coordination in structural policy affected not only countries which miscalculated in planning but also their partners in cooperation. Apart from the fact that the latter failed to receive the adequate quantity of goods they required, they were quite naturally guided by the principle of mutual assistance and sought to cushion the resulting economic disequilibrium by purchasing goods which were in no sense a prime necessity and making additional expenditures towards increasing export resources.

<sup>2</sup> V. I. Lenin, *Collected Works*, Vol. 22, p. 324.

tions in mutual exchange, terms on which funds are borrowed and payments are made, etc.

The profound internationalist meaning of socialist economic integration at its current stage does not consist in any weakening of the state, but in a qualitatively new extent, as compared with the earlier decades, in the pooling of efforts by the socialist states in the decisive spheres of the modern economy. That is why the international socialist market does not at all lose its specific features and does not become a national market multiplied many times over. At the same time, it undergoes an essential modification.

Within the integrated community, the international market should become a "bridge" with a high carrying capacity, ensuring unhampered planned economic turnover. The stream-lining of the economic mechanism (specifically, of the commodity-money mechanism) will not as yet automatically produce solutions for all the problems of socialist integration, because under such an approach the main thing—the material content of integration, its technological and production aspects—will be left out. However, it is the objectives of integration measures in the sphere of production, science and technology that ultimately determine the complex of demands upon an effective mechanism of economic cooperation, including its aggregate commodity-money instruments.

The fact that planned instruments in regulating economic relations have priority over market instruments does not of course mean any belittling of the role and importance of the latter. Consolidation of the world socialist market and development of monetary, financial and credit relations constitute highly important prerequisites for greater effectiveness, flexibility and efficiency of the system of economic cooperation. All of this explains why so much attention is now being given to the problems of improving commodity-money instruments and incentives for deepening the international division of labour (i.e., to the economic instruments of international cooperation). Each of these problems naturally needs to be studied independently. The general task here is a fuller mastery of the mechanism of the world socialist market as a sphere of international exchange regulated in a planned manner.

In virtue of many circumstances, the solution of this problem has turned out to be no easy matter. Over the past few decades, a number of commodity-money instruments of the international socialist market was shaped under the impact of specific factors. Insufficiency of the required commodity reserves, and the use of a payments currency which hampered multilateral exchange resulted in the actual dismemberment of the international market into a system of "elementary" markets, where trade was carried on chiefly on a bilateral principle. This meant, among other things, that an importing country could as a rule deal only with a definite country exporting the given commodity, and an exporting country with a definite importing country. Bilateral trade in turn set limits on the broad use of multilateral payments in trade with each other. In these conditions the payments currency used in external economic relations between the socialist countries was able to fulfil the function of world money only to a very limited extent.

The value categories of the world socialist market were also deformed owing to various concrete historical conditions, above all the scarcity of some types of products arising from the need to satisfy demand in such products almost exclusively through mutual exchange, despite the much higher (than the world average) costs of production.

In these conditions, it was not always easy to establish the right proportions for trade, to arrange uninterrupted and efficient organisation of monetary settlements, calculate the effectiveness of concrete variants of specialisation and cooperation of production, etc. The press of the socialist countries repeatedly reported, for instance, the unfavourable value proportions in the exchange of some goods, and the practice of dividing the goods involved in trade between the fraternal countries into "hard" (scarce) and "soft" (plentiful) goods. This had an effect on the commodity structure of foreign trade (the urge to balance out mutual deliveries within individual commodity groups). The domestic price-formation systems in some countries often proved to be more flexible than prices on the world socialist market.

That is why in foreign trade the key line in improving the commodity-money instruments of socialist integration has become the search for forms and methods of closer inter-

action between the national markets and the creation of conditions for further extending trade between the cooperating countries and making it more balanced, flexible and efficient. One of the major problems is that of establishing a system of mutually advantageous contractual prices capable of exerting a stimulating effect on the development of the international socialist division of labour.

One of the tasks in improving the existing system of contractual prices on the CMEA international market is to limit deliveries of technically obsolete goods and to replace them with new and technically more advanced ones. This calls for improvement of the existing methods in the use of world prices on the CMEA market, and their necessary adjustment with an eye to the export rebates widely applied in capitalist trade. The contractual price system should have as its aim not only the gradual ousting from foreign trade of low quality products or products below modern technical standards, but also provision of incentives for countries exporting to the CMEA international market machinery and equipment with high technical specifications.

An essential prerequisite for the formation of a better system of prices on the CMEA international market is a more consistent consideration of regional geographic, technical and mining conditions in the production of goods and the conditions of their transportation.

Improvement of the commodity-money mechanism of integration also includes a fundamental improvement of the system of payments between the countries on a multilateral basis through the establishment of a new and more flexible mechanism of multilateral trade and an evening out of the CMEA countries' balance of payments. This will help to use amounts in transfer rubles accumulated by a given country on its account with the International Bank for Economic Cooperation for purchasing goods in other member countries over and above the established quotas and also for partially converting these amounts into freely convertible currencies. This problem is most closely connected with the task of strengthening the role of the transfer rouble.

International socialist credit, especially long-term credit, has new and more responsible tasks under integration. In the past few years, the CMEA countries have concluded

many agreements extending credits to develop various productive facilities so as to increase the corresponding export resources. The agreements now in effect cover, for the time being a relatively small share of mutual deliveries of scarce commodities, while the credits being extended are not always comparable with the exporting countries' own investment inputs.

At the same time, there are bounds to extending joint investment activity in the form of a bilateral credit participation, the limiting element here being, all other things being equal, the marginal share of the common investment fund which may be allocated by a creditor country without upsetting its own balanced economic growth. In addition, possible credit resources made available by individual socialist countries may prove to be inadequate to finance projects of optimal productive capacity.

All of this lends special urgency to multilateral investment activity, which has been put on a firm basis with the establishment of the International Investment Bank.<sup>1</sup> The system of multilateral credits by countries interested in the construction of projects (or development of definite lines of production) makes it possible, on the one hand, to overcome the scarcity of credit resources in some countries, and, on the other, to use these resources with greater concentration and effect in tackling common tasks. One possible instrument for giving greater depth to the socialist countries' cooperation could also be joint investment funds (for instance, funds for financing the development of the fuel and power base, credits for promoting international specialisation and cooperation of production, etc.).

Improvement of the totality of commodity-money instruments of the international socialist market is designed to secure the best economic conditions for carrying forward cooperation on the basis of joint planning activity and for pursuing an agreed structural policy. It should also ensure an organic blend of the physical and value aspects of the socialist countries' trade with each other and to facilitate the selection of the most effective variants not only for current but also for long-term external economic approaches.

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<sup>1</sup> By the end of 1971, 16 industrial projects were approved by the Bank as credit schemes, involving a total of more than 180 million transfer rubles.

## **The Organisational and Legal Aspects of Integration**

Successful realisation of the complex of integration measures implies the existence of a well-developed system of international organisations (the institutional superstructure of integration) and also of a corresponding set of laws and rules. It is not surprising, therefore, that this aspect of socialist integration has been clearly reflected in the decisions of the CMEA's 23rd session and in the Comprehensive Programme.

One of the tasks, in particular, is to improve the activity of existing and to establish new interstate and international economic agencies capable of coordinating and directly guiding the development of the CMEA countries' cooperation in its most important and promising sectors.

The CMEA, international sectoral organisations, and bilateral intergovernmental commissions are all important and complementary institutions within the system of the balanced organisation of the international socialist division of labour. Each of these uses its own resources and methods in its own given sphere to promote the coordinated development of the socialist countries' economy and the use of the advantages of socialism as a world system.

Experience of the past few years has already shown that it is advisable and beneficial for the interested countries to pool their efforts within the framework of various types of international organisations. The largest of these are Intermetall, the Organisation for Cooperation in the Bearing Industry, the Common Freight Car Pool, which has more than 100,000 freight cars, Agromash, Intransmash, and the International Bank for Economic Cooperation. A number of International research centres and joint design organisations has also been set up.

Since the CMEA's 23rd session, cooperation between interested countries in this form has been further advanced. A number of new organisations has been or is being set up. Mention above was made of the International Investment Bank, Interatominstrument and the International Information Centre. An international organisation, Interkhim, set up in July 1969, has the task of organising economic, scientific



and technical cooperation in small-batch chemistry. This organisation has been set up by the governments of Bulgaria, Czechoslovakia, the GDR, Hungary, Poland and the USSR, while Rumania joined later. It will help develop specialisation and cooperation, coordinate production plans, utilise productive capacity, raise the technical level of goods and develop international division of labour in this area. Cooperation is to range over the production of synthetic dyes and semifinished products for their manufacture, auxiliary substances for the textile and the leather and footwear industry, chemical additives for polymer materials, and chemical means of plant protection—a list of items running to about 5,000. Among its other tasks, Interkhim is also to coordinate the activity of member countries in the purchase and sale of licences in this area in third countries. It has its headquarters at Halle in the GDR.

Fresh prospects have also been opened up for improving the activity of existing organisations. Thus, Intermetall will be able considerably to enlarge its base once the project for a large metallurgical mill in the Soviet Union is realised. This mill will satisfy the needs of the Intermetall countries in raw materials, semifinished products and finished goods. It will be the largest project, equal in importance to the Druzhba pipeline or the Mir electric power grid.

Such projects have been suggested because the broad development of joint investment activity insistently demands the formulation of the corresponding organisational-economic and legal forms. An *ad hoc* long-term credit helps to tackle a limited number of problems if only because it has to be repaid and does not establish permanent bonds between the partners in this or that area of the economy. Such permanent bonds may obviously be established on the basis of joint transnational enterprises,<sup>1</sup> associations and other economic organisations. Under this form of cooperation, its volume and dynamics will no longer be rigidly limited by the terms and period of the credit agreement. It will ensure not only con-

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<sup>1</sup> By trans-national economic organisations of the socialist countries we mean organisations operating within the framework of the national economic law of the country in which it is located, with other countries taking part in financing and sharing the results of economic activity.

stant reproduction of the object of cooperation, but also the self-financing of its further enlargement.

Enhancement of the level and efficiency of international economic, scientific and technical organisations involves the solution of complicated legal and economic problems: the regime of joint (joint-stock) property, financing by shares, economic and legal relations with national organisations, the functions, structure and powers of management bodies, procedures governing participation in such bodies of representatives of individual countries, principles governing the production, commercial, scientific and technical activity on a profit-and-loss basis, etc. In this area the best solutions are still to be found and, in some instances, to be tested in practice.

There is also need to find effective forms for coordinating the activity of organisations operating in different spheres of the economy, science and technology. Until recently, these organisations hardly interacted with each other and with the CMEA's agencies. With the conclusion of a number of agreements regulating relations between individual organisations (Intermetall, the Common Freight Car Pool, etc.) and the Council for Mutual Economic Assistance a start has been made on their integration into a coherent system.

Within the system of cooperation between the socialist countries ever more important functions are also to be performed by bilateral intergovernmental commissions (committees) for economic, scientific and technical cooperation. Such commissions have been set up by many CMEA countries with most of their partners in this organisation. These commissions are guided by the same principles as is the CMEA, and take account of the CMEA's recommendations and bilateral economic treaties and agreements. Their main task is to bring out and make the fullest use of all the potentialities of mutually advantageous division of labour and economic cooperation between the two countries involved and to help them to draw closer to each other in economic terms.

An important line in improving the organisational and legal principles of cooperation involves the enhancement of the role of treaties and agreements in regulating economic cooperation between the socialist countries. Not long ago, many major problems of cooperation (like specialisation and cooperation of production) were tackled on the basis of

recommendations not backed up with economic calculations, but today treaties or agreements are being accepted as the usual and ever more common legal form containing a record of the understanding that has been reached. This provides a sound basis of economic calculations for the decisions jointly adopted by the partners and tightens up the countries' responsibility for honouring their obligations, because the treaties provide for effective economic sanctions.

Contractual practice is of equal importance for the development and deepening of scientific and technical cooperation, above all for cooperation in solving the most pressing and complicated problems in science and technology. An especially promising contractual form is one under which a number of countries jointly carry out applied research and work out projects, connected with the use of complicated and costly equipment or experimental facilities.

The positive experience that has been gained warrants the conclusion that the practice of using contracts and agreements as important instruments in deepening economic cooperation between the socialist countries will be extended. It is safe to say that there will be a growing number of diverse forms and types of agreements used to solve all manner of problems.

### **The Economic Mechanism of Interaction Between the National Economies**

The problems involved in shaping the economic mechanism of socialist integration capable of ensuring close economic interaction between sovereign national economies do not at all boil down to the establishment of effective international instruments (joint planning activity, commodity-money instruments, a system of international economic agreements, organisations, etc.). An equally important condition for this is coordination and dovetailing of the national mechanisms regulating external economic activity.

If we remember that the international mechanism is conditioned by the nature of the internal economic mechanisms of the cooperating countries, the conclusion is suggested that many factors on which their cooperation and its scale depend, are in one or another manner built in definite elements of

the countries' internal systems of planning and stimulating external economic activity.

Under socialism, the instruments of internal state economic policy constitute basal elements of the mechanism of economic cooperation, including the mechanism of socialist integration. Integration processes result in a steady extension of the area in which material, financial and manpower resources may be deployed on an international scale, converting external economic activity into an organic component part of the whole internal economic life of the socialist countries. Such results cannot, of course, be achieved by the improvement only of international economic instruments facilitating the movement of goods and services from one country to another.

Integration and its attendant deep-going "intrusion" of external ties into domestic reproductive processes make one above all take a fresh look at the problem of mutual contacts between countries at different levels of planned regulation of the economy.

Practice shows that national planning, even if it coalesces at the stage of long-term plan coordination or formulation of agreed long-term forecasts, will not ensure complete realisation of all the available reserves for mutually advantageous cooperation. Coordination of ready projects will involve, in one way or another, mainly a tying in of national conceptions of economic development already worked out in the main lines and balanced economic proportions.

Organic and consistent mutual tying in of national plans will quite obviously become possible only if it rests on joint planning activity effected at various levels of economic management. The point here is essentially to bring closer the forms and methods of domestic economic planning and joint planning activity. Up to now there has been a very considerable gap between these.

In the individual countries the formulation of plans tends to start at the bottom, while the coordination of national plans has from the outset begun at the state level. The fact that when directives for developing economic cooperation were being worked out consideration was given to proposals formulated at the sectoral level (and in some countries, on the level of associations and enterprises) made little fundamen-

tal difference. In the absence of regular plan interconnections, sectoral departments, associations and other economic organisations in the cooperating countries did not have a full knowledge of the productive potentialities and requirements of their partners. They had limited practical experience in jointly tackling technical and production problems.

The fact that joint planning activity is to be carried on at many levels, and that all the echelons responsible for the development of cooperation are to be involved in this effort cannot, of course, clash with the planning of external relations on the national economic level. It is important, therefore, to see that the development of trade and production bonds between the economic organisations of the CMEA countries at various levels of economic management does not result in the mushrooming of economic outfits operating on their own in the sphere of external economic ties. The socialist countries' economy requires not only flexibility in mutual cooperation but also balance, priority solution of large-scale problems bearing on the long-term prospects for economic growth, the rate and trends of scientific and technical progress.

This gives rise to the problem of agreeing on the range of organisations which could independently and authoritatively decide on the questions arising in the process of cooperation, without violating the principle of planned centralised management of the economy. Related to this problem is the question of organising genuine economic accounting in the export industries of the CMEA countries and of international economic accounting on their common market. This requires greater economic incentives for enterprises and organisations in starting lines of production and international economic ties which are most effective and most necessary for integration, and also greater responsibility for fulfilment of their obligations.

The external economic activity of some CMEA countries is characterised by internal economic rules of regulation. Up until the mid-1960s, the national systems of planning and economic stimulation of external ties had very much in common with each other (here and there being identical). The formulation and realisation of economic reform measures have brought about a marked differentiation in the national systems of regulating external economic activity. Considerable

differences have emerged in virtually all their basic elements.

There are now within the CMEA framework several models of the internal mechanism for regulating external economic activity. The most diverse subjects of external economic ties take part in the exchange of goods and services between the countries: specialised organisations of the ministries of foreign and internal trade, industrial and commercial enterprises, organisations acting as agents, combines and associations of enterprises, foreign trade organisations of sectoral ministries and departments, specialised agencies of functional departments, cooperative enterprises, etc. All these organisations naturally have different powers while the limits of their independent external economic activity do not coincide either quantitatively or qualitatively.

The most important differences are to be found in the principles underlying the organisation of economic accounting in the sphere of external economic activity: the terms and forms of profit-and-loss ties between production and foreign trade units, the manner of balancing domestic and foreign trade prices, the character and scope of material responsibility of economic organisations for the fulfilment of their obligations.

The discrepancies and differentiations between the systems of management of external ties in the CMEA countries are a substantial disintegrating factor. That is why the working out of a coherent theory of management of external ties under socialism would help to eliminate some of the difficulties in organisation and economic accounting and would make it possible to map out real ways and advisable limits for unifying the forms of administration of these ties as the socialist countries deepen their economic integration.

Further development of the Leninist principles of socialist economic activity as applied to the deepening socialist economic integration will make it possible consistently to bring closer the national mechanisms of regulation of external economic activity, to make concerted use of the instruments of state economic policy in the socialist countries for the purpose of intensifying the integration processes in the community of socialist countries. The necessary prerequisites have been created for this by the decisions adopted at the latest CMEA sessions.

## PROSPECTS FOR DEEPENING THE INTEGRATION PROCESSES IN THE CMEA COMMUNITY

### Two Main Stages of Integration

International socialist economic integration is a complicated and lengthy process in the course of which the material, organisational and spiritual prerequisites are created for the formation of the future communist world economy regulated jointly by all its participants under a common plan. The sequence in which the processes of socialist economic integration will develop and their specific features at the various stages are matters of great theoretical and practical interest.

For the capitalist countries united in the European Economic Community, the integration programme provides for three stages, involving the establishment of a customs union, then of an economic union, and finally of a political union.

The development of the CMEA countries' integration cannot be oriented upon similar stages because with them tariff policy is not as important as it is in the capitalist countries, while the various aspects of economic and production integration are tackled in a balanced manner on the basis of joint production and planning activity by state organisations. Political integration will also run along different lines, because socialist integration and capitalist integration have a qualitatively different content, the former being based on socialist internationalism.

In the foreseeable future, two main stages may be discerned in the development of socialist integration. These differ both in the degree of integration and in the character of economic mechanism to be used in achieving the goals of that period.

*The first stage* of socialist economic integration covers roughly the next three five-year periods, in the course of which the participating countries will be coping with the tasks of integration for whose fulfilment the conditions have already matured. This is a period of profound mutual adaptation of the CMEA countries' national productive structures, with the national sovereignty and economic independence of the countries being preserved and strengthened. This is achieved through a programme of integration measures which has been outlined in the decisions of the CMEA's 23rd session and has been subsequently formulated and spelled out in detail by the CMEA agencies and the interested countries.

Improvement of the traditional forms and methods of economic cooperation at this stage goes hand in hand with the formulation and translation into practice of new forms and methods with an eye to considerable growth of deeper and more stable ties between the national economies and the mutual adaptation of their structures. The integration measures are put through in a complex, combining various questions in the development of production, science and technology, and commodity, monetary and financial relations. There is also a mutual tying in of the national mechanisms of regulation of the countries' external economic activity.

Throughout this period new productive capacities, whose building is dictated by the need to optimise the system of the CMEA countries' economic relations, are to be started, and major joint measures for the technical improvement of their production apparatus are to be realised. In this period, the key tasks produced by the scientific and technical revolution are to be tackled.

At this stage, the socialist countries' national economies and state property within the national framework will remain the main arena of independent reproductive processes, even if there is to be a steady growth within these processes of the role of the world socialist economy, especially of its integrated part. There will be an extension of the sphere for deploying material, financial and manpower resources on the scale of the whole community. External economic activity, having become an organic component part of the whole economic life of the socialist countries, will acquire ever greater im-



portance in the development of every sector and sphere of the economy. The selection of this or that national economic solution (through the use of one's own resources and potentialities or through cooperation with other countries) will be determined to a greater extent than before by considerations of cost cutting (or maximisation of effect) both within the given country and within the framework of the community.

At the first stage of integration, there will be a further considerable extension and deepening of the international division of labour and the exchange of goods and services between the participating countries. A substantial improvement of the system of instruments of the commodity-money mechanism on the world socialist market may also be expected, with a greater role for foreign trade prices in ensuring mutually advantageous division of labour and commodity exchange, introduction of mutually convertible national currencies, enhancement of the role of the collective currency as a measure of value, means of payment and accumulation of world money. Various forms for jointly tackling problems brought up by the scientific and technical revolution find ever wider application.

*The second stage* of socialist economic integration is characterised by the formation, on the basis of the achievements at the first stage of integration, of a coherent system of international reproductive processes. It will be marked by a higher degree of economic and organisational unification of the national economies of the socialist countries in an international economic complex, with joint use of the achievements of the scientific and technical revolution. It will be characterised by profound penetration of the national economies by international production-economic and scientific-technical ties, maximum, economically warranted mutual adaptation and interdependence of the national economic structures, and close technological and economic coalescence of the production machinery of the integrating countries.

At the second stage of integration, considerable changes will apparently occur in its economic mechanism. From plan coordination, the countries will go on to the formulation, in one form or another, of a common plan for advancing the world socialist division of labour. This will apparently require new forms for joint forecasting and planning, includ-

ing the possible establishment of international planning bodies.

At this stage, conditions will be created ensuring the flow from one country to another of masses of commodities, scientific and technical information, money and manpower resources making it possible to concentrate in a balanced manner the factors of production wherever they will yield the maximum economic effect required by the socialist community. These conditions will include:

- establishment of a common base for accounting and economic analysis, making it possible to compare the effectiveness and profitability of economic processes within the individual territorial economic complexes;

- establishment of a fundamentally common system of internal prices and rates for services with a definite differentiation by country or zone, approximation of the system and levels of wages, etc.;

- unhampered movement of the factors of production within the boundaries of the integrated community, including the establishment of the necessary prerequisites for this in the spheres of foreign trade, currency and finance.

Concerning the organisational and legal forms, at this stage of integration there will be considerable development of joint enterprises, various types of international organisations and associations, including possibly some based on international property. Intensified joint planning activity by the socialist states will make it possible to raise production to the world highest level, locate production facilities most rationally throughout the integrated region with an eye to the economic and natural factors in each country.

Achievement of the final result—integration of all the socialist national economies in one international economy regulated under a common plan—goes beyond the framework of the foreseeable future, and it would be a gross error to regard this strategic goal as being the goal of the immediate measures designed no more than to create the prerequisites for setting the integration process in motion.

The stages of integration may be considered not only in terms of the development of economic ties between the countries which have now announced their intention to participate in it. Some stages in the advance of integration may also be

connected with the involvement of new countries into the integrating community. Because the integrating community is not a closed one, other countries accepting its tasks and purposes may later join in. However, it is not possible at the present time to anticipate such stages. It may merely be assumed that with the inclusion of new countries in the integrating community there will be an enrichment of the forms and methods of integration ties, with various modes of inclusion of individual countries in the integrating community, including those that will envisage integration ties between individual socialist countries and the CMEA community only in some lines of economic activity.

### **Comprehensive Programme of Socialist Economic Integration**

It goes without saying that for the socialist countries the question of the first stage of integration, of its forms and methods in strengthening economic cooperation between the countries is now of practical importance.

The first stage of integration is designed to decide the urgent problems in deepening economic cooperation between the CMEA countries. The measures the countries interested in integration plan to put through must yield a substantial and fully tangible economic effect and help them most rapidly to solve the complicated economic problems facing them. At the same time, the first few steps towards integration should gradually go to create the necessary conditions for the subsequent development of integration, its transition to the second stage and successful fulfilment of the new tasks inherent in the second and higher stage of integration. Thus, in a sense integration at the present stage predetermines the whole subsequent course of integration processes.

The various elements of socialist economic integration are interconnected, for integration cannot be confined to any one sphere, like monetary and financial relations or cooperation of production. Integration measures inevitably assume a systematic character and require the formulation of a thoroughly considered and well-balanced *programme* of socialist economic integration ranging over every sphere and aspect of economic relations and all the necessary organisational,

economic and legal instruments ensuring successful development of economic ties between the CMEA countries.

That is why the decisions of the CMEA's 25th session in July 1971 will stand out in the chronicle of economic relations between the socialist countries. *The Comprehensive Programme for deepening and improving mutual cooperation and developing socialist integration*, which the session approved, is essentially a general plan for joint economic activity by the CMEA countries over a number of five-year periods. The Programme, deepening and enriching the principles of cooperation, also sets out a large package of interconnected measures, establishing stages and deadlines, describing the economic, organisational and legal mechanism for their realisation through the joint efforts of the fraternal countries.

In this way the CMEA's 25th session marked the start of the stage of intensive development of socialist economic integration, and the adoption of a clearly expressed systems approach to achieving the goals set collectively in all the key areas of cooperation. The documents it adopted are an important milestone on the way towards the practical implementation of Lenin's ideas about the close economic integration of the socialist countries and the balanced organisation of socialist production on an international scale.

The importance of these documents cannot be entirely understood in isolation, outside the context of the work that has been carried on by the CMEA countries and agencies on many levels since April 1969. The line formulated by the CMEA's 23rd (special) session towards socialist integration made a start on a profound qualitative shift in the whole system of the socialist countries' economic and political relations. Even in the preparation of the first few drafts of the Comprehensive Programme there was a clear demonstration of the fraternal countries' common determination to advance towards greater unity and cohesion, and jointly to seek forms and methods for cooperation, ensuring a higher degree of interaction between their national economies.

For more than two years, the CMEA countries' planning and economic agencies, specialists and scientists made an all-round study of various aspects of production, scientific, technical and commercial cooperation, establishing the priori-

ties for the application of collective effort. The most efficient methods for the planned regulation of integration processes and ways of shaping a more clear-cut organisational structure for the economic community of the CMEA countries were worked out. In the course of this work the contours of the collective programme for socialist integration gradually became more distinct.

The Comprehensive Programme of socialist integration was a response to these vital requirements of the present stage in the economic and social development of the CMEA countries. As it is translated into practice additional major sources for economic growth will be set in motion. New and far-reaching steps will be taken in uniting the productive machinery of the socialist countries, thereby also multiplying their economic, scientific and technical potentials.

Among the measures planned for realising the goals of integration, improvement and deepening of the forms and methods of national economic plan coordination are designated in the first place. Plan coordination must include research, development, production, marketing and investments which are of mutual interest, and scientific, technical and economic forecasting.

The Programme devotes much attention to material production, production ties and the development of effective and stable international specialisation and cooperation of production.<sup>1</sup> Special attention is being given to sectors of production which determine technical progress. The extension and deepening of scientific and technical cooperation is envisaged both through the development of ties between scientific, technical and research institutes and through the establishment by interested countries of international scientific, technical and other organisations.

The Programme also includes measures ensuring the expansion of mutual trade and more active use of monetary and financial relations and international credit. One such

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<sup>1</sup> Proposals are being drafted in CMEA agencies, with the participation of interested countries, for the manufacture on the basis of international specialisation and cooperation of heavy-duty trucks (10-14 tons), freight cars and diesel locomotives. Another problem that is being given attention is the complex use of containers for the transportation of freight, etc.

measure is the decision of the CMEA's 23rd session concerning the advisability of establishing an investment bank by the CMEA countries and the need to improve the activity of the International Bank for Economic Cooperation of the socialist countries. The participants in the session recognised the need for broad development of direct ties between ministries, economic agencies, associations, enterprises and other organisations of the interested countries.

In order to consolidate economic ties, it was stressed at the session, there is need to strengthen the role of contractual principles, especially long-term economic relations between the CMEA countries.

Work on preparing the complex programme of economic integration was started in the CMEA countries and agencies along these lines after the CMEA's 23rd session. In the course of this preparation, the central planning agencies, the departments of science and technology, ministries, banks and other organisations of the CMEA countries arranged close international cooperation, and this helped successfully to carry out much fruitful work in drawing up the Comprehensive Programme.

In May of next year, the CMEA's 24th session noted the achievements in this joint work and approved the proposals submitted on the basic aspect of the Programme: improvement of cooperation in planning activity. Among other things, this includes: joint consultations on the basic aspects of economic policy, exchange of experience and cooperation in forecasting in the main areas of science and technology, coordination of national economic plans over a long term in the most important sectors of the economy and lines of production. The session instructed the CMEA's Executive Committee to work out and implement measures aimed to enhance the role of planning agencies in the CMEA countries' multilateral cooperation.

The session recognised that it was necessary to concentrate attention on concrete problems in cooperation in material production, something that was all the more important considering that at the time intensive work was being carried on to coordinate the national economic plans for the 1971-75 period. Naturally enough, the economic integration line for the five-year period ahead can be successful to the extent to

which the plans reflect the real measures for deepening cooperation in material production and the concrete projects in economic cooperation between the countries. That is why in the process of plan coordination many problems in pooling the countries' efforts on a number of key projects, by way of realising the common line towards integration, were tackled without waiting for the end of the work on the Comprehensive Programme. The elaboration of the integration programme and the discussion of its various aspects confirm the need for a fuller and more clear-cut reflection in national economic plans of the economic ties with other CMEA countries taking part in the integration.

The session recognised that it was advisable for the chairmen of the CMEA countries' planning agencies to cooperate on a regular basis in solving problems like fuels and raw materials, introduction of advanced technologies in the national economy, manufacture of new types of equipment and complex systems of machines in accordance with the requirements of advanced technology, and development of every type of connections in transport communications.

The CMEA 24th session approved the principles and the organisational, economic and legal principles for establishing international organisations, and the idea of enhancing the material incentives for and responsibility of the parties entering into direct contractual relations. It established the organisational forms and functions of the international organisations set up by the interested countries. It recommended that the countries should ensure favourable conditions for developing direct ties between ministries, departments, economic and other organisations and for the functioning of international economic organisations, which help to strengthen and improve cooperation between the socialist countries.

A major step forward in socialist economic integration was the decision taken by Bulgaria, Czechoslovakia, the GDR, Hungary, Mongolia, Poland, and the USSR to set up the International Investment Bank, of which Rumania also subsequently became a member.

The main task of the International Investment Bank is to make available credits, in the first place for measures connected with the international socialist division of labour, specialisation and cooperation of production, and consolida-

tion of the socialist countries' common raw materials and fuel base. The Bank's credits should go into projects of mutual interest for the CMEA countries and also projects of much importance for their national economies.

The 24th session also adopted recommendations for improving and extending the activity of the International Bank for Economic Cooperation. These recommendations are designed to help improve the international payments system, and to enhance the role of short-term credit in the CMEA countries' economic cooperation. The purpose of these measures is to create favourable conditions in payment and credit relations for promoting socialist economic integration.

Complex scientific development of a number of problems in further deepening and improving the socialist countries' cooperation, so as to advance socialist economic integration, is to be carried out by the new International Institute for Economic Problems of the World Socialist System, which was set up under another decision of the CMEA's 24th session.

The Comprehensive Programme for further deepening and improving cooperation and developing socialist economic integration calls for the formulation of a number of more detailed, specific programmes of international cooperation aimed to solve various major technical and production problems which are common to a number of countries. Such programmes are to be of a complex character.

This will help to identify the key production, scientific and technical tasks and to tackle these through the use of modern economic planning and management methods, organic tying in of "subprogrammes" for research, design, specialisation and cooperation, and financial and material back-up, and expansion of trade. The systems approach to the solution of key problems of cooperation could markedly make it more effective, by helping to prepare the technological basis in advance for developing promising lines of production, and securing close connections between the productive, scientific, technical, monetary, financial and commercial forms and lines of external economic relations between the socialist countries.

The Comprehensive Programme provides for just this kind of approach to the main production problems. Thus, in the manufacture of plastics, the CMEA countries intend to put through a complex of measures ranging over the use of



already available research and development projects, joint design, development and erection of new productive capacity, specialisation and cooperation of production, provision of the necessary raw and auxiliary materials on the basis of cooperation, and also cooperation in the working of plastics into finished goods.

Such programmes could become an effective instrument in implementing measures similar to the construction of the Druzhba oil pipeline and the establishment on its basis of a modern petrochemical industry. There are, for instance, programmes for developing the atomic power industry, supply the CMEA countries with pulp and paper, meeting their common requirements in a general-purpose lorry, etc.

The importance of the Comprehensive Programme will be ever more fully revealed as the tasks it sets out are realised. It determines the CMEA countries' common strategic line, which is to be translated into concrete terms as the large joint projects, constituting the material basis of the integration process, are realised. The Programme marks the start of intensive effort by planning agencies, sectoral ministries, departments and economic organisations of the CMEA countries and also by the CMEA's agencies in the practical organisation of more effective cooperation and more intensive interaction between the national economies.

The results of the CMEA countries' national economic plan coordination for the current five-year period are an important prerequisite for tackling the primary tasks of socialist integration, for they provide a sound basis of coordinated plan targets, collective measures and mutual obligations in realising the initial tasks of the Comprehensive Programme, adopted by the CMEA's 25th session. In this way, the Comprehensive Programme has operated from the outset as a programme for concrete action.

The communiqué on the CMEA's 26th session, which discussed various aspects of implementation of the Comprehensive Programme, stressed: "The CMEA countries' economic progress is being increasingly determined by the extension and deepening of cooperation, which has been developing in accordance with the Comprehensive Programme in every sphere of economic life."

The 24th Congress of the CPSU, which outlined a set of

measures aimed to deepen economic integration between the Soviet Union and other CMEA countries in the current five-year period, regarded the 1971-75 period as an important step in the practical realisation of the Comprehensive Programme of international socialist integration.

In 1971-75 period, the Soviet Union's trade with other CMEA countries will come to 76 thousand million rubles, with the annual growth rate going up by roughly 30 per cent over the 1966-70 period. Trade between the Soviet Union and the GDR is to go up to 22 thousand million rubles, between the USSR and Czechoslovakia to 13 thousand million, between the USSR and Poland to 13 thousand million, between the USSR and Bulgaria to 12 thousand million, between the USSR and Hungary to 9 thousand million, and between the USSR and Rumania to 5 thousand million rubles. Mutual deliveries of goods turned out by industries on which the acceleration of technical progress depends in the first place—precision engineering, chemistry and electronics—are to grow at a faster rate than those of other industries.

The structure of the Soviet Union's trade with other CMEA countries is being improved and its effectiveness enhanced. In the five years, deliveries of engineering products between the USSR and other CMEA countries are to increase by roughly 80 per cent, while the export of Soviet machinery is to be roughly doubled, so that by 1975 they will account for about one-third of Soviet exports to these countries. These rates of export growth set responsible tasks before Soviet engineering and require a further improvement in the quality of machinery.

There is to be a marked increase in the Soviet Union's deliveries of the main types of raw materials and fuel. Suffice it to say that in the 1971-75 period, it is to supply the CMEA countries with 243 million tons of oil (as compared with 138 million tons for the 1966-70 period), 33 thousand million cu.m. of natural gas (as compared with 8 thousand million cu.m.), 42 thousand million kwh of electric power (as compared with 14 thousand million kwh), 94 million tons of iron ore, in terms of metal (as compared with 72 million tons).<sup>1</sup> The growing volume of deliveries of fuel, power and

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<sup>1</sup> *24th Congress of the CPSU*, Moscow, 1971, pp. 198-199.

raw materials resources are an important contribution by the Soviet Union to solving the problem of stable development of the CMEA countries' socialist economy.

It should be emphasised that cooperation in this sphere is no longer confined to a mere increase of raw materials and fuel deliveries through foreign trade channels.

In the course of the 1971-75 plan coordination, agreements were concluded with Czechoslovakia and the GDR on participation in building up productive capacity in the oil and gas industry of the USSR; with Poland and Hungary—on the further construction of the Druzhba oil pipeline; with Bulgaria—on erecting additional facilities in the gas, timber, pulp and metallurgical industries; with Rumania—on building up productive capacity in the iron ore industry of the USSR, and with Hungary—on participation in increasing the output of cardboard, asbestos, phosphorus-bearing raw materials and fertilisers. This work is being continued.

The Soviet Union's assistance and technical aid are also being extended in the construction of new enterprises in the socialist countries. The USSR has delivered complete installations to continue development in these countries of the electronic, power, chemical, oil refining, ferrous and non-ferrous metallurgical, the building materials and other industries. Altogether, almost 400 projects are to be built in the CMEA countries from 1971 to 1975 with the Soviet Union's technical assistance.

On the other hand, there is to be a considerable increase in deliveries of various goods by the other CMEA countries to the USSR. Thus, for instance, they will supply equipment for the chemical industry worth 1,300 million rubles, and means of railway and water transport worth almost 3,000 million rubles. The USSR is to import over 8,500 million rubles' worth of consumer goods.<sup>1</sup>

Table 3 is a striking illustration of the growing economic bonds between the Soviet Union and the other CMEA countries. These bonds have long since become a vital element in the processes of extended reproduction in the CMEA countries, and their role is to increase considerably in

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<sup>1</sup> 24th Congress of the CPSU, p. 199.

Table 3

**Growth of Trade Between the CMEA Countries in Europe, 1971-75**  
(per cent of mutual deliveries in 1966-70)

	Bulgaria	Czecho- slovakia	GDR	Hungary	Poland	Rumania	USSR
Bulgaria	x	200	183	170	200	190	157
Czechoslovakia	200	x	150	160	180	150	143
GDR	183	150	x	166	170	170	156
Hungary	170	160	166	x	140	170	150
Poland	200	180	170	140	x	180	167
Rumania	190	150	170	170	180	x	135
USSR	157	143	156	150	167	135	x

the current five-year period as economic integration goes forward.

Consequently, improvement of the system of external economic relations is becoming an ever more important reserve in enhancing the economic efficiency of the national economy of the USSR and of the other CMEA countries.

The planned growth of economic bonds between the CMEA countries sets new and higher requirements on cooperation between the CMEA countries' planning agencies and development of joint planning activity.

In the next few years cooperation between the CMEA countries' central planning agencies is to be considerably deepened, and made more systematic and effective. The main purpose of their cooperation within the CMEA framework is to formulate proposals on the complex solution, on a multi-lateral basis, of key problems like the fuel and raw materials problem, introduction of advanced technologies into the key branches of the national economy, fabrication of new types of equipment and also development of every type of transport connections and the establishment of a common transport system.

"Our planning and economic organs," A. N. Kosygin said at the 24th Congress of the CPSU, "will participate with the interested countries in preparing joint projects, with a view to securing a considerable increment in the resources of fuel,

raw materials and metals, and pave the way for specialisation and cooperation in different branches of the economy.”<sup>1</sup>

Economic integration, leading to the economic cohesion of the countries of the socialist community and their more intensified cooperation with each other, does not signify any isolation from other countries or a closing up of international economic ties within the framework of this community. Socialist integration has nothing in common with the establishment of autarkic groupings. The Soviet Union and the other CMEA countries are prepared to cooperate with any state displaying a sincere desire to do so and in effect accepting the principles of peaceful coexistence.

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<sup>1</sup> 24th Congress of the CPSU, p. 199.

The authors analyse the main theoretical and practical problems related to economic integration of socialist countries, this new and complex process in the development of world socialism.

They study the essence, and the stages of the integration process; also the forms and instruments to be used for the implementation of the complex integration measures. Particular attention is attached to extending and deepening the ties between the socialist national economies, to the specialisation and cooperation of production and to plan coordination.

The book is intended for a wide reading audience.



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