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USSR Report

INTERNATIONAL ECONOMIC RELATIONS

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SOVIET FOREIGN TRADE, AID PROJECTS REVIEWED

Moscow FOREIGN TRADE in English No 6, Jun 82 pp 2-12

[Article by Semyon Skachkov, chairman of the USSR State Committee for Foreign Economic Relations: "USSR Economic and Technical Cooperation with Foreign Countries"]

[Text]

The Leninist strategy of the Peace Programme for the 1980s, put forward by the 26th CPSU Congress and supplemented by L.I. Brezhnev's new initiatives, opens new possibilities for solving complicated international problems—not by way of confrontation but on the basis of equitable cooperation and development of inter-state economic relations. The Party and the Government, attaching great importance to economic cooperation between states, regard it as a mechanism promoting the consolidation of detente and lessening the danger of war, consider this cooperation also as a means for increasing social production efficiency and for solving key economic problems of the communist construction.

"The weighed and well thought-out development of foreign economic ties is a considerable reserve for increasing our economy's efficiency," — L.I. Brezhnev pointed out at the November (1981) Plenary Meeting of the CPSU Central Committee.

The outstripping foreign trade turnover growth rates as compared to the production growth rates witness the increasing role of these ties in the development of the USSR national economy. Thus in 1971-1980 following the 78 per cent increase of the industrial production, the foreign trade turnover volume (in constant prices) grew by 88 per cent. In 1981 the USSR trade turnover with foreign countries increased by 17 per cent relative to that of 1980 and reached 110,000 million rubles.

Due to the expansion of foreign economic relations and their increased role in realizing major tasks of the USSR economy, raising the efficiency of foreign economic relations, improving the trade turnover structure and a more comprehensive utilization of the advantages of the international division of labour become more and more important.

A significant place in fulfilling these tasks is given to the economic and technical assistance rendered to foreign countries by

the USSR State Committee for Foreign Economic Relations which was set up 25 years ago by a Decree of the Presidium of the Supreme Soviet of the USSR, July 1, 1957.

This form of economic cooperation appeared as far back as the 1920s-1930s when our country rendered assistance in constructing a number of enterprises in Mongolia, Afghanistan and Turkey. However, as an independent trend, such form of economic relations began to shape in the postwar period when the proper conditions were created for its development: the growth of our country's economic and technical potential, the creation of the world system of socialism and the world socialist market, the expansion of the national liberation movement and the appearance of new states struggling for their economic independence.

From the mid-1950s the Soviet Union along with the expansion of cooperation with the socialist countries rendered assistance to the developing countries in constructing large projects. During this period the specific character of the activity concerned with rendering economic and technical assistance to foreign countries began to manifest itself, the distinction of this form of cooperation from the routine foreign trade activity, the necessity of creating new organizational forms for its efficient development and coordination of diverse activities of ministries, departments, project planning organizations and industrial enterprises drawn in the realization of economic and technical cooperation. Taking the above into account the objective need for setting up the State



Committee for Foreign Economic Relations now comprising 9 export-import associations to specialize in certain branches of the economy was determined.

Since the State Committee's establishment the economic and technical assistance plays increasingly important role in the general system of the Soviet Union's foreign economic ties.

At present this direction of the Soviet Union's cooperation with foreign countries has formed into a comprehensive system embracing the construction of complete projects, assistance in operating the constructed enterprises, organization of geological explorations, staff training, etc.

The State Committee actively participates in solving problems concerned with improving the Soviet export structure and increasing deliveries of the machine-building industry's products

abroad. Export of complete equipment and materials for constructing projects becomes one of the promising perspectives of the Soviet machinery and equipment exports. Over the past 25 years the volume of the complete equipment export grew at high rates. While in the 1960s it amounted to about 6,000 million rubles, during the subsequent decade it has exceeded 15,300 million rubles or increased 2.5 times. During the previous five-year-plan period its volume more than doubled the level of the preceding five-year-plan period. Here of course a price rise occurred, especially in the second half of the 1970s but the physical volumes of complete deliveries were rather high and increased 1.6 times during this period. The share of these deliveries in the total machinery and equipment export increased from 27.7 per cent in 1976 up to 33 per cent in 1981.

Over the last two decades on average more than 100 industrial enterprises and other projects constructed with Soviet assistance and fitted with USSR equipment were put into operation annually. These are mostly large industrial enterprises and other national projects of great importance for the corresponding countries's economies.

The electric power engineering industry, the share of which is about one-third of the total volume of assistance rendered takes a primary place in the Soviet Union's cooperation with foreign countries. With the assistance of the All-Union Associations Technopromexport and Atomenergoexport over 400 power engineering projects are to be constructed abroad: thermal, hydro and atomic power stations, power networks, heating systems

and other projects. The total capacity of constructed power stations and those to be constructed abroad amounts to 97.5 million kW. Electric power stations (capacity 47.5 million kW) are already in operation. In 1980 they generated about 170,000 million kWh or approximately the amount generated in the USSR in 1955.

The creation and development of the iron-and-steel industry—construction of projects for the recovery and dressing of iron ore, coke-oven batteries, blast furnaces and steelworks, as well as deliveries of machinery for the continuous casting of billets and rolling mill equipment—occupies a prominent place in cooperation with foreign countries. With the assistance of the All-Union Association Tyazhpromexport more than 70 metallurgical enterprises with capacities for producing 36.6 million tons of cast iron, 40.6 million tons of steel and 37.2 million tons of rolled metal were put into operation abroad.

The Soviet Union renders wide assistance to foreign countries in developing non-ferrous metallurgy. With the assistance of the All-Union Association Tsvetmetpromexport hundreds of industrial enterprises for the recovery and dressing of ore, production of non-ferrous metals including aluminium, lead, zinc, copper, molybdenum, nickel, cobalt and tin have been constructed abroad. In many cases cooperation in this sector of industry is carried out on a compensation basis when a certain share of products of the projects being constructed is delivered to the Soviet Union as payment for their construction costs. With this Association's assistance wide programmes for developing the coal industry in

foreign countries are being carried out. By the beginning of 1982 capacities for recovery of 43.4 million tons of coal were put into operation in these countries.

Due to the energy crisis which to various degrees in the 1970s sharply affected many countries of the world, great importance for stable economic development is attached to the petroleum industry and the All-Union Association Technoexport renders technical assistance to foreign countries in developing this industry. At the beginning of 1982 capacities for producing 67.5 million tons of oil annually were put into operation abroad. A great volume of the technical assistance rendered by the All-Union Association Neftechimpromexport falls to petroleum refining and chemistry. The capacities of petroleum refining enterprises constructed with Soviet assistance amount to about 50 million tons of crude oil per year.

The Soviet Union assists foreign countries to develop many industrial sectors. For example, the All-Union Association Prommashexport renders assistance in constructing machine-building factories and sugar-mills. With the technical assistance of the All-Union Association Technostroyexport house-building complexes, cement-making plants as well as automobile roads and railways are being constructed.

The development of industry and power engineering is directly connected with the Soviet Union's assistance in the field of geology and mineral exploration rendered to foreign partners. Soviet geologists fulfil diverse work in approximately 30 countries. On the basis of deposits discovered by

them the gas industry was created in Syria and India, the mining industry in Mongolia is rapidly developing as well as non-ferrous metallurgy in Bulgaria and bauxite recovery in Guinea.

A great volume of the USSR's technical assistance falls to the development of agriculture which is given by the All-Union Association Selkhozpromexport. It helps create state and other farms, seed-growing farms and veterinary laboratories. Envisaged is the development of 1.7 million hectares of new lands of which 1.1 million hectares had their development and irrigation work completed already by the beginning of 1982.

In the 25 years the USSR economic and technical cooperation with foreign countries has considerably expanded. In 1957 agreements on economic and technical cooperation were signed only with 17 countries. By the mid-1982 such agreements were signed with 81 states. On the basis of these agreements above 4.5 thousand enterprises and projects are being constructed or modernized and over 2.7 thousand put into operation abroad.

During these years along with the quantitative growth great qualitative changes in the cooperation have occurred. It has a large-scale character. Construction of integrated projects including those on the USSR territory with the CMEA member-countries' joint efforts is progressing.

Over recent years the European socialist countries began implementing a task of great political and economic importance—the joint creation of the machine-building base for atomic power engineering. In the

1970s the construction abroad of industrial projects using advanced Soviet technology on terms of a general contract was widely spread with the transfer of the project constructed by Soviet building organizations to the foreign customer in a fully operative state. The share of contract construction in the total volume of technical assistance rendered increased from 17 per cent in 1975 up to 24 per cent in 1981 and for the developing countries from 15 per cent up to 40 per cent. Industrial cooperation with foreign countries on the basis of the enterprises constructed earlier with Soviet assistance is developing.

From year to year the returns ensuing from the activity connected with technical assistance to foreign countries for the USSR economy increased. Our country purchases necessary goods with the resources it receives as repayment for this assistance and the cancellation of credits it granted to a number of countries.

The principle of mutual benefit in the 1970s became more effectively realized through the building abroad with Soviet technical assistance of such industries whose products are of interest to both sides. This form of cooperation assures stable and long-term economic basis since the ties between the partners continue even after construction of the project and during the whole period of its goods deliveries to the USSR.

The USSR on average receives annually products worth 3,500 million rubles from the constructed projects as compensation for the Soviet organizations' working expenses including repayment of credits granted by the USSR.

In 1976-1980 the Soviet Union received more than 41,000 million cu.m. of natural gas from Iran and Afghanistan, 23 million tons of oil from Iraq and Syria, about 12 million tons of bauxites from Guinea, 2,6 million tons of soda ash from Bulgaria, Romania and Poland, 167 thousand tons of copper concentrate from Mongolia, 16.9 million tons of raw sugar from Cuba, alumina, rolled ferrous metals, machine-building products, etc. worth 17,500 million rubles which during this time averaged more than 15 per cent of the total USSR import volume from the socialist and developing countries.

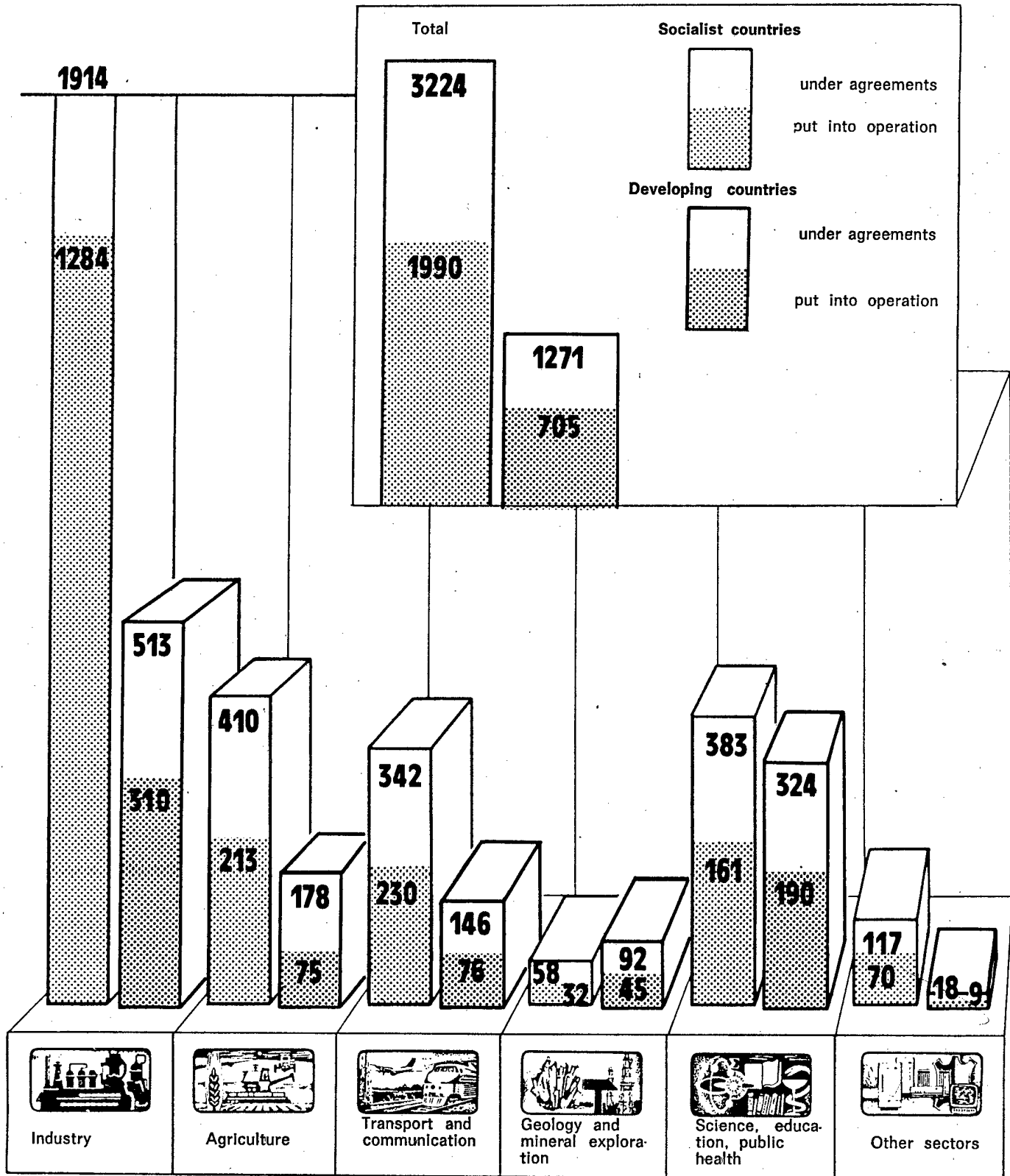
In their international activity the CPSU and the Soviet Government attach first degree importance to the further development of friendship and cooperation with the countries of socialism.

At the November (1981) Plenary Meeting of the CPSU Central Committee it was stressed that the deepening of cooperation with the socialist countries is a task of paramount economic and political importance.

The economic and technical cooperation with the fraternal countries is aimed at strengthening the economic potential of the socialist community as a whole and each country separately.

For the last 25 years the USSR economic and technical cooperation with the socialist countries has greatly expanded and acquired a diverse character. The share of the socialist countries in the total volume of Soviet complete equipment deliveries to foreign countries reached over 65 per cent.

**NUMBER OF PROJECTS BUILT AND TO BE BUILT
IN FOREIGN COUNTRIES WITH SOVIET ASSISTANCE**
(as of January 1, 1982)



The power (including nuclear) industry, metallurgy, oil-processing, petrochemistry and chemistry, construction and machine-building industries occupy leading places in cooperation. More than

80 per cent of Soviet assistance cover these industries.

Special stress in the economic and technical cooperation with the fraternal countries is placed on solving the fuel-power problem. With the Soviet Union's assistance a strong electric power base has been created in these countries. In 1981 the electric power stations constructed with the USSR's assistance generated 80 per cent of electric energy in

Bulgaria, 45 per cent in the GDR and the Republic of Cuba, 83 per cent in Mongolia, 47 per cent in Romania and 60 per cent in the Korean People's Democratic Republic.

Among the power projects are ones unique by their importance. These are the Boxberg thermal power station (capacity 3.5 million kW) in the GDR, one of the largest in the world, the still larger Jänschwalde thermal power station (capacity 4 million kW) which is under construction in the same country; the Hao Binh, a very large hydro-electric complex with a power station (capacity 1.92 million kW) is being

**Number of enterprises and other projects built,
being built and to be built in the socialist countries
with the Soviet Union's technical assistance**

(as of January 1, 1982)

	Total		Including industrial enterprises	
	under agreements	put into operation	under agreements	put into operation
Total	3,224	1,990	1,914	1,284
including:				
CMEA member-countries	2,718	1,593	1,483	934
Bulgaria	341	212	280	176
Hungary	131	96	97	76
Vietnam	288	194	161	101
GDR	88	45	60	24
Cuba	565	241	264	147
Mongolia	810	466	230	142
Poland	221	143	163	112
Romania	173	121	144	95
Czechoslovakia	56	30	42	19
Other socialist countries	506	397	431	350
including:				
Laos	43	4	19	1
Korean People's Democratic Republic	70	59	41	32
Yugoslavia	137	78	128	74

constructed in Vietnam. The technical level of equipment being installed at electric power stations is under constant improvement.

In 1957 Soviet series-made power-generating equipment delivered had small unit capacities (12 MW); now large power blocks (capacity 500 MW) are being installed at electric power stations constructed in the fraternal countries with the USSR assistance.

However, due to limited natural fuel-power resources in Europe and Cuba the problem of satisfying the ever increasing demands for electric power can be solved only through the all-round development of atomic power engineering.

With technical cooperation of the Soviet Union ten power blocks with VVER-440 reactor installations (total capacity about 4.4 million kW) were constructed and successfully operate at atomic power stations. Such reactors are installed at the Nord atomic power station in the GDR, Kozloduy in Bulgaria and Bohunice in Czechoslovakia. At present in the CMEA member countries atomic power stations (total capacity 12 million kW) are being designed and constructed with Soviet assistance which when put into operation together with those already commissioned will save not less than 30 million tons of liquid fuel for these countries. Construction of the first power block at the Paks atomic power station will soon be completed, preparations for the construction of the Juragua atomic power station in Cuba are being carried out and the Zharnowec atomic power station in Poland is being designed.

Realization of the all-round development of atomic power engineering in the Soviet Union and the CMEA member-countries required joint efforts of the countries forming the socialist community in order to create a powerful base of the atomic power engineering industry through applying inter-state specialization and cooperation in production. During the years of the 10th Five-Year-Plan Period these countries have manufactured and supplied equipment for many atomic power stations being built in the socialist countries and including the Kolskaya, Chernobylskaya, Kurskaya and Novovoronezhskaya atomic power stations in the Soviet Union.

In June 1979 an Agreement on Multilateral International Specialization and Cooperation in Production and mutual deliveries of equipment for atomic power stations for 1981-1990 was concluded.

Widely utilizing the advantages of the international socialist division of labour about 50 industrial associations and enterprises of the eight countries are pooling their efforts at producing complex equipment according to the standardized technical specifications.

Czechoslovakia's share in the production of equipment for atomic power stations is the largest after the USSR. The Skoda industrial association produces reactor installations. A number of industrial enterprises manufacturing equipment for atomic power stations have been set up in Bulgaria, the GDR, Hungary, Poland and also Yugoslavia. In 1976-1980 the socialist countries produced 20 named sets of complete equipment and equipment

systems for atomic power stations and in 1981-1990 more than 140 other types of equipment will be produced, and power blocks (unit capacity one million kW) for atomic power stations will begin to be manufactured.

At present paramount importance is attached to combining the efforts and resources of the fraternal countries in realizing the plans of socialist and communist construction. "The CPSU and other fraternal parties are setting their course on making the coming two five-year periods a time of intensive cooperation among the socialist countries in production, science and technology,"¹ as L.I. Brezhnev pointed out at the 26th CPSU Congress.

In this connection the realization of the Agreement on the multilateral international specialization and cooperation in production of equipment for atomic power stations is today one of the most important tasks of cooperation with the countries of the socialist community. Fulfilment of the above Agreement will determine the whole course of constructing atomic power projects in the CMEA member-countries and, which is very significant, will greatly contribute to the realization of an important economic problem set by the 26th CPSU Congress—accelerate the pace of putting new capacities at the home atomic power stations into operation.

Thanks to the wide economic and technical cooperation with the Soviet Union the majority of

the fraternal countries speeded up the development of ferrous and non-ferrous metallurgy during the years of socialist construction. Realization of this task was complicated due to the fact that many socialist countries (with the exception of the GDR, Poland and Czechoslovakia) lacked their own metallurgical base. Today such enterprises as the Kremikovtzi metallurgical complex and the Lenin iron and steel plant in Bulgaria, the Lenin metallurgical complex and the Katowice metallurgical complex in Poland, the José Martí iron-and-steel plant in Cuba as well as the Kim Chaek iron-and-steel plant in the Korean People's Democratic Republic are leading enterprises in these countries' heavy industries. Elatsite, a copper ore dressing plant in Bulgaria, Punta Gorda, a nickel works in Cuba, Birac, an alumina plant in Yugoslavia, are the biggest enterprises of the non-ferrous metallurgy. Erdenet, a copper-molybdenum ore-dressing plant, the biggest in Asia, was completely commissioned in 1981.

The Soviet Union plays an important role in creating and developing "big chemistry" in the socialist countries. Thanks to the USSR's assistance chemical and petrochemical industries were created in Bulgaria, Hungary and other countries. The projects constructed in this field with Soviet organizations' technical assistance provide in general up to 60 per cent of the CMEA member-countries chemical industry's products.

¹ *Documents and Resolutions. The 26th Congress of the Communist Party of the Soviet Union*, Novosti Press Agency Publishing House, Moscow, 1981, p. 12.

The Soviet Union's cooperation with the fraternal countries in the building industry and the building material industry is greatly developing; and this promotes the successful solution of not only important economic but also social tasks. The large-panel house-building complexes constructed with the USSR assistance already now provide about 20 per cent of the new housing area in the CMEA member-countries funded from the state capital investments and in some countries this figure is much higher (for example, in Mongolia, Hungary and Bulgaria—about 50 per cent).

Of vital importance for a number of the socialist countries is the cooperation in developing agriculture and agricultural-industrial complexes. The assistance rendered in this field to Mongolia, Vietnam and Cuba is a vivid example. Owing to Soviet assistance a fodder base for cattle-farming was created and state and stock-breeding farms built in Mongolia. The development of virgin lands made it possible for the country to satisfy a great part of its needs for bread grain from their own production. Vietnam received assistance when organizing state farms and growing perennial tropical cultures—tea, coffee, hevea, citrus, etc. Of great importance is the all-round assistance rendered to the Republic of Cuba for developing the sugar industry including its raw material base and fertilizer production, the introduction of integrated mechanization for harvesting sugar cane as well as modernization and construction of sugar-mills.

Over the past years of economic and technical cooperation the Soviet Union rendered assistance to the socialist countries in geological exploration, and construction of vitally important infrastructure projects.

Deep mutual concern and mutual benefit form the foundation of the Soviet Union's economic and technical cooperation with the fraternal countries.

Deliveries of machinery, equipment and other goods from the fraternal countries are of great value for the Soviet economy. Thus, in the 10th Five-Year-Plan Period the USSR due to the imports from the CMEA member-countries satisfied up to 40 per cent of its requirements for ships and loaders, up to 35 per cent—for coaches and approximately one-third—for rolling equipment. More than 15 per cent of stocks for the retail trade in such goods as furniture, footwear and ready-made clothing are covered by imports from the CMEA member-countries. The real returns for the USSR national economy from the economic and technical assistance rendered to the socialist countries is the import of products manufactured at the enterprises constructed with Soviet organizations' assistance in the fraternal countries. These products import was worth 1,100 million rubles in 1974. In 1981 it already was about 3,000 million rubles. This import included copper and molybdenum concentrates, fluor-spar, blankets, woollen rugs and carpets from Mongolia; galvanized sheet, wire rod, soda ash, polyamide cord and electrocars from Bulgaria; alumina, lead

and zinc from Yugoslavia; sugar from Cuba; tin, tea, coffee, pineapples, bananas and citrus from Vietnam as well as a number of other goods.

The Soviet Union's great assistance to other socialist countries in creating a powerful economic potential largely made it possible for the CMEA European countries

with their material, financial and man-power resources to participate in the development and expansion of production of a number of raw material goods on USSR territory.

The decisions of the 26th CPSU Congress envisage the further development of mutually beneficial trade, scientific and technical cooperation with the socialist countries to jointly resolve problems concerning their economic intensification and creation of additional sources of goods reserves.

Cooperation with the socialist countries in the field of capital construction in the period after the 26th CPSU Congress has not only expanded but was enriched with new forms and content. At the Congress the necessity was

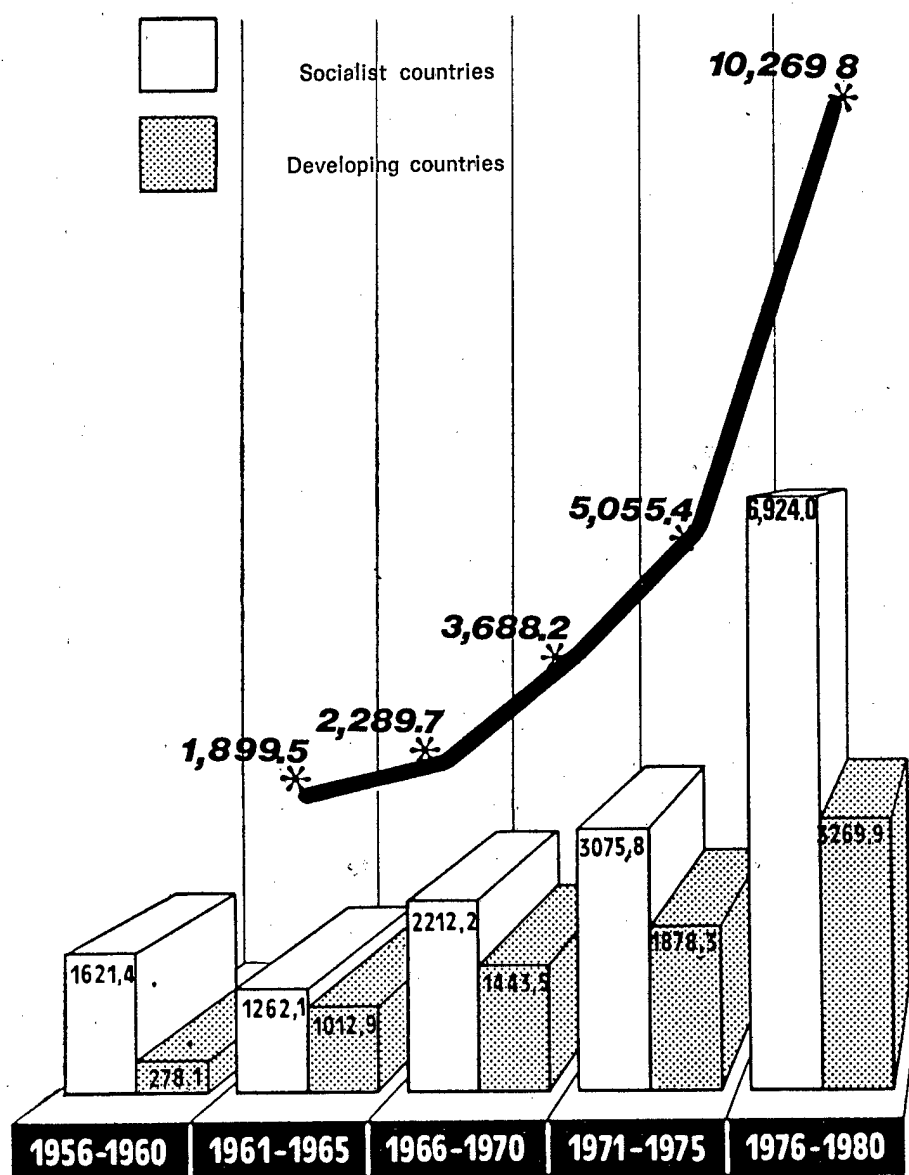
**Number of Enterprises and Other Projects Constructed,
Being Constructed and To Be Constructed in the Developing
Countries with the Soviet Union's Technical Assistance**

(as of January 1, 1982)

	Total		Industrial enterprises	
	under agreements	put into operation	under agreements	put into operation
Total	1,271	705	513	310
including				
Asia	690	408	326	203
Afghanistan	167	78	46	19
India	92	56	65	38
Iraq	99	73	49	38
Iran	121	81	87	59
People's Democratic Republic of Yemen	33	15	11	5
Kampuchea	23	2	4	5
Pakistan	13	8	4	2
Syria	64	35	24	16
Turkey	15	8	13	8
Africa	556	295	174	106
Algeria	120	65	29	25
Algeria	120	65	29	25
Egypt	107	95	47	36
Guinea	33	26	12	9
People's Republic of the Congo	20	10	5	2
Libya	15	2	6	2
Madagascar	9	1	1	—
Mali	17	13	3	1
Mozambique	33	6	7	—
Nigeria	12	2	2	—
Ethiopia	41	4	18	2

**COMPLETE ENTERPRISES EQUIPMENT AND MATERIAL EXPORT
BY FIVE-YEAR-PLAN PERIODS**
(mln. rubles)

TOTAL



pointed out for a search into new ways coordinating the fraternal countries' efforts and resources and the need to set up joint firms and enterprises. In 1981 an agreement on establishing a joint enterprise for oil and gas exploration and production was signed with Vietnam, implementation of this project has already begun.

According to the inter-state agreements signed on the results of coordinating the state plans for 1981-1985 the volume of the USSR economic and technical cooperation with the socialist countries during this period will increase almost 1.5 times. The main directions of this cooperation were set by the strategic course aimed at accomplishing a radical turn in the economies of the socialist countries through switching them on to the road of intensive development as determined by the 26th CPSU Congress and the Congresses of the Communist and Workers' Parties of the socialist countries. This course was confirmed during the meetings of the leaders of the fraternal parties and countries held in the Crimea in July-August, 1981, as well as by the decisions of the 35th CMEA Session.

* * *

The 26th CPSU Congress confirmed the immutability of the course of the Soviet Union's economic and technical assistance rendered to the developing countries in constructing industrial enterprises, power, agricultural and other projects promoting the strengthening of their economic and political independence.

As L.I. Brezhnev pointed out at the 26th CPSU Congress, "We are developing wide-ranging mutually beneficial economic, scientific,

and technical cooperation with the newly-free countries. The building of large projects in these countries with some form of Soviet participation figures prominently in our relations with them."²

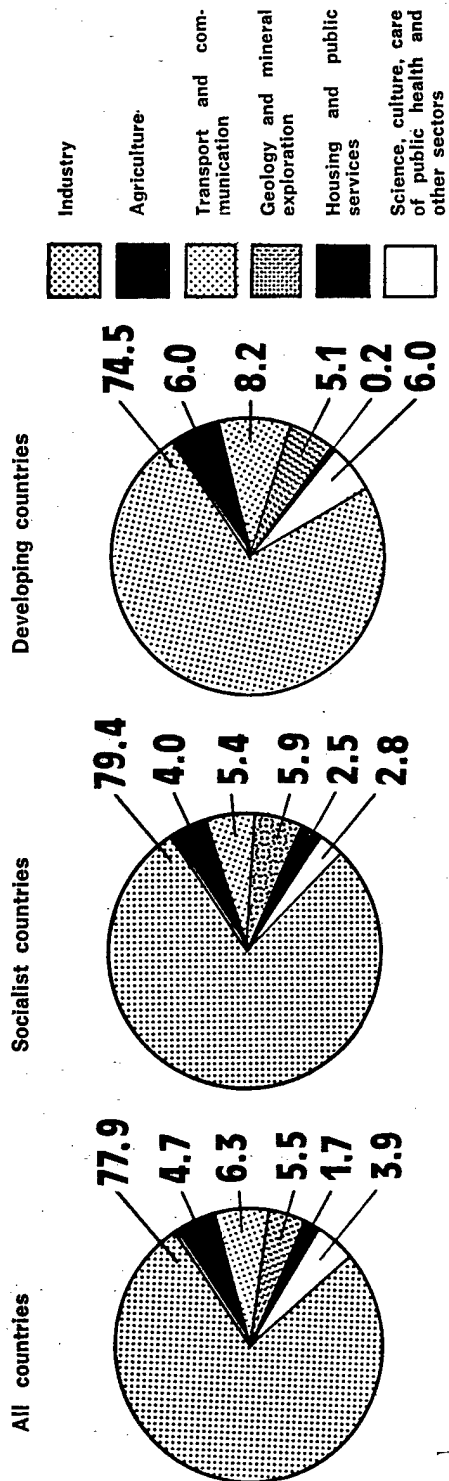
The establishment and wide development of economic and technical cooperation of the Soviet Union and other socialist countries with the newly-free countries over the last two and a half decades largely helped these countries to put an end to the imperialist monopolies' activities in the sphere of international economic relations. This gave the developing countries the opportunity to advance their pressing demands expressed in particular for the establishment of a new international economic order.

The sectorial structure of the Soviet Union's economic and technical assistance takes full account of the corresponding countries governments' factual requirements












by putting the main stress on the material production branches of the state sector, primarily on the creation of industrial and power capacities, mineral prospecting, the development of agriculture and training of national personnel. Substantial assistance is being rendered in the field of transport and communication as well as public health. More than 90 per cent of the volume of technical assistance is aimed at developing all industrial sectors as a whole—of this 75 per cent goes to industry and power engineering.

² Documents and Resolutions. The 26th Congress of the Communist Party of the Soviet Union, Novosti Press Agency Publishing House, Moscow, 1981, p. 17.

SHARE OF NATIONAL ECONOMY SECTORS IN THE TOTAL VOLUME OF USSR ECONOMIC AND TECHNICAL ASSISTANCE



**CAPACITIES OF ENTERPRISES BUILT AND TO BE BUILT
IN FOREIGN COUNTRIES WITH THE SOVIET TECHNICAL ASSISTANCE**
(as of January 1, 1982)

		Socialist countries		Developing countries	
		under agreements	put into operation	under agreements	put into operation
Electric power stations /rated capacity/, mln kW		74.26	38.42	19.38	7.70
Iron, mln t		34.10	22.66	25.20	12.37
Steel, mln t		47.12	28.72	25.41	10.20
Rolled products, mln t		47.03	28.71	21.78	7.47
Coal /extraction/, mln t		105.42	38.62	50.27	4.80
Oil /refining/, mln t		59.65	37.65	23.30	11.63
Cement, '000 t		18,190	8,390	4,380	1,550
Large-panel house-building, '000 sq. m.		7,730	4,605	3,495	450
Length of railways, km		3,507	3,203	2,349	1,773
Grain elevators (capacity), '000 t		415	282	1,503	1,049
Development of lands, '000 ha		1,177.0	961.0	586.4	167.2

The Soviet Union actively participates in developing the national power engineering industries of the developing countries. A number of countries receives technical assistance in all branches included in the fuel-power complex. For example, in India such a complex embracing exploration, production and refining of oil, coal extraction as well as construction of thermal and hydro-electric power stations and the power engineering industry was created. Realization of the USSR-India agreement signed during the historic visit of L.I. Brezhnev, General Secretary of the CPSU Central Committee and Chairman of the Presidium of the Supreme Soviet of the USSR, to India in December 1980 is furthering the development of this complex. In accordance with this agreement the Soviet Union is rendering technical assistance to India in the current five-year-plan period in constructing the Vaidan thermal power station (capacity of the first stage is one million kW with a possible expansion up to three million kW), the Nigahi and Mukunda large open-cast mines (capacity 14 and 12 million tons of coal per year) and coal-dressing factories.

The electric power stations constructed with the USSR assistance generate about 70 per cent of Syria's total electric power, 60 per cent of that of Afghanistan's and 50 per cent of Egypt's electricity. Electric power generated at the electric power stations put into operation was over 30,000 kWh in 1980. Of great importance for the development of the developing countries' fuel-raw material potential is the Soviet Union's assistance rendered in geological ex-

ploration for oil, gas and solid minerals. Soviet geologists helped in explorations of most important resources on the basis of which in many countries enterprises for their production and processing were constructed.

In Syria with Soviet organizations' aid oil fields have been explored and the national petroleum industry, new for this country, created. At the beginning of this year more than 100 million tons of crude oil was extracted from these oil-fields. A number of powerful oil fields were founded in Iraq with the cooperation of the USSR. Large gas fields have been explored and developed in Afghanistan with the USSR assistance which helped create this country's new gas industry.

Such an important industry as ferrous metallurgy is being set up in many developing states of Asia and Africa mostly with the assistance of the USSR. In 1980 the enterprises of this sector constructed with USSR assistance produced approximately one third of these countries' total steel output.

Large iron-and-steel works with a full cycle (iron-steel-rolled metal) have been constructed and are under construction in India, Iran, Algeria, Egypt, Turkey, Pakistan and Nigeria.

Enterprises of the machine-building, light and food industries constructed with the Soviet Union's assistance as well as those of the infrastructure greatly contribute to the developing countries' economies.

Many developing countries give weighty attention in their national plans to the development of agriculture. In line with these countries' wishes the Soviet

Union renders them assistance in this field too. One of the main trends of assistance is the development of new lands and construction of irrigation systems for growing various agricultural crops. The total area of lands for the irrigation of which hydro-schemes, dams and intakes were constructed with the technical assistance of the Soviet Union, exceeds 2.5 million hectares.

The USSR technical cooperation in the field of agriculture is aimed at creating the industry's material basis which will enhance these countries' national agricultural production. During the current five-year-plan period cooperation in this area will deepen with Mozambique, Angola, Ethiopia, People's Democratic Republic of Yemen as well as with Afghanistan and Syria.

One of the developing countries' most important tasks is training their national staff—engineers, technicians, skilled workers, doctors and teachers.

Over the years of cooperation in the course of construction and operation of the projects and during training and industrial practice in the USSR about 900 thousand people from the developing countries were trained. With Soviet assistance about 140 educational establishments (including higher and secondary ones) have been opened and approximately another 90 are being set up in the developing countries.

The trade turnover growth is an important indicator characterizing the expansion of the USSR economic relations with the developing countries. Over the last 20 years trade increased from 800

million rubles in 1960 up to 16,000 million rubles in 1981. It is worth mentioning that it is mostly formed as a result of economic and technical assistance rendered to these countries in constructing enterprises and projects. The share of complete equipment deliveries for these purposes in 1980 was 56.1 per cent of the total Soviet machinery and equipment export to these countries and even higher to some countries as, for example, Algeria (85.5 per cent), India (66 per cent), Iran (81.9 per cent), Ni-

geria (95 per cent), Libya (78 per cent), Pakistan (83.5 per cent) and Turkey (74.6 per cent).

The Soviet export growth to the developing countries and mainly that of machinery and equipment creates a sound foundation for the Soviet Union to continuously expand its purchases of products from these countries. In repayment for Soviet complete equipment our country receives mineral raw materials, metals, consumer goods and tropical products. Among the purchased goods the products manufactured at the enterprises and projects constructed with Soviet assistance including those of the machine-building industry occupy an appreciable place. Thus, large orders for the manufacture of metallurgical and other equipment for the USSR's economy and for enterprises being built with Soviet assistance in other countries have been placed with India. One of the trends further increasing the efficiency of foreign economic ties is the purposeful construction of enterprises and projects in the developing countries for manufacturing products in which both participating parties are interested. Now these enterprises deliver various products to

the USSR, including gas and bauxites.

As it was pointed out at the 26th CPSU Congress the Communist Party of the Soviet Union will pursue its consistent course of expanding cooperation with the developing countries. As a result during the current five-year-plan period economic and technical assistance to these countries for the realization of their national development programmes is being extended. The planned increase of productive capacities during these years (as compared to those created with the USSR assistance in 1976-1980) will be: electric power generation—16 per cent, iron production—2.2 times, steel production—1.5 times, and coal output—3.6 times.

The Soviet Union is for the further development of cooperation in the capital construction with the industrial capitalist countries, primarily those interested in approaching the international economic relations from a constructive point of view.

The USSR-Finland diverse economic and technical cooperation, developing in an atmosphere of genuine confidence and good-neighbourliness and based on principles of equality and mutual respect of the sides' interests, is a good example in this respect. With Soviet technical assistance projects of great importance for the country's economy have been built and are successfully operating in Finland. The Raahe iron-and-steel works, the largest in the North Europe, in 1981 produced about 80 per cent of iron and 70 per cent of steel manufactured in the country. The total power of atomic and thermal power stations constructed with the Soviet

Union's assistance is about 11.3 per cent of Finland's rated power capacities.

The all-Union associations of the State Committee for Foreign Economic Relations successfully cooperate with firms in more than 25 industrially developed capitalist countries, including cooperation in constructing projects in third countries. Thus for many years the Finnish firms Rautaruuki and Kone have been participating in deliveries of equipment for iron-and-steel works being constructed with the USSR assistance in Iran, Pakistan, India and other countries. Firms in the FRG, France, Finland, Sweden and other countries have taken part in delivering equipment for thermal power stations to a number of developing countries.

The expanding practice of the USSR economic and technical cooperation with the industrial capitalist countries on the inter-state and commercial levels witnesses the existence of great potential possibilities for its further development, joint studies and implementation of its new, more effective forms.

* * *

In 25 years much has been done to accomplish the tasks of developing and increasing the efficiency of the USSR economic and technical cooperation with foreign countries. Constant attention is being paid to further perfecting the economic and technical assistance planning, utilization of the material resources designed for these purposes more rationally and strengthening and improving the economic ties with Soviet organizations and enterprises participating in and rendering the technical assistance.

Everything that has been done during these years for developing economic and technical cooperation is the result of joint efforts of the State Committee for Foreign Economic Relations and ministries and departments—general suppliers, general contractors, manufacturers of equipment, project planning organizations and enterprises and the many thousands of Soviet engineers, technicians and workers selflessly working in the Soviet Union and abroad who with their labour are the real accomplisners of the work in rendering the technical assistance.

Several thousand industrial enterprises, more than 80 ministries and departments and 170 head project organizations fulfil orders on the manufacture of equipment and materials for constructing projects abroad and deal with their design. The Mintyazhmash, Minelektrotechprom, Minenergomash and Minchimmash enterprises are the largest producers of equipment to the orders of the all-Union associations of the State Committee for Foreign Economic Relations.

The Party and the Government highly evaluate the contribution made by industrial enterprises to the development of the Soviet Union's foreign economic relations. Measures for increasing the material stimulation of industrial enterprises manufacturing export products are being taken with the aim of increasing output volumes and improving production.

Along with this the decisions of the Plenary Meetings of the CPSU Central Committee and Enactments of the Party and the Government have repeatedly pointed out to the need of paying greater

attention to questions of expanding the export base, the timely and qualitative fulfilment of orders for the manufacture and delivery of export equipment and other work concerned with the rendering of technical assistance.

The Guidelines for the Economic and Social Development of the USSR for 1981-1985 and the Period Ending in 1990 envisage further strengthening of responsibility of ministries, departments and enterprises for fulfilling commitments concerned with foreign economic ties. The November (1981) Plenary Meeting of the CPSU Central Committee again stressed the necessity for all economic executives to implement the decisions adopted in this field by the CPSU Central Committee and the USSR Council of Ministers with greater responsibility.

The statement made on increasing the responsibility is simultaneously supported by concrete measures taken to develop the production base for expanding export. Also assisting the aim will be the outstripping growth rates of the machine-building industry's production set for the current decade by the decisions of the 26th CPSU Congress.

The 26th CPSU Congress elaborated a wide programme for enhancing foreign economic ties in the 11th Five-Year-Plan Period and for the 1980s as a whole. Successful realization of this programme will to a great extent depend on proper coordination, quality of work and further improvement of economic interrelations of all sectors helping to implement this programme.

USSR WORLD TRADE

STATISTICAL DATA ON WORLD TRADE

Moscow FOREIGN TRADE in English No 6, Jun 82 pp 52-54

[Text]

	Export		Import	
	1979	1980	1979	1980

By Groups of Countries (\$'000 mln)

All countries	1,641.2	2,008.0	1,685.1	2,050.7
Socialist countries	162.8	191.9	177.0	205.0
Industrial capitalist countries	1,069.6	1,261.9	1,169.6	1,421.6
Developing countries	408.8	554.2	338.5	424.1
Asia	263.2	362.5	191.5	236.4
Americas	77.4	99.7	85.4	107.7
Africa	66.1	89.6	58.7	76.5
All countries (per cent)	100	100	100	100
Socialist countries	9.9	9.6	10.5	10.0
Industrial capitalist countries	65.2	62.8	69.4	69.3
Developing countries	24.9	27.6	20.1	20.7
Asia	16.1	18.0	11.3	11.5
Americas	4.7	5.0	5.1	5.3
Africa	4.0	4.5	3.5	3.7

By Countries (\$ mln)

All countries (\$'000 mln)	1,641.2	2,008.0	1,685.1	2,050.7
Socialist countries (\$'000 mln)	162.8	191.9	177.0	205.0
Bulgaria	8,869	10,372	8,514	9,650
Cuba	4,803	5,506	5,059	6,259
Czechoslovakia	13,198	14,891	14,262	15,148
German Democratic Republic	15,063	17,312	16,214	19,082
Hungary	7,938	8,677	8,674	9,235
Mongolia	342	416	498	566
Poland	16,249	16,998	17,584	18,871
Romania	9,724	12,230	10,916	13,201
USSR	64,762	76,481	57,744	68,523
Yugoslavia	6,240	8,367	12,370	14,029
Industrial capitalist countries (\$'000 mln)	1,069.6	1,261.9	1,169.6	1,421.6
West European countries (\$'000 mln)	694.5	805.8	747.1	907.2
EEC member—countries (\$'000 mln)	573.7	663.0	600.8	724.1
Belgium-Luxembourg	56,258	64,066	60,410	71,185
Denmark	14,506	16,485	18,450	19,363
Federal Republic of Germany	171,540	192,930	157,747	188,001
France	98,059	111,251	106,994	134,912
Great Britain	91,030	115,350	102,969	120,095
Ireland	7,175	8,489	9,858	11,159
Italy	72,242	77,667	77,970	99,452
Netherlands	63,667	73,871	67,284	76,881
Other West European countries (\$'000 mln)	120.8	142.8	146.3	183.1
Austria	15,483	17,508	20,254	24,495
Finland	11,175	14,155	11,400	15,580
Greece	3,855	5,143	9,640	10,531

	Export		Import	
	1979	1980	1979	1980
	Iceland	781	931	824
Malta	424	497	759	938
Norway	13,547	18,474	13,708	16,957
Portugal	3,468	4,628	6,086	9,410
Spain	17,903	20,721	25,432	34,080
Sweden	27,563	30,914	28,591	33,441
Switzerland	26,507	29,634	29,354	36,356
Australia	18,514	22,048	16,472	20,468
Canada	55,336	64,252	52,230	58,545
New Zealand	4,694	5,418	4,542	5,468
USA	178,578	216,668	217,664	255,657
Republic of South Africa	9,618	..	8,336	..
Japan	103,045	129,248	110,670	140,520
Developing countries (\$'000 mln)	408.8	554.2	338.5	424.1
Asia (\$'000 mln)	263.2	362.5	191.5	236.4
Afghanistan	494	610	686	..
Bahrain	2,153	3,671	2,476	..
Bangladesh	646	761	1,530	2,438
Burma	363	471	319	353
Cyprus	456	525	1,001	1,202
Hong Kong	15,155	19,713	17,137	22,413
India	7,608	6,694	9,546	12,858
Indonesia	15,590	21,909	7,202	10,834
Iran	19,872	13,523	9,738	12,247
Iraq	21,502	26,429
Jordan	402	578	1,949	2,395
Kuwait	18,418	19,945	5,204	11,367
Malaysia	12,014	..	8,658	..
Oman	2,284	3,202	1,387	1,732
Pakistan	2,506	2,588	4,056	5,350
Philippines	4,601	5,977	6,613	7,727
Qatar	3,896	5,684	1,425	1,429
Saudi Arabia	63,427	109,111	24,254	30,177
Singapore	14,233	19,376	17,635	24,008

	Export		Import	
	1979	1980	1979	1980
	Sri Lanka	981	924	1,448
Syrian Arab Republic	1,644	2,108	3,329	4,124
Thailand	5,199	6,505	7,190	9,212
Turkey	2,261	2,910	4,946	7,667
United Arab Emirates	13,652	20,632	6,960	8,752
Yemen Arab Republic	1,492	...
Yemen's Democratic Republic of Yemen	248	...	393	...
Americas (\$'000 mln)	77.4	99.7	85.4	107.7
Argentina	7,810	8,015	6,713	10,550
Bolivia	856	1,033	985	833
Brazil	15,244	20,131	19,804	25,000
Colombia	3,410	3,925	3,031	4,495
Costa Rica	934	963	1,397	1,528
Ecuador	2,013	...	1,986	2,248
Dominican Republic	866	962	1,058	1,436
Guatemala	1,241	1,521	1,504	1,528
Honduras	733	806	830	1,019
Jamaica	769	942	1,010	1,178
Mexico	8,768	15,308	11,829	19,517
Nicaragua	567	...	360	...
Panama	292	349	1,187	1,449
Paraguay	305	310	432	494
Peru	3,474	3,364	2,090	2,541
Salvador	1,032	966	1,012	966
Trinidad and Tobago	2,507	4,077	2,086	3,178
Uruguay	788	1,059	1,231	1,713

	Export		Import	
	1979	1980	1979	1980
Venezuela	14,159	...	9,618	10,068
Africa (\$'000 mln)	66.1	89.6	58.7	76.5
Algeria	9,545	12,409	8,537	...
Cameroun	1,129	1,383	1,271	1,602
Central African Republic	79	...	70	...
Arab Republic of Egypt,	1,840	3,046	3,857	4,860
Ethiopia	418	...	567	...
Gabon	1,477	...	804	...
Ivory Coast	2,515	...	2,493	...
Kenya	1,104	1,299	1,658	2,305
Liberia	537	601	487	640
Socialist People's Libyan Arab Jamahiriya	16,085	22,795	5,311	...
Madagascar	394	...	641	...
Malawi	233	317	399	418
Mali	152	...	367	...
Mauritius	377	429	566	609
Mauritania	147	194	259	255
Morocco	1,873	2,403	3,678	4,185
Nigeria	18,073	...	12,399	...
Reunion	140	130	779	882
Senegal	461	414	888	...
Sierra Leone	205	...	297	...
Sudan	581	543	869	1,616
Tanzania	523	508	1,084	1,258
Togo	218	...	518	...
Tunisia	1,766	2,201	2,830	3,536
Zaire	1,324	1,639	597	725
Zambia	1,377	...	755	...
Zimbabwe	1,194	1,415	940	1,287

Explanation to the Table

The Table was compiled on the strength of the data published in the *Statistical Year-books of the CMEA member-countries*, the *Monthly Bulletin of Statistics*, and official sources of the countries concerned.

The total results of world trade and trade by groups of countries are only estimated, and a number of countries have been omitted due to the lack of official data on their foreign trade.

Cost indicators of exports both by groups of countries and by countries are given in f.o.b. prices, while cost indicators of imports are given in c.i.f. prices with the exception of Bulgaria, Czechoslovakia, the German Democratic Republic, Mongolia, Poland, Romania, the

USSR, Canada, the Republic of South Africa, Australia, Venezuela, the Dominican Republic, Paraguay, Zambia and Zimbabwe for which cost indicators of imports are given in f.o.b. prices.

The countries of continental Europe, Great Britain, Iceland, Ireland, Canada, the USA, the Republic of South Africa, Japan, Australia and New Zealand are classified as industrial capitalist countries. The countries of Asia, Africa, the Americas and Oceania with the exception of those mentioned above, are listed as developing countries.

The sign "... " means that the compilers had no data available.

Tatyana Karbysheva

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COLLECTIVE CURRENCIES, UNITS OF ACCOUNT

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[Article by Andrei Zverev: "Collective Currencies and Units of Account in International Settlements"]

[Text]

The problems of international liquidity under modern capitalism are attentively treated by researchers. Today this question has become even more acute due to the monetary crisis the world capitalist system of economy is now going through, notable for unprecedented profundity and duration. In the report to the 26th Party Congress L.I. Brezhnev, General Secretary of the CPSU Central Committee, pointed out that in recent years "a further aggravation of the general crisis of capitalism has been observable... To be sure, capitalism has not stopped developing. But it is immersed in what is already the third economic recession over the past ten years. Inflation has grown to unheard-of dimensions."¹

The capitalist states, the leading imperialist powers above all, are trying to find a way out of the crisis situation. Their efforts in the area of monetary relations are also intended to attain this aim. This process, however, is contradictory. The measures the capitalist countries take to regulate their monetary interrelations are of a clearly dual nature: first, they aim to stabilize the international monetary mechanism of the capitalist countries by imparting stability to it, and second, these attempts are intended to strengthen the position of one country in relation to the others. Further to this, some countries are trying to extract their currencies from

¹ L.I. Brezhnev, *Report of the Central Committee of the CPSU to the XXVI Congress of the Communist Party of the Soviet Union*, Moscow, 1981, p. 27.

the crisis situation, while others are out to strengthen their national currencies still more. On the whole, this has so far doomed all attempts to restructure capitalist monetary relations and strengthen capitalism's monetary system.

The emergence and relatively wide application of artificial monetary units is a distinctive feature of modern capitalist monetary relations. It seems, when analysing this question, the drafting period of projects for introducing various monetary substitutes was confined to the last three or four decades.

In the 1940s, for instance, the projects for creating international monetary units were connected with the names of G.D. White and J.M. Keynes and broadly discussed. In 1942 White put forward the idea of an international monetary unit to be expressed in gold rather than in national units, and suggested calling it "demos" or "victor". He is also the author of the "unitas" project 1943. It was proposed that in gold content this unit would be equivalent to ten US dollars. The USA, however, rejected this project, believing it to be a threat to the dollar.

Keynes at that time advanced the "bancor", "grammor" and other projects for a collective capitalist currency. Somewhat later, however, he repeatedly expressed his opinion about the shortcomings of such plans. In 1943, for instance, while speaking in the House of Lords he compared these projects with a dolphin which "swims like trade from shore to shore". However, "this handsome beast... also goes up and down, fluctuates and that is not all what we require."²

The end of the 1940s and the 1950s were characterized by the dominant role of the US dollar as an international means of payment. At the end of the 1950s, however, this role began to decline, which was one of the causes of a new wave of plans to establish an international means of payment. Early in 1960, for instance, R. Triffin suggested reviving Keynes' "bancor" project. This unit was intended to serve as a reserve to be issued by the International Monetary Fund as its member countries deposited their means with the Fund, or allow for the event when the Fund might decide to increase its reserves by granting credits to its members, or through investment.

² U.K. *Parliamentary Debates (Hansard)*, House of Lords, Vol. 127, April 6-June 10, 1943, Cols. 529-30.

The first artificial currency unit, which found relatively wide application in the West, was the epunit (European Payment Unit), the unit of account of the European Payments Union (EPU), which was established in 1950 and intended for registering the accounts of the member-countries. It had a gold content equal to 0.8886713 grammes of pure gold and was closely connected with the US dollar. The epunit was used within the EPU, formed of 17 West European states. The experience of using the epunit showed, however, that countries with a positive balance of payments (Belgium and the FRG, for example) used this unit with a view to pumping gold and currency reserves from the debtor countries (Britain, France and others). Late in 1958 the EPU was liquidated and the epunit was no longer used in settlements, for which circumstance the introduction of mutual convertibility of capitalist currencies was also responsible.

In 1961 another currency unit, the EUA (European Unit of Account), came into being. At that time, attempts were made on the West European money market to invigorate funded loans operations. These, being expressed in the West European countries currencies, however, were not much in demand, for they were subject to frequent depreciations. On the other hand, the EUA loans had greater insurance against depreciation. The EUA had a gold content equal to 0.888671 grammes of pure gold and was equated to each of the 17 currencies of West European countries. It is on the basis of these exchange rates that EUA loans were granted.

Units of account are commonly classified by a principle that determines their "value". According to this classification, there are units of account which are equated with a definite weight of gold or with a particular national currency (usually the US dollar). Such units of account were used by the countries that had established them, throughout the entire period of the agreement on their establishment, at a fixed value, which considerably increased the risk in the event of their depreciation.

The exacerbation of capitalism's contradictions at the present stage of its crisis, especially in the monetary sphere, compelled the capitalist countries to modify the principles determining the value of the units of account. This was brought about by some important factors, above all by the process of gold demonitization, the growing instability of the leading capitalist currencies, the application of the so-called "floating" exchange rates. The effect of these

factors made it necessary to level up as far as possible the fluctuation of the exchange rates of individual capitalist currencies, which found expression in the establishment of units of account with a "value" determined as the average value of a definite totality of the national currencies. The "basket" or "cocktail" of national currencies, making up the basis of one or another unit of account, includes either relatively stable currencies, which raises the prestige of these units, or both "weak" and "strong" currencies, which leads to the mutual cancellation of the opposite movement of exchange rates and ensures the stability of the "basket".

One of the first units of account, established according to the principle of a "basket" of currencies, was the EURCO (European Composite Unit), whose project had been worked out by the Rothschild and Sons bank in 1973. It was planned to use the EURCO in funded loans of the European Investment Bank. To determine the value of one EURCO unit the following currency ratios were used:

Deutsche Mark	34.2 per cent
French Franc	19.6 per cent
Pound Sterling	12.0 per cent
Italian Lira	6.8 per cent
Dutch Guilder	12.1 per cent
Belgian Franc	10.7 per cent
Danish Krone	2.7 per cent
Luxembourg Franc	1.2 per cent
Irish Pound	0.7 per cent

As an example of a unit of account based on a "basket" of national currencies we may mention the ECU (European Currency Unit) established by the

EEC member-countries comprising the European Monetary System (EMS); Belgium, Holland, Denmark, Ireland, Italy, Luxembourg, the FRG, France.³ One of the aims of the EMS was to protect the Common Market against the consequences of using the depreciating US dollar. This currency unit, however, is not free from shortcomings either, as far as its base is concerned: the proportion of the national currencies making up the ECU "basket" in this unit depends on the share of a member-country in the total gross domestic product of the EEC members and their mutual trade. And this means that the Deutsche mark makes up one-third of the ECU.

³ The ECU also includes the Pound Sterling, although Great Britain has assumed no formal obligation to maintain the exchange rate of her national currency.

The EEC countries are in fact trying to counterpose the ECU and the SDR (Special Drawing Rights of the International Monetary Fund), since the SDR rate of exchange depends by more than 50 per cent on the exchange rates of the currencies of countries which are not EEC members. In future it is planned to expand the sphere of using the ECU, in particular, by imparting to it the role of a means of regulating the EEC members' debts, and so on. In the recent period, for instance, the ECU has been used in loan and credit indexation.

Mention should also be made of the ARCRU (Arab Currency Related Unit), worked out by the Hambros bank (Great Britain) in 1974. The ARCRU was intended for use in funded loans on the markets of Arab countries. The value of the ARCRU is tied to the currencies of twelve Arab oil-producing countries: Algeria, Bahrein, Iraq, Kuwait, Libya, Egypt, the Lebanon, Syria, Oman, Qatar, Saudi Arabia and the United Arab Emirates. At the same time the ARCRU was given a "value" equal to 0.828948 SDRs or one US Dollar as of June 28, 1974, i.e. on the day a new SDR evaluation was made. In determining the ARCRU value so as to minimize the risk from currency depreciation, two currencies with the highest and two currencies with the lowest exchange rates are excluded from the "basket" on the day of calculation. That is why the value of the ARCRU is determined on the basis of the value of eight component currencies only. Meanwhile experience has shown a stable upward tendency in the exchange rates of the currencies that make up the ARCRU, thus rendering the use of this unit disadvantageous for borrowers. For this reason the application of the ARCRU in credit payment operations is insignificant.

Also of interest is the use within the EEC framework of a new EUA (European Unit of Account) introduced in March 1975 for operations of the European Investment Bank, the European Development Fund and some other EEC organizations. In essence the new EUA has much in common with the EURCO, but in the given case the proportion of each of the new EUA's component currencies depends on the member-countries' share in the total gross domestic product of the EEC over the 1969-1973 period, and also on their participation in the mutual trade of the EEC members and in the short-term aid system within the EEC. The exchange rate of the new EUA is fixed annually on the basis of the Belgian franc.

Several other units of account are known in the recent history of international capitalist monetary relations. As an example mention may be made of the IFU (International Financial Unit), worked out in the mid-1970s by the French bank Crédit Lyonnais. The IFU was not much in use because its principle of construction was similar to that of SDR. We may also mention such units as the IUV (International Air Transport Association's Unit of Value); Gulf Currency created by the Persian Gulf states in 1975; the OAPEC Dinar created in 1968 by the Organization of Arab Petroleum-Exporting Countries; the ADBUA (African Development Bank Unit of Account); the MIT (Medium for International Transactions); the "B" unit of account created by the Barclays Bank (Great Britain) in 1974.

In recent years, however, the attention of scientists and specialists has been concentrated on the so-called Special Drawing Rights (SDR) formula. The plan for the establishment of new international assets was approved by the IMF session held in Rio de Janeiro in September 1967. Late in the 1960s it was decided to make the first issue of SDRs.

The SDR project caused a heavy wave of discussion. Along with a positive characterization of this project, primarily on the part of the USA and Britain, who saw in SDR a means of bettering the weak position of their currencies, there was also a negative attitude towards the new assets. For instance, the project was met with restraint by France and some other EEC members who believed it was intended to support the US dollar. The negative treatment of this project continued into subsequent years. This was explained, for instance, by the failure suffered during the first emission of the new assets in the early 1970s, expressed in the exacerbation of interimperialist contradictions on their distribution and use in the absence of clear-cut rules for the purpose. Of no little importance also was the coincidence of the SDR emission with a severe deterioration of the US dollar's position. All this was responsible for the appearance in the early and middle 1970s of plans to create new international currency assets and restructure the SDR mechanism. Among such projects we shall mention the FRU (Federal Reserve Unit), the IRU (International Reserve Unit), the MANA (Monetary Authorities' Negotiable Asset), the ULTRA (Ultimate Reserve Asset), the EWNit (East-West Unit) intended to serve co-operation between East and West.

At present the SDR has a dual role to play in the international capitalist monetary system. First, it is a unit of account intended for measuring exchange rates, currency reserves, and so on. In this role the SDR unit has passed through a noticeable evolution.

At the beginning this unit in terms of value was equalized to 0.888671 grammes of pure gold (or one ounce of gold = 35 SDRs), i.e., in gold content the SDR unit was equal to one US dollar. However, the double devaluation of the dollar in the early 1970s and the deterioration of its position on the money markets have produced an adverse effect on the SDR unit and undermined confidence in it. The change of the capitalist currencies from a system of fixed exchange rates to "floating" ones affected the SDR as well. In July 1974 the connection of the SDR with gold was broken and the evaluation of these international assets was made according to a new methodology. It consisted in defining the SDR's value on the basis of the averaged value of the currencies of 16 major capitalist countries whose proportion in the world exports for the 1968-1972 period exceeded one per cent. The "basket" included the following currencies:

US Dollar	33 per cent
Deutsche Mark	12.5 per cent
Pound Sterling	9.0 per cent
French Franc	7.5 per cent
Japanese Yen	7.5 per cent
Canadian Dollar	6.0 per cent
Italian Lira	6.0 per cent
Dutch Guilder	4.5 per cent
Belgian Franc	3.5 per cent
Swedish Krona	2.5 per cent
Australian Dollar	1.5 per cent
Spanish Peseta	1.5 per cent
Norwegian Krone	1.5 per cent
Danish Krone	1.5 per cent
Austrian Schilling	1.0 per cent
South African Rand	1.0 per cent

Later the proportions of individual currencies in the SDR "basket" were expressed in the currency items of the "basket"; for instance, 1 SDR unit = \$0.40 + DM 0.38 + £ 0.045 + 0.44 and so on.

In 1978 the component parts of the SDR "basket" were changed owing to a decline or increase in the world exports for the 1972-1976 period. In view of this the South African rand and the Danish krone

were excluded from the "basket" and replaced by the Saudi Arabian riyal (3 per cent proportion in the "basket") and the Iranian rial (2 per cent). Moreover, the proportions of some currencies were revised: the proportion of the pound sterling was reduced from 9 per cent to 7.5 per cent, the Canadian dollar—from 6 per cent to 5 per cent, the Italian lira—from 6 per cent to 5 per cent, the Swedish krona—from 2.5 per cent to 2 per cent; the proportion of the Dutch guilder was raised from 4.5 per cent to 5 per cent, the Belgian franc—from 3.5 per cent to 4 per cent, the Austrian schilling—from 1 per cent to 1.5 per cent.

The growing role of the SDR unit in monetary relations between the capitalist countries is explained, in particular, by its stability with respect to national currencies. Despite constant sharp fluctuations in the exchange of many capitalist currencies, the exchange of the SDR unit remains relatively stable, which is an attractive factor for many countries striving to minimize the risks from "floating" exchange rates.

This unit is widely applied in international capitalist practice as a currency standard. The IMF daily publishes exchange rates in relation to the SDR, what is more, the quotation list includes many capitalist currencies in addition to those comprising the "basket". The SDR unit is used as a unit of account in transactions of some international governmental and non-governmental organizations, international banks, such as the African and Islamic Development Banks, the Arab Monetary Fund, and so on. In the mid-1970s funded loans in SDRs were floated on the euromarkets.

The fact that on January 1, 1981, the IMF simplified the principle of evaluating the SDR unit is associated with the desire to stabilize this unit. Left in the "basket" were only five currencies which had the greatest weight in international settlements, namely, the US dollar, the Deutsche mark, the French franc, the pound sterling and the Japanese yen. Moreover, the share of the dollar rose from 33 per cent to 42 per cent, which made the SDR unit even more dependent on the American currency. It is also clear that even these currencies cannot be guaranteed from upheavals, and this inevitably leads to fluctuations in the SDR exchange rate. The SDR also plays the role of the international liquid assets.

SDR units are distributed between countries according to their share in the IMF's capital on the date of SDR emission. When they receive SDR they are not to give any equivalent in exchange. Thus, the emission of SDR brings an absolute increase in the currency reserves of individual countries and the world amount of liquid assets.

SDR received are used through the following channels: first, transactions "with designation" i.e., receipt of foreign currency in exchange for an SDR equivalent from the country named by the Fund; second, transactions "without designation" i.e., foreign currency comes from the country with which there is an appropriate bilateral agreement, in exchange for SDR assets; third, transactions on the General Resources Account of the IMF (payment of commission, and so on).

There are interest rates for SDR credits. Originally they were artificially understated under pressure from the USA, which was out to belittle the role of the SDR unit as a rival of the dollar, and were 1.5 per cent per annum. Later the interest rate was revised with a view to increasing it, and since July 1, 1974, it has been fixed on the basis of the average level of rates on the markets of five capitalist countries (the USA, the FRG, Great Britain, France and Japan). In the mid-1970s, for instance, interest rates for SDR credits fluctuated between 3.25 per cent and 5.30 per cent, with market rates ranging from 6 per cent to 12 per cent. In 1976 it was decided to fix them at a level of 3/5 of the average weighted rate of interest on the money markets of the above-mentioned major capitalist countries, while somewhat later (in 1978) they were fixed at a level of 4/5 of that rate (rounding-off to 0.25 per cent). The new methods of fixed interest rate for SDR credits have led to their growth. Late in 1980, for instance, the interest rate for SDR credits was 8.5 per cent, while at the end of 1981 it shot up to 14 per cent.

All in all, since their introduction, 9,300 million SDR units were issued in 1970-1972 and 12,000 million units in 1979-1981. An analysis of their emissions and distributions between countries attests to an extremely inequitable principle of their allotment. Between 1970 and 1972, for instance, the IMF issued 3,300 million SDR units in 1970, 3,000 million units in 1971, and also 3,000 million units in 1972; what is more, over the same period the developing countries received 800 million, 700 million and 800 million SDR units respectively, or only about 25

per cent of the total for 1970-1972. Of the total of 12,000 million SDR units issued in 1979-1981 nine major capitalist countries received around 7,000 million units, the US share being over 2,600 million units, while 120 developing nations accounted for less than 5,000 million SDR units.

One more indication of the inequality of the countries participating in the SDR system are the above-mentioned "designated" transactions "with designation". The IMF may formally "designate" any country, irrespective of whether its currency is convertible or not. Prior to 1972 the Fund "designated" 50 countries of which 23 are industrial capitalist countries (or nearly 100 per cent of their total number) and 27 are developing nations (about 30 per cent of the total number). This shows that the former group of countries has much more opportunities for using SDR via bilateral contacts than the latter group. This last SDR emission did not solve these problems; it only worsened the situation in the developing countries.

The developing nations increasingly insist that SDR currency resources should be given them rather to their economic needs, than the amount of their quotas in the IMF's capital. This stand, however, meets opposition on the part of the industrial capitalist countries which derive considerable advantages from the criterion governing SDR distribution now in force. At the sitting of the IMF Interim Committee in Libreville (Gabon) in May 1981, the developing countries, the Group of 24 in particular, put forward the proposal that the SDR distribution within the coming five years be increased up to 12,000 million units a year. This proposal, however, was not supported: it was emphasized that should an additional SDR distribution take place, its volume would be relatively small.

The use of SDR as the international liquid assets and a unit of account of the capitalist monetary system is causing much argument. Various views are being expressed which are often diametrically opposite in content. For all their differences, however, they agree on one thing: the functioning of the SDR system has so far failed to yield the expected results.

Some West European specialists believe the SDR unit to be a kind of panacea for all the ills of the capitalist monetary system. To enhance the role of this unit measures are being taken to widen the sphere of its application. In the recent period, for

instance, there has been an ever wider extension of SDR credits to countries, in some cases to developing nations, by various international organizations. In 1981 the International Development Association decided to grant Benin a 9.3 million SDR credit, and Burundi—a 3.3 million SDR credit; the international consortium of 48 banks granted the Republic of Ivory Coast a loan a part of which (about 20 per cent) would be allocated within the framework of interbank SDR operations. Early in 1981 an attempt was made to set up an SDR deposit market. In January 1981 it was announced that seven London banks would set up a new SDR-denominated financial market. Later the first 20 million SDR bank loan was granted: it was received by the Nordiska Investering banken (Norway) for a period of five years at 11.50 per cent per annum.⁴

Nevertheless the desire of the capitalist countries to amplify the attractive force of SDRs as international assets encounters considerable difficulties. Characteristically, the still limited use of SDR is explained in the West by reasons which have nothing in common with the real state of affairs. The *Banker* magazine, for instance, writes on this point: "It will only take one oil producer to demand payment in them and their (i.e. SDR. *Author*) role as money, in the traditional sense will be assured."⁵ That is not the point, however. In conditions of the growing monetary crisis and economic instability, the capitalist countries see in various artificial monetary units a way of mitigating the consequences of the monetary crisis. Meanwhile, experience shows that the capitalist countries are incapable of solving this problem chiefly because of the unresolvable contradictions between the imperialist powers.

The crisis-affected condition of the capitalist monetary system and the difficulties facing its artificial units of account are manifested even more conspicuously against the background of the stable functioning of the international currency system of the CMEA member-states. This system, which has its base on the transferable ruble as the international socialist collective currency of these countries, has been developing steadily and functioning smoothly for nearly 20 years now.

⁴ *Euromoney*, 1981, No. 3, pp. 150, 152.

⁵ *The Banker*, 1981, No. 7, p. 79.

The transferable ruble emerged as an international currency at a time when cooperation between the CMEA countries overgrew the bounds of clearing relations and the need arose for restructuring the entire monetary system of these countries, in particular, to eliminate the shortcomings of the bilateral clearing system which hindered the development of their mutual cooperation. The emergence of various monetary units in capitalist currency practices is the capitalist countries' reaction to the crisis of their monetary system and a measure with which they try to remedy the ills of this system.

Of great importance for international collective currencies and units of account is the question of confidence in them. In using such as legal tender it is important to know in what feature it is capable of being objectified, i.e., how realistic are the guarantees that for this currency or international liquid assets one can obtain a corresponding commodity equivalent.

The transferable ruble being a socialist type of credit money enjoys confidence backed by the force of law. Any credit money transaction is not only a purely economic but also a legal action. A country having transferable rubles is in a position to buy with them commodities on the international market of the CMEA members within its planned contingencies, and in some cases even over and above them, as the transferable ruble possesses a legitimate exchange value. Moreover, in exchange for transferable ruble a country can obtain planned services.

Confidence in the transferable ruble is legally guaranteed by all socialist states participating in the Agreement on Multilateral Settlements in Transferable Rubles and the establishment of the International Bank for Economic Cooperation (IBEC). They bear a collective responsibility for the functioning of the transferable ruble. On the other hand, the SDR, for instance, is a currency unit which is detached from the movement of commodity flows and functions only if the commodity is convertible into national capitalist currencies.

Thus, we can say that the attempts of the capitalist countries to eliminate the difficulties in the functioning of their international monetary system by way of various artificial currency units have so far yielded no positive results. It is believed, nevertheless, that experiments with the use of currency substitutes in the West will continue. At the same time, it has long since been clear that the causes of the crisis of the capitalist monetary system predominantly lie outside its mechanism, and often not even in the monetary sphere. They lie in the economic sphere. Hence the conclusion that the measures being taken by the capitalist countries in this particular case are of a cosmetic nature and cannot produce any tangible positive effect on the unstable development of the capitalist economy.

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COLLECTIVE CEMA EFFORTS OFFSET EFFECTS OF WESTERN MARKET FLUCTUATIONS

Moscow APN DAILY REVIEW in English 24 Jun 82 pp 1-3

[Text] The journal RABOCHI KLASS I SOVREMENNY MIR (issue No 3) published an article by Professor Nikolai Ivanov, Doctor of Economics, who writes that "the results of post-war economic scientific and technical cooperation among CEMA member-countries confirm the inestimable importance of the internationalist unity of the nations which embarked upon socialist construction."

The article says that by beginning of 1981 the Soviet Union had been rendering economic and technical assistance, on the basis of agreements, to CEMA countries in the construction of 2,507 industrial enterprises and other projects, of which 1,495 were put into operation, including 204 in Bulgaria, 89 in Hungary, 192 in Vietnam, 39 in the German Democratic Republic, 206 in Cuba,, 438 in Mongolia, 137 in Poland, 116 in Romania, and 29 in Czechoslovakia. The Soviet Union renders its partners economic and technical assistance in building industrial and other enterprises in all sectors, with emphasis being made on heavy industry, primarily on power, iron and steel and non-ferrous metals, oil processing, petrochemicals and chemicals, building and construction, and engineering. In many cases the capacities of newly-commissioned enterprises exceed the aggregate output of CEMA countries in 1950 when they completed, in the main, post-war economic rehabilitation and reached or exceeded pre-war production figures.

In 1976-1980 the Soviet Union supplied its CEMA partners with big amounts of fuel, energy and crude products, the author notes. In this period they received 370 million tonnes of oil; 40 million tonnes of oil products; 88,000 million cubic metres of natural gas; and 64,000 million kwh of electricity. They were also provided with other producer goods they could not buy from capitalist countries because of the Western embargo on the delivery of "strategic" commodities to the socialist nations.

In their turn, in 1976-1980 the CEMA countries accounted for 40 per cent of the buildup of the Soviet merchant marine, 35 per cent of the number of new passenger coaches, 12 per cent of the relevant figure for buses, and up to 15 per cent of the Soviet retail trade stocks of ready-made clothes, shoes, furniture, and tinned food. Loyal to its internationalist duty and taking into account the requirements of its CEMA partners, in the current five-year period the Soviet Union will supply them with fuel and raw materials on the

high level of 1980, despite difficulties due to the worsening conditions of mining. Machinery and equipment deliveries will make 35,000 million roubles, 33 per cent more than under the previous five-year plan period. In exchange for its commodities, the USSR will receive from other CEMA countries over 60,000 million roubles' worth of the up-to-date equipment and more than 40,000 million roubles' worth of consumer goods.

Thanks to their cohesion and mutually advantageous cooperation, the fraternal socialist countries can largely offset the unfavourable impact of the world capitalist market, the article points out. Suffice it to say that in 1980 the CEMA countries satisfied the bulk of their import requirements through mutual deliveries. The percentages below characterise the degree of meeting the CEMA countries' import requirements through intra-area deliveries: crude oil, iron and ore, machinery and equipment, 68-70 per cent; hard coal and sawn timber, 94-95 per cent; and consumer goods, 60 per cent. In this period interested CEMA countries joined efforts to effect major projects such as the Mir United Power System, the Druzhba trans-European Oil Pipeline and the CEMA Pool of Freight Wagons.

Exploiting the advantages of their socialist planned economies and resorting to cooperation and mutual assistance in various fields, CEMA countries have reached the high rates of economic growth, the journal says. Thus, in the thirty years of CEMA's activities the aggregate industrial output of its member-countries has increased by 15 times, or by more than eight times in per-capita terms since 1950 (world average 3.6 times). With ten per cent of the planet's population, the CEMA countries are now responsible for nearly one-third of world industrial production. They account for the following shares of the world output of some selected products: electricity, 21 per cent; coal, 28 per cent; oil, nearly 20 per cent; natural gas, 29 per cent; cast iron, 27 per cent; steel, 28 per cent; mineral fertilizers, 33 per cent; cement, 25 per cent; chemicals, nearly 33 per cent; engineering goods, over 33 per cent. Whereas thirty years ago the CEMA countries were behind the EEC nations in industrial development, at present their industrial output nearly doubles the relevant figure for the Common Market.

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USSR-CMEA TRADE

UNCTAD MEETING, CMEA TRADE HIGHLIGHTED

Moscow APN DAILY REVIEW in English 5 Jul 82 pp 1-2

[Text] A meeting of the CMEA Secretariat has crowned the interregional seminar of the U.N. Conference on Trade and Development (UNCTAD), which was held in Moscow with the assistance of the Chamber of Trade and Industry of the USSR. The seminar was devoted to pressing issues of expansion of mutually beneficial trade of East European socialist states with developing countries, Leonid Chausov writes in the newspaper PRAVDA on July 4.

Diplomats from more than 60 Asian, African and Latin American states, accredited in the Soviet Union, attended the meeting.

The attention of the participants in the meeting was drawn to the international situation that grew complicated through the fault of imperialism. In conditions of such international situation, establishment of normal trade and economic relations is inseparable from detente, from intensification of the struggle for peace, the commentary runs. The seminar demonstrated once again the objective interest of the socialist countries and developing states to conduct this struggle in close cooperation, to thwart attempts of economic blackmail and pressure on the part of imperialists, to make a real contribution to establishment of a new international economic order.

The share of developing countries grows in CMEA's foreign trade from year to year: it now amounts to about 12 percent. In 1980 mutual trade turnover reached 26,000 million roubles, the commentary stresses.

Also fruitful are other forms of cooperation. Take for instance, financial, technical and scientific assistance to developing countries. The total sum of credits from socialist states for the purpose in the 1970s increased by 110 percent. More than 90 developing countries now get economic and scientific-technical assistance from their reliable partners--the CMEA members. The expansion of economic links with the socialist community promotes the establishment of really independent national economy of Afro-Asian and Latin American countries, consolidates their position in the struggle against imperialism and neocolonialism, PRAVDA writes.

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